

## A Note on Nepal's Seventh Plan (1985-1990)

SIDDHI B. RANITKAR\*

### Introduction

The summary of the Seventh plan has been published after a year of the publication of the basic principles of the Seventh Plan. The Seventh Plan is presented with a slogan "To narrow down the gap between planning and implementation, between word and deed, and to step forward to carry out what has been laid down and translate the vision into reality". It is clear from this statement that planning in Nepal is yet to be successful. Against this background, the study of the summary of the Seventh Plan is presented here.

The sectoral progress of the Sixth Plan mentioned in the Seventh Plan document is highly erratic (e.g. agricultural productions, industrial productions, export earnings, tourism, etc). The highly anomalous performance of the economy may be attributed to the uncertain weather of this region and also the lack of effective implementation of the plans.

The proposed industrial projects are quite familiar to the people for a long time. The proposed 105MW additional electricity is from the ongoing Kulekhani II (32 MW), Marsyangdi hydro-electricity Project (66 MW) and the balance from hydro-electricity Projects. Though the power generation by the end of the Seventh Plan will be doubled, there are no new projects to come during this period.

During the Seventh Plan period, about 70 percent of the resources required for development works will be met by the foreign aid and the balance will be met by internal loan and the revenue. The revenue comprises only 17 percent of the development budget. There are no indications of an urgency to mobilize internal resources or to economize resources and to effectively use these resources for development activities except for a few words which speak of the need for decreasing dependency on foreign aid for development works.

The summary of the Seventh Plan document brings forth the regional development policy thus fading the highly publicised decentralization process for local development. Regional development policy is nowhere to be traced in the Basic Principles of the Seventh Plan. Such a drastic change has occurred during the period of the publication of the Basic Principle of the Seventh Plan and the summary document of the Seventh Plan.

\* *Mr. Ranjitkar is a Programme Officer in SATA/Nepal.*

There proposal for human resource development has not been clearly traced out. In the absence of competent people, development of other national resources will be only a wishful thinking because only people can convert resources into the wealth of the nation. The plan of educational development is heavily biased towards higher education.

The objective of the primary education is primarily focused on the increment of a literacy rate rather than the development of human resource. The emphasis of the primary education is on increasing the enrollment of children in schools rather than the content and the quality of the primary education.

#### **Review of the Sixth Plan**

The review of the Sixth Plan is presented as follows as mentioned in the summary document of the Seventh Plan:

Considering the main economic problems and the constraints facing in the previous plans and considering the necessity of formulating pragmatic development objectives, the objectives of the Sixth Plan are as follows:

- (1) To increase production at a faster rate
- (2) To increase productive employment opportunities.
- (3) To meet the basic needs of the people.

Let us see how far these objectives have been achieved during the period of the Sixth Plan.

The target of the gross domestic product during the period of the Sixth Plan was set at 4.3 percent per annum for which the targets of agricultural productions and the non-agricultural productions were set at 3.2 percent and 5.6 percent respectively. Assuming the rate of population growth would be 2.3 percent per year, the per capita income was expected to be increased by 2 percent. However, despite the growth of the gross domestic product at the rate of 4.4 percent per year, the per capita income could be increased by not more than 1.7 percent because of the high rate of population growth (2.66 percent).

It was planned to limit the annual growth of the regular expenditure at 10 percent to increase revenue and use of foreign aid annually at 12 and 23.2 percent respectively, but the regular expenditure was increased by 21.4 percent at the current price. The major portion of the increment was directed to other regular expenses, defense and internal security. Consequently, a small portion of revenue was left for development purpose.

During the period of the Sixth Plan, development expenditure was increased by 19 percent in the current price. Of this expenditure, 22.1 percent was met by the revenue, 51.1 percent by the foreign aid, the deficit 26.8 percent by the deficit financing. In this period, foreign aid increased by 20 percent at the current price, 9 percent at the fixed price of 1980/81. But the target was to increase foreign aid at 23.2 percent at the fixed price.

Money circulation was aimed to limit at 12 percent per year but it crossed the limit and increased at 14.4 percent per year. This is due to deficit financing and the loan to the government corporations.

During the period of the Sixth Plan, the price rise was 10.2 percent. This is due to the increase in the prices of commodities and services provided by the government corporations, increase in the customs duties and sales tax and due to the price increase in the Indian market.

Export increased by 13.4 percent whereas import increased by 16.5 percent thus the trade deficit was estimated to be 17.9 percent in the period of the Sixth Plan. However, the balance of payment was favourable due to the inflow of foreign currency from the foreign aid and the transfer of foreign currency by the Nepalese working abroad.

Agricultural production might reach 5.9 percent per year. But the target of afforestation might lack behind the target. Due to the availability of power from the Kulekhani and the Devighat power station, industrial production might increase at 10.3 percent. However, performances of some public enterprises were unsatisfactory.

The target of the construction of roads achieved was 89.3 percent. The progress in the social sectors was also satisfactory.

Although the average progress of the development activities was satisfactory, the actual annual performances were highly anomalous indicating a very rough development process indicating either unrealistic planning or unsystematic implementation.

#### **Objectives and Basic Development Policies of the Seventh Plan**

With the completion of the Sixth Plan, the country has a history of about three decades of development planning. However, the majority of the people continue to depend on agriculture; the forest area is decreasing; the environment is deteriorating; the population is increasing; the production of traditional export goods is not increasing; the administration is not competent; foreign aid is not effectively used; the employment opportunities created by the development activities cannot be fully utilised by the local people.

Against this background, the Seventh Plan is formulated with the following objectives:

- (a) To increase production at a higher rate
- (b) To increase opportunities for productive employment, and
- (c) To fulfil the minimum basic needs of the people.

These objectives are carried forward from the Sixth Plan. These objectives conspicuously lack the objective of developing human resources. True development is possible only through the active contribution of the people in general.

#### **Basic development policies**

- (a) The agricultural sector is given top priority. But one of the main components of agricultural development is land reform which was launched long ago and could not take its roots effectively. According to the prevailing land Act. Concentration of land beyond the prescribed limit is not allowed; consequently, land required for commercial farming is not available. Therefore, there is a less chance of investing in the modern agricultural farming. As such, agriculture may not develop speedily despite the priority given to it.

- (b) The development of forest wealth and the conservation of soil are emphasised. But the programmes identified are mainly the planting of saplings and watershed Management. There is no mention of the government policy of encouraging Private forests, Panchayat forests and Panchayat protected forests.
- (c) The development of water resources has come into the lime light. The water resources are foreseen to be developed for irrigation facilities, power and drinking water in view of developing agricultural, industrial and household sectors. Besides, "special attention will be given to develop it as an exportable commodity". It is not clear how the resources will be exported. If it is in the form of water, I am sure that nobody will buy it because the water flows naturally to its destination. If the electricity from this resource is to be exported, it will not be possible for many more years to come because of the investment required for harnessing this resource. Besides, I am doubtful that the electricity generated at the present cost will be economically viable for export.
- (d) Small industries are considered to be most appropriate for development. But most of the industries flourishing in the country are the industries based on imported raw materials. Most of the products of plastic and garment industries, are moulded and labelled. Only a few people are benefitting from these industries. Whereas most of the rural and handicraft industries could not be developed as desired due to the lack of market (e.g. Radipakhi-local carpets). "Radi-Pakhi" (traditional woolen carpet) industries may develop and provide the most needed employment opportunities in the rural areas if only the government offices would use these products instead of imported carpets.
- (e) There are a few other development policies on which I do not comment; hence these policies are not included here.

#### **Growth Rate and Financial objectives.**

It is aimed at that the growth of the gross domestic product would go up by 4.5 percent per year during the period of the Seventh Plan. If this target is realised, the share of agricultural sector in the gross domestic product will be decreased to 49.9 percent from 52.4 percent; the share of non-agricultural sector will be increased to 50.1 percent from 47.6 percent. To achieve this growth rate of 4.5 percent, the total investment required is Rs. 4,096 crore based on the assumption of the incremental capital output ratio of 4.2:1.0. At this rate of growth, the per capita income will increase at 1.8 percent based on the assumption that the population growth will be 2.66 percent per annum.

#### **Development objectives of the Seventh Plan.**

In order to achieve the growth rate mentioned above the rate of agricultural growth is set at 4.3 percent per year of which the targets of cereal crops and cash crops are 4.1 percent and 5.2 percent respectively.

It is foreseen to afforest 175,000 hectares during the Seventh Plan. This target may not be realised in view of the achievement (37,000 hectares) in the Sixth Plan.

The growth of industrial production is targeted at 12.7 percent per year which may be difficult to achieve.

The growth of export is foreseen to be 10.7 percent per year at the prevailing price. The number of tourists is expected to increase by 4 percent.

Power generation is expected to increase from 156 Mw at present to 263 MW at the end of the Seventh Plan. This target will be achieved easily because Kulekhani II (32MW) and Marsyangdi (66MW) hydro-electric power plants are under construction. Besides, these two projects, no significant hydro-power projects are planned during the Seventh Plan. The total length of roads is expected to increase to 7831 KM from 5950 KM presently available.

The percentage of literacy will be increased to 38.9 percent at the end of the Seventh Plan from the percentage of 28.9 percent.

#### Allocation of development Budget

The total government expenditure for the Seventh Plan will be Rs. 2,900 crores including Rs. 100 crores each allocated to assist the private and the Panchayat sector respectively. Thus, the effective total allocation of budget to the development is Rs. 2,700 crores out of which 65 percent will be used as an investment. The investment in the private sector is estimated to be Rs. 2,141, thus the total expenditure during the Seventh Plan is expected to be Rs. 5,041 crores.

#### Mobilization of Resources.

The growing trend of the regular expenditure uses major portion of the revenue thus leaving only a little amount of the revenue for the development purpose. Hence, the development expenditure has to be financed by the foreign aid. Out of the total estimated revenue of Rs. 2,206 crores, Rs. 1,897 crores is allocated to the regular expenditure, the balance amount of Rs. 309 crores remains for development works.

The total foreign aid for the Seventh Plan is estimated to be Rs. 2,048 out of which Rs. 1,040 crores will be received as grant-in-aid, Rs. 1,008 crores as loan. The remaining deficit will be financed by internal resources through additional revenue collection Rs. 193 crores and from internal loan Rs. 350 crores.

#### Resources Allocation

The total resources for development (Rs. 2,900 crores) are allocated as follows:

	Rs. Crores	percent
Agriculture, Irrigation and Forest	886.89	30.6
Industry, Mines and Electricity	754.65	26.0
Transport and Communication	513.25	17.7
Social Services	733.67	25.2
Miscellaneous	11.54	0.4
	<u>2,900.00</u>	<u>100.00</u>

It is stated that the statistics and data are not available for formulating detailed work programmes, hence projects and programmes will be analysed every year when budgets are prepared before implementing them.

I think that nobody is worrying about the heavy dependence on foreign aid for the resources to deploy for development works. Therefore, no concrete measures are proposed for reducing the dependency on the external resources except a few customary words mentioned on this subject.

Besides, the development projects are implemented half heartedly causing cost overrun and time overrun. Sometimes, the quality of the construction work is so poor, it has to be done again.

Thus, huge resources are wasted, which otherwise, could have been used for development purposes. The regular expenditure should be reduced by cutting down the expenses for luxury and ceremony; realistic expenditures for development projects should be made; cost overrun and time overrun of projects should not be tolerated; then only the internal resources might replace the external resources for development works. The country may have chances of being more and more self-sustaining in development works.

#### **Population and Employment**

In view of the increasing population, a multilateral population policy with a long term objective was prepared in the mid period of the Sixth Plan. According to this policy, the population growth is to be reduced to 1.2 percent and the fertility rate to 2.5 percent within the fifteen years (1985-2000). However, even with this rate, the population by that time will be 26 million.

Therefore, an attempt will be made to control the growth of population by effective implementation of family planning programmes, integrating population programmes in development projects, implementing women education and employment, involving Panchayats and non-governmental organizations in the population programmes, and controlling migration.

However, the main component of the population programme i.e. job-oriented education is not included. But without job-oriented education, population control will not be effective whatever policies and programmes are formulated.

Sufficient employment opportunities are not created because of sluggish economic development. Additional manpower created by population growth has to be deployed in agriculture. It is lightly taken to make manpower more productive by imparting necessary skills to them. Even with a slow growth of the economy the necessary skilled manpower could not be deployed from the internal manpower resources. (e.g. the huge non-Nepali manpower deployed in the garment industries. The government has made rules to deploy at least 20 percent Nepali in the garment industries). This indicates the shortage of skilled manpower, however apprenticeship training and vocational education are neglected. Consequently, the

country has more high-level technical manpower in comparison to the mid-level technicians and skilled manpower. In the period of the Seventh Plan, only five technical schools are planned to be opened. The number of technical schools in comparison to tertiary educational institutions is negligible. The present primary education is oriented to the learning of how to read and write. As such, most of the professions are learnt from father. Thus, the professions are handed down from one generation to the next, the mass of the people presently engaged in agriculture have no other professional skills. Therefore, migrant skilled workers fill up the job vacancies; the Nepali people have to do the most menial work. This may be corrected only through apprenticeship and vocational education to the rural agricultural surplus people.

#### **Decentralization or Regionalism**

The decentralization process has been publicised with much fanfare during the last two years. Time has come for its effective implementation but at this stage, the summary document of the Seventh Plan includes a regional development policy which overshadows the decentralization process. The regional development policy will cause a confusion in the implementation of the Decentralization Act. It will also diffuse the enthusiasm created by the promulgation of the Decentralization Act.

According to the regional development policy, development plans will be formulated at three levels : (1) Regional (2) Zonal (3) District.

The district plans that will be prepared according to the Decentralization by-laws, will be in conformity with the regional development plan.

Development Centres will be opened in the regions and the zones whereas Service Centre will be established in the districts particularly in the nine areas (Ilaka). Administrative, professional and service oriented offices that work at the regional level will be located in the Regional Development Centres.

General and development oriented offices and trade and service oriented professions will be developed in the Zonal Development Centres. In other words, urbanization process is attempted to be introduced in these centres.

The Service Centres at the district level will have the service oriented offices. If every thing goes as mentioned in the regional development policy section of the Seventh Plan, the Regional offices will control the planning at the regional level, the zonal offices will control the implementation of the development projects in the zones (sub-regions). Consequently the people at the district level will have the left-overs from the regions and the zones. The district plans have to be in conformity with the regional development plans. The districts will be the third level of the development regions. All the authority delegated to the District Panchayat will be revoked and centralised at the regional and zonal level.

#### **Conclusion**

The Seventh Plan has yet to make a promise of better life to the people. Even if the



targets are achieved as envisaged in the plan, the per capita income of the people will increase by only 1.8 percent. Hence, poverty remains with the people in general.

There will be a limited development of infrastructures e.g. roads and electricity which are essential for the expeditious development of industry, trade and even agriculture.

Education and health sectors also have yet to take a new turn. Higher education opportunities will be created for the better-off people. Similarly, better health services will be provided to the urban people.

Considering these points, it is very difficult to paint a rosy picture of the economic development of this country during the Seventh Plan period.

The economy will be dragged on. Dependency on foreign aid for economic development will continue during this period. Debt servicing will be increased because of the ever increasing foreign loan.



## Book Review

**Sushil Raj Pandey, *The Political Economy of Nepalese Land Reform: Some Aspects*.** Kathmandu: Himalayan Pioneers for Public Service and Research, 1985. Price: Rs. 265.00 Pages: 203 + 27.

Land Reform ever since it was launched in 1964, has been one of the very much highlighted issues in Nepal mainly through the governmental media. The 25 year partyless panchayat polity claimed it as one of its few most important achievements. However, such claim by the politicians has virtually remained unresponded by the academics.

In fact, there is absolute lack of political approach to the study of Nepalese Land Reform. The book under review, which originated in the author's Ph.D. programme during 1981-84 in Banaras Hindu University, has come out as the most important contribution to this end and has added a major addition to the literature of the Nepalese political economy. The scholarly pursuits of the author and the objective analysis made in the book, make it a worth-buying.

The study of land reform requires an interdisciplinary approach. It is a political means to achieve the larger end, i.e. modernization. In developing countries modernization is invariably linked with the land system and land has remained in most cases the basis of politics. Till now studies in Nepalese politics have typically been confined to the conventional areas and there could be no denial that such studies have largely been influenced by the Western scholars. However, to describe it as a "mute dependency syndrome" (p.2) cannot be realistic. Micro-level research in Nepalese political studies, indeed, has long been an overdue. The present work, beside a major attempt to fill this void, has made focus on nonconventional areas of Nepalese political studies. The book under review which contains altogether seven chapters, is based on a case study at the micro-level and also deals at length with the macro-level of analysis.

As said in the beginning (Chapter I) the author intends to look at the Nepalese land reform programme in multiple perspectives, e.g. as an instrument to achieve the goals of modernization, social justice, a developmental planning approach, and so on (chapter I) and thereby create confusion regarding the central theme of the book. Generally the book gives the notion that the author has endeavoured to see the Nepalese land reform from the central

theme of peasantry i. e. a social justice approach. However, many concepts such as elite culture (chapter I), class conflict (chapter II), social justice, etc. remain vague and not properly integrated. Similarly, the selection of Bhaktapur district as a sample for the micro-level study also lacks sound justification since some of the basic findings at this level appear inconsistent with those at the macro-level. (Chapter III and V).

Any land reform scheme must involve two major objectives: (i) a radical transformation of hitherto existing unequal, unjust and exploitative system of land holdings and tenure to that of egalitarian and just one with far-reaching revolutionary consequences to the overall socio-economic and political milieu of the country, and (ii) create more congenial condition for the industrialization by generating greater flow of capital which has hitherto remained immobile and unproductive in the form of agro-based property. How a political system like ours which depends so much on the traditional sources of political support could think of implementing such a revolutionary concept is interestingly worth investigating topic. But this aspect of Nepalese land reform has not seriously been taken up by the scholars. While the author makes references particularly to the 'elite' and 'class conflict' in Nepal's agrarian context one may genuinely expect that this aspect should have given due consideration. But such expectations of the readers remain unfulfilled.

Even a cursory glance at the courses of Nepalese political experiment would reveal that since the 1950 revolution and onwards the issue of land reform had been a matter of constant debate among the Nepalese political elites. The first coalition government initiated a major step to reform the land system by making a proposal to abolish *Birta* lands. On September 26, 1951 the cabinet approved it and decided to establish necessary administrative machineries for its implementation. Accordingly transfer of *Birta* lands by sale or mortgage was prohibited for holdings larger than 25 ropanies to the hills including Kathmandu Valley and 25 bighas in the Tarai. In an uncertain political milieu no government till 1959 could do a follow up of this revolutionary decision. Instead, there was a retreat.

The first elected government once again picked up the thread from where it had left and in September 1959 introduced a bill to effect the abolition to *Birta* lands. Within three months it became law and all the sights and power possessed by the *Birta* owners were declared lapsed. The land reform issue then had a strong political connotation since the "extant" land system was considered as a symbol of the continuation of Ranarchy. Therefore, the revolutionary elites were so eager to bring about a major change in the land system to mark an end to this strong legacy of the Rana rule once and for all. Besides, the success in it would bring a wider political supports for the government and thereby gaining enough strength and confidence to deal with the reactionary and feudal elements. This was also in accordance with its adherence to the socialist principles. "Land to the tillers" was its major slogan.

The Panchayat polity shifted the strategy which ultimately culminated in the Lands Act and Rules, 1964 popularly called land reform programme. The Panchayat polity having a strong

traditional support base could not afford to enact land reform scheme without safeguarding the interests of traditional elites. However, the land reform was considered a political necessity. The overall purpose of land reform was defined as "to accelerate the pace of economic development" by diverting the "inactive capital and pressure of population from the land to other sectors of economy". A critical observer succinctly comments, "the basic motivation for the present land reform policy stems from the need to accelerate the growth in non-agricultural sphere than from the egalitarian desire to achieve social justice in a sphere which has been traditionally recognised as a feudalist stronghold." The Lands Act, 1964 did not challenge the interests of the privileged landowners. The real meaning of land reform was thus relegated to the background.

The book under review does not bother to touch upon the above stated background and starts directly since 1964. Chapter II could have appropriately linked this background with the present scheme of land reform and the author could have ably established the major factor that caused the achievement of land reform "far below the level of expectation" and complete lack of "political will." The micro-level studies of the selected Panchayats of Bhaktapur district reveal that the large number of respondents, about two-third, felt the land reform as a success and the tenants protected (chapter V). The discrepancy clearly comes out of what the author concludes in the Chapter III dealing with the macro-level. In order to erase this discrepancy, the author has taken much pain endeavouring to identify the factors contributing 31 percent of respondents to say the land reform as failure (pp. 134-36), that too without much success. Whereas this could have been easily avoided if had taken into consideration and properly integrated the background and variables like egalitarian principles of social justice, elite culture etc.

Finally, while considering the finding of the present study (pp. 164-69) the greatest drawback for the successful implementation of land reform appears to be political. The author reveals the fact that the major hurdles to its success were political. In the total absence of sincere political commitment on the part of leadership, some of the achievements like development of "infrastructures for agrarian change and development" both at the "grass roots and national level", tenancy protection, discouragement of 'investment on land', interception of traditional agricultural credit and relief of peasants from 'permanent boundage', etc. have been rendered meaningless. The author states, "Nearly two decades of planning have left the peasants where they were before. Probably they were before. Probably they have become poorer; the agricultural production has declined; the traditional continue to be exploitative; and if there is structural change, it remains largely superficial." (p. 54). Restriction of open politics forcibly suppressed the emergence of organised agrarian political forces so vital for meaningful implementation of any land reform scheme. Nepal Peasants Organisation served as a manipulative body at the hands of ruling elites. Peasants could not be mobilised to the success of cooperatives due to lack of a true front organisation of the peasantry. Outside migration, mainly from the rural agrarian community continued to be unabated and

helped to defuse recurrent food crises in various parts of the country to the advantage of privileged land owners and ruling elites. Class conflict remained subdued (Chapter VI). Author's prescription for a broad 'democratic political change' and specific legislation (pp.169-70)deserves serious attention if the land reform is to be implemented in true sense and in accordance with the central theme of peasantry.

*Department of Political Science*  
Kritipur Campus.

**K. P. Khanal**

