

ICA 01413

COUNTRY BACKGROUND PAPER OF NEPAL



Presented to the International Co-operative Alliance (ICA) in connection to the 2nd ICA-Japan Training Course on "Enhancement of Farmers' Income and Poverty Reduction through Co-operatives" to be held on 9th December

'2007 – 19th April '2008

(India – Thailand – Japan)



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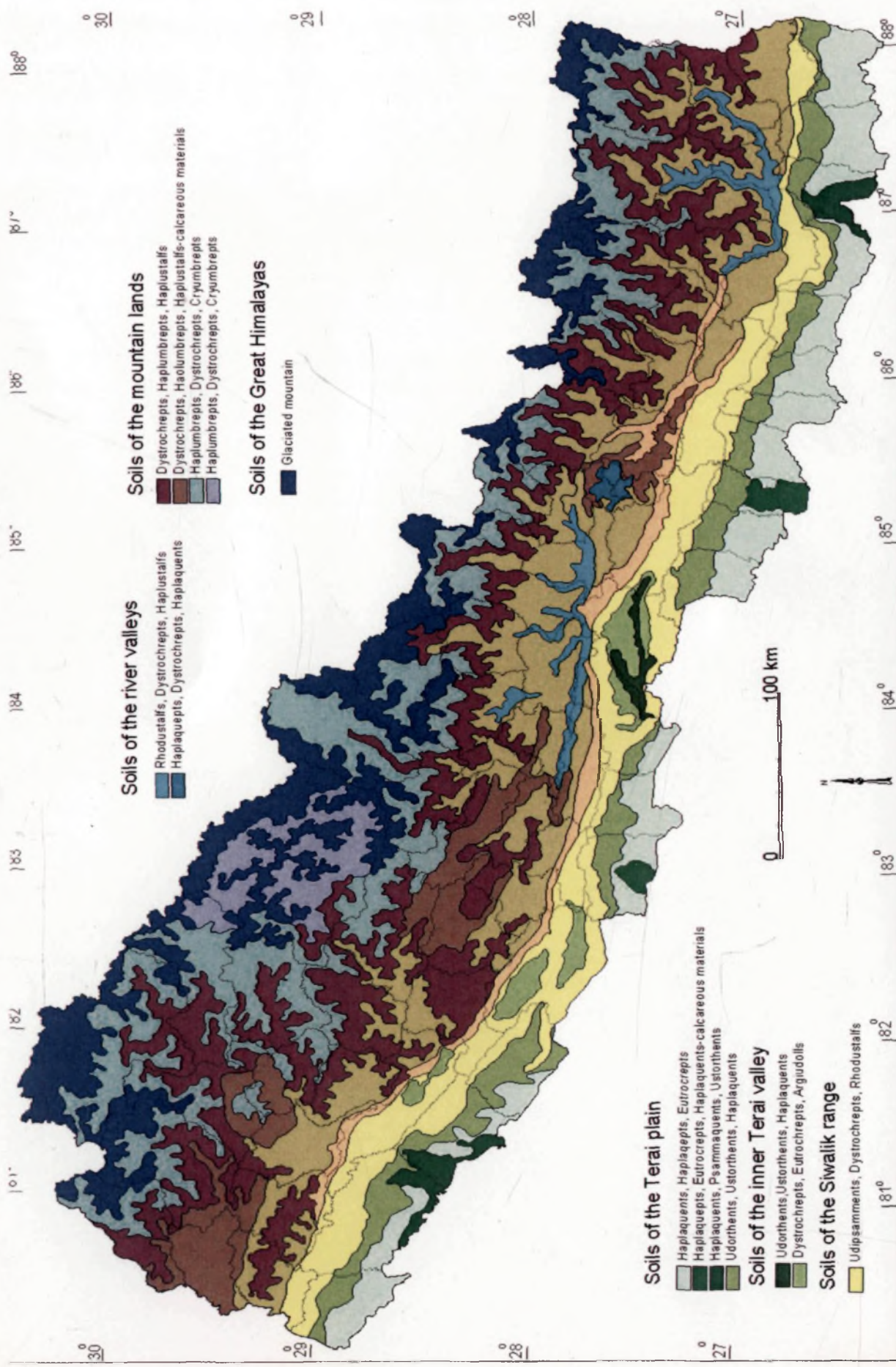


Figure 4.3. Generalized soils map of Nepal (Source: Soil Science Division, Nepal Agricultural research Council).

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Country Background Paper of Nepal - 2007/2008

General Information

Physical Features

Nepal is a land locked country bounded on the north by China and on the south, east & west by India. The country has a total land area of 147,181 square kilometers. Hill ecological belt shares 61,345 sq. km. of lands, which is approximately 42% of the total land area. Mountain belt reported the second largest land area of about 35% while Terai belt occupies the smallest area of 23% of the total land area of the country. Ecologically, the country is divided into three belts, namely: mountain belt, Hill belt & Terai belt, running east to west with a non-uniform width from north to south.

Mountain Belt

Mountain belt covers Himalayan ranges and lies in the north. The altitude ranges between 4,899 meters to 8,848 meters above sea level. The snow line (i.e. area covered with snow all the year round) starts at 5000 mtrs.

Hill Belt

The hill belt is located in between the Mountain & Terai belts. The hill belts are mainly those hills which are lower in altitude than Himalyas. This belt also consists of fertile valleys and basins such as Kathmandu (the capital of Nepal), Pokhara (a beautiful land having many lakes) etc.

Terai belt

The belt on the southern part of the country is called Terai. Being an extension of the Gangetic plains of India, it has low flat land and as well as dense forest. It is the major agricultural area of the country.

Administrative Division

Administratively, the country is divided into 75 districts grouped into 5 development regions that cut across ecological belts. The mountain belt constitutes 16 districts, 39 districts in the middle comprise the hill belt and 20 districts compose the Terai belt.

(refer to general information given in Annex I.)

Demography

The population census 2001 of Nepal recorded a total population count of 22.6 million which includes 49.96 percent male and 50.04 percent female. The population growth rate is 2.25% and the literacy rate is around 40% of total population. About 48.43% of the total populations are found in Terai belt and 44.28% are in hill belt. Mountain belt has a population of only 7.9 %.

Eighty percent Nepalese are dependent on farming and it accounts for more than 40% of the GDP. Rolling fields and neat terraces can be seen all over the Terai flatlands and the hills of Nepal. Even in the highly urbanized Kathmandu Valley, large tracts of land outside the city areas are devoted to farming. Rice is the staple food in Nepal and around four million tons are produced annually. Other major crops are maize, wheat, millet and barley. Besides food grains, cash crops like sugarcane, oil seeds, tobacco, jute and tea are also cultivated in large quantities.

The country comprises different races, cultures, religions and languages. Majority of the population believe in Hinduism and remaining are Muslims, Buddhist and Christians. Pashupatinath is one of the popular Hindu temples in the world and millions of Hindus from abroad visit to pray & worship Lord Pashupatinath every year. Although local languages are spoken in different areas; Nepali language is used as National Language. The other local languages are Maithili, Bhojpuri, Newari, Kirati, Tamang, Magar and Gurung etc.

Status of Agriculture

Nepal is an agricultural country where about eighty percent of the people are dependent on agriculture for their income and employment. Agriculture sector contributes 36 percent of GDP. Hence, the agricultural is given top priority considering the fact that the sustainable economic development is not possible without the growth of agriculture. Nepal's rural economy is substantially dependant on agriculture. In accordance with the agricultural survey of 2005 of Nepal, more than 65.6 percent of population depends on agriculture, and which contribute 42% to GDP. It is estimated that the growth rate in agriculture sector is 3.6 percent.

Nepal is one of the least developing countries in the world. It is the land of agricultural economy. In recent years, the country's efforts to expand into manufacturing industries and other technological sectors have achieved much progress. Farming is the main economic activity followed by manufacturing, trade and tourism. The chief sources of foreign currency earnings are merchandise export, services, tourism, Recently, the major source of income has been remittance made by Gorkha soldiers and Nepalese people abroad.

- Nepal
- occupies only 0.1% of the earth – is home to:
 - 2% of all the flowering plants in the world;
 - 8% of the world's population of birds (more than 848 species);
 - 4% of mammals on earth;
 - 11 of the world's 15 families of butterflies (more than 500 species);
 - 600 indigenous plant families;

Agriculture is the backbone of the Nepalese economy. It is the source of livelihood of the Nepalese people. It has provided employment to more that 65.6% of the labor force. Hence, it is a source of employment for the people. It is also the source of food for Nepalese people as well as it is the source of national income. It supplies the raw materials for agro-industry. The main raw materials are sugarcane, tobacco, tea, jute, food grains, milk, leather and wool. Many big industries such as sugar, tea, dairy, cigarettes, and jute, food processing and leather industries are all agro-based. The main agricultural commodities exported are raw jute, jute products, rice, oil seeds and pulses etc. Apart from these products timber and herbal products are also main sources of income from export.

Agricultural economy is at the subsistent level. So, it is obvious that Nepal has not been able to reduce the share of agriculture in national economy. In Nepal, only small proportion of farms uses modern production inputs. The fertilizer used is miserably low. Besides, only seventeen percent of the arable land has water supplies. According to National Sample Census of Agriculture (NSCA) 1991/1992, over one-third of all agricultural land is irrigated. Almost one half of paddy growers use chemical fertilizers, and almost a quarter use improved seeds. Over one half of the wheat growers used chemical

fertilizers. The use of improve cultivation practices has undoubtedly increased in recent years but they are not sufficient for commercialization in agriculture.

The agriculture of Nepal is characterized by high cost and low productivity. According to Agriculture Prospective Plan (APP), the annual growth rate of agriculture and population in past clustered around 3% and 2.5% respectively. The food grains production per hectare was mere 1.85 metric tons and cash crops production was 7.60 metric tons in 1996/97 according to Central bank of Nepal (Nepal Rastra Bank - NRB). The low productivity in agriculture is due to low level of investment. The small proportion of the capital equipment is due to low capital formation.

The farm size is declining over the years. In the fiscal year 1961/62, the average size of land holding in Nepal was 1.11 hectare while it has decreased of 0.96 hectare in 1991/92. About 70 % of farmers own more than one hectare of land. Those who are having land do not possess cultivation skill and those having skill do not have land for full time job. This has hindered productivity and resulted from break up of land holdings under existing laws of inheritance. The smallholding operates more intensively than big holdings. But they are often disadvantaged in terms of inputs and modern agricultural technology. Out of the 2.60 million hectares of land operated by agricultural holdings, 2.39 million hectare or 92% is agricultural land. Most of the agricultural land is used for the cultivation of the seasonal crops. It was 2.28 million hectare in 1991/92. The area under permanent crop was only 29.400 hectares.

The overall composition of crop area shows that cereal grains constituted 80% of the total crop area in 1991/92. Paddy comprised 36% of all crop area. The other cereals were 44% of all crop area. The contribution of crops other than cereal was 20% in 1991. In this way the cereal grain crop area is increasing and that of other crop is declining.

Land Distribution Pattern

As it is explained that the total area of Nepal is 1, 47,181 square kilometers with different geographical as well as geological condition, Nepalese geography is of three types, i.e. Terai, Hill and Mountain. As factors of production and land has a direct relation with productivity and it is said that the quality of land is measured by its productivity. Mountain, Hill and Terai have different quality of land that may be used in agricultural purpose. The land and its area is classified as mentioned below:

<u>Area</u>	<u>in thousand</u>
Terai	2212 hectors
Inner Terai	1879 hectors
Hill	7250 hectors
Mountain	3497 hectors

It is found that hilly region has the highest degree of productive land but there is lack of irrigation facilities. The land has different quality for agriculture and differs its utilization. Only 26% of the total land is suitable for agriculture and around 20% land is occupied up to now, and 6% is used in other purposes. If we analyze the distribution pattern of Nepalese land, we find that 12% land is used as grazing land. 19% is covered with rocks, snow and other unproductive sector for agriculture like rivers, lakes, ponds etc. Around 49% of the land is covered by forest and bushes.

More than 70% of land is known as rural part of the country. We can utilize only 26% of land for the agricultural purpose and rest of it can be used for tourism and other purposes.

Different types of problems in using the land are as below:

1. **Soil Erosion:** Soil erosion is the destruction of the quality of special land by rainfall, landslide, deforestation etc. Soil erosion is the process of losing the productivity of land due to different natural causes such as landslides, floods, rainfall etc and we don't have the idea and technologies, how to control this process, is the major problem for the use of land. If soil erosion is controlled properly, the major problem in land use can easily be solved and productivity can be increased.

Forest has the direct relation with rainfall, soil erosion, ecosystem and other natural system. Because of unplanned process of deforestation is being rapidly. Unscientific distributions of land, uncontrolled migration, burning issue of poverty etc are the major cause for deforestation. By this we are not able to balance the utilization of land.

2. **Unscientific farming:** Nepalese farming system is based upon traditional technology and it is only for sustaining. Therefore, it has low productivity. Being so, people are not actually motivated for the proper utilization of land. If farming system is improved, it will give higher level of productivity and maximum utilization of land is possible.
3. **Unplanned Urbanization** Because of this reason productive land has been converted into the residential areas and no special further plan for the scientific urbanization is with us. Therefore, lack of planned urbanization is another problem and the use of land.
4. **Dual ownership in land:** People who do not have their own land posses' skill in cultivation on the contrary people who have land do not work in farming. In this way the landless people are engaged in farming where as the land owner is getting benefits without being involved in farming.

Measure to solve the problems of Land utilization

In Nepal we have many problems in the proper utilization of land; ultimately the situation is leading us towards the poverty. It is said that the burning issue of the developing countries like Nepal is possible to solve only by the proper utilization of land as we have agriculture based economy. Because of many causes the real situation is very bad in front of us, not only these we do not have any special plan to solve this problem.

Some measures given below will be helpful to analyze and solve the problems:

1. **Scientific agriculture system:** The problem of land use in our nation can be solved by applying scientific farming which increase the productivity of the land.
2. **Forestation:** As we know, the forest has the multidimensional effect in production system; forestation can enforce the use of land very positively. It helps to control land slide, soil erosion,

maintain good ecosystem, timely monsoon and so on. Hence, a forestation program should be massively implemented to solve the problem of land utilization.

3. **Town planning:** Town planning also helps to the optimization of land. It controls the misutilization of land, and productive land can not be converted in residential areas. So, the country needs town planning.
4. **Strong government policy:** The strong government policy and fair implementation of such policies are very essential to solve the problem of land use in our nation.
5. **Development of infrastructure:** The infrastructure like transportation, electricity, communication medical and other modern facilities can enforce to the solution of land use in the nation. These things help and motivate to the proportionate use of land and pressure on land can be balanced. Thus, it is essential to develop infrastructure in the country.
6. **Poverty alleviation:** Poverty is another important cause to raise the problem in land use in our country. Because of poor economic condition, people are unable to use the land property and impossible to invest other kinds of factors of production which are compulsory to invest for the better productivity of land.

Land sub-division and fragmentation

The process of dividing the land in to small plots is known as sub-division of land and fragmentation. In other words broken piece of land by boundary is fragmentation. The agronomist conclude that the productivity of land is affected negatively due to land fragmentation which makes unable to apply modern advanced technologies and creates many other problem to increase the land productivity.

Causes of Land Fragmentation

1. *Share of land as a paternal property*
2. *Weak Government policy*
3. *Business of Land*
4. *Poverty*
5. *Migration*
6. *Urbanization*
7. *Increase in other economic activities*

Most of the traditional people think that land is a single type of assets. They don't like to sell their lands as a whole and sold only when forced to sell due to poor economic condition. In such a way land fragmentation process is being continued day by day. So the policy makers should focus their attention towards the reality that the highly fragmented land has been effecting to low productivity and high cost in managing the land.

Production situation

Although there are varieties of food crops being cultivated, only the production situation of major food crops is mentioned in the following tables.

S.N.	Food Crops	Production
1	Rice	4289827 mt. tons
2	Maize	1716042 mt. tons
3	Wheat	1442442mt. tons
4	Barley	29341mt. tons
5	Millet	289833mt.tons

Source: Statistical Pocket book, Nepal 2006

Prospect of Agro-Based Industries

Traditionally, Nepalese people were engaged in producing woolen clothes, jutes, tobacco industries and other agro-products. If this type of industry is developed properly, it can directly help the agriculture sector. It helps increase the income of rural people. More than 80% of the Nepalese people are engaged with agricultural activities. If it is carried on by integrating agro-based industries, it will be helpful for the poverty alleviation. Therefore, these types of industries also have some of the importance as given below:

1. *Better living standard*
2. *Employment*
3. *Utilization of local resources*
4. *Income*
5. *Support to agriculture*
6. *Poverty alleviation*

To establish agro-based industries means to integrate agriculture sector with industrial sector. By these, farmers and rural people also may be converted into entrepreneurship. Most of the researchers also have focused their suggestion to enhance the agro-based industry in the nation. So that both agriculture and industrial sectors can be developed simultaneously. If the efforts are given very sincerely and positively then that can fulfill the requirements of people regarding economic aspects.

Nepal Agricultural Research council (NARC)

With a vision to focus on poverty reduction through enhancement of agricultural contribution to livelihoods, especially those of the rural poor, NARC has formulated numbers of programs and activities for the development of agricultural sector in Nepal.

NARC has objectives to formulate and develop agricultural technology, policy and services to better address priority clients' requirements.

NARC's research strategies and priorities are guided by national plans and policies of Nepal Government, such as national periodic plans, the long-term Agriculture perspective plan (APP), the National Agriculture policy (2004) and NARC vision (2021). NARC research priorities include the problems and immediate needs of farmers and other user groups.

Priorities of the NARC research programs are:

- Varietal improvement / development of crops and horticultural including pasture, forages and crops of high commercial value.
- Breed improvement / development of livestock and fisheries.
- High value commodities (citrus, apple, off season vegetables, vegetable seeds, sericulture and apiculture.)
- Integrated plant and livestock nutrient management.
- Post harvest storage, handling and value addition.
- Integrated pest and disease management for crops, horticulture, livestock and fisheries.
- Natural resource management through agro forestry and soil conservation.
- On farm water management and resource conservation technologies (RCTs).
- Development of technologies with competitive and comparative advantages.
- Application of biotechnology to crops, horticulture, livestock and fisheries.
- Genetic resource conservation and utilization.
- Socio- economic and gender related research.
- Policy and market research.

Agriculture Inputs Corporation

Agriculture Inputs Corporation was established in 1974 and it was converted to Agriculture Inputs Company and National Seeds Company in 2002. Its main activities are to import, supply and distribute the quality chemical fertilizer in a reasonable price to the farmers. It has also objective to educate the rural farmers about the advantages and use of fertilizer for high and quality production of food grains and cash crops.

Besides these it has also established a seeds lab for research and development of improved seeds. Simultaneously, Agriculture Inputs Company is also involved to construct cold storages in different parts of the country for the preservation of vegetables and seasonal fruits during the production in the country.

Development of Co-Operatives in Nepal

Cooperative Societies have become popular among Nepalese agriculture farmers. Farmers have easy access to credit facilities through Cooperatives and it has become a tool for changing Nepalese socio economic situation of the country.

Nepal's Cooperative development was geared up with the establishment of 17 Credit Cooperatives in 1956 as part of the resettlement program for the flood stricken people in Rapti Valley (now under Chitwan District). Considering the importance of necessary rules and regulations for managing and guiding cooperatives, the first Cooperative Act was promulgated in 1959.

During the period, a Cooperative Development Fund was established to finance cooperatives for lending to their members. In order to provide broader spectrum of supervision, guidance and lending to cooperatives, a Cooperative Bank was established in 1963. In 1976, the cooperatives were redesigned

and renamed as “Sajha”. They were brought under the Agricultural Development Bank of Nepal for financial and administrative control. However, this did not last long and were handed over back to the Department of Cooperatives. All these cooperatives associated with the development path deal with supplying inputs and credits marketing activities.

Following the restoration of democracy in Nepal in 1990, dramatic changes took place in the cooperative movement. New Cooperative Act was promulgated in 1992 recognizing cooperatives as an autonomous body. A long awaited National Cooperative Federation came into existence when it was registered on June 20, 1993 under the Co-operative Act, 1992.

The new Act has made immediate growth of large numbers of cooperatives and the numbers of co-operatives exceeded 10,000 by the end of September 2007 from just 830 in 1992. Number of cooperatives, membership and other information are shown in Annex.

3 Tiers vs. 4 Tiers System of Cooperatives

The Cooperative Act, 1992 has the provision of three-tier system for agricultural cooperatives and four tier system for single purpose cooperatives or commodity based cooperatives.

The major functions of the primary cooperatives are to benefit the members by providing necessary services, help for development of the members' socio-economic condition and the community by providing services in groups and community basis, disburse loans to the members on their need base as well as provide other services for the betterment of the members. Secondary level or district level union is formed with the affiliation of at least five primary cooperatives. It functions as a pool among its member cooperatives with the jurisdiction of a single district. It also provides necessary services required by the members through coordinating its member cooperatives.

Central cooperative union is an organization of the commodity based primary cooperatives or/and district unions and responsible for promotion, education, coordination and training activities.

The National Cooperative Federation (NCF) is an apex organization of all types and levels of cooperatives.

Agriculture Cooperatives

The agricultural cooperatives include multifunctional cooperatives which deal with Credit Cooperatives, Marketing Cooperatives, and Processing Cooperatives. Though in the beginning, Credit Cooperatives were converted into the multi purpose cooperatives basically to provide fertilizer, insecticide, pesticides, consumers goods, credit and other facilities related to the agricultural production to members and the community at large. However, these cooperatives involved in marketing of agricultural produces, storage facilities and pledging. These cooperatives registered under the Cooperative Act prior to the enactment of the Cooperative Act, 1992 functioned as multipurpose cooperatives engaged in various activities rather than engaged in purely in agricultural activities. However, in the competitive environment, these cooperatives are diversifying their activities including processing, marketing, community development, environment protection, poverty alleviation and other viable activities concerned to utilization and mobilization of resources locally available.

After the areas widened by the new Cooperative Act 1992, several cooperatives have been established in the field of agricultural and livestock sectors. Some of them are concentrated on fruit and vegetable production, tea and coffee production, sugarcane production, pig raising, poultry farming as well as milk production, bee keeping, fisheries etc.

The Cooperative Sector addressed in the 10th Plan-2002-2007

The Tenth five-year plan has also given emphasis to the Cooperatives. The plan specifically mentioned regarding the role of cooperatives in implementing development strategy formulated in the plan. The plan document clearly specifies the role of cooperatives and recognizes cooperatives as a powerful instrument for development and expansion of economic sectors such as agriculture, industry, trade etc.

In the section of agricultural development, the Plan Document described following strategic roles/functions for cooperatives:

1. Implementing agricultural support service program also in cooperative and contract services (Related to Strategy 4)

- The participation of Nepal Government and community based organizations, non-government organizations and the private sector will be expanded gradually according to the concept of contract and cooperative farming to enhance the participation of the private sector in the agriculture and livestock extension services. Similarly, institutionalized development will be made to encourage cooperative and contract farming.
- The private sector and the cooperatives will be attracted for the processing and the development of livestock related industries to ensure sustainable market to the agriculture livestock products. Through the utilization of the modern information technology, market management and agricultural information will be supplied to the rural areas. For this purpose, the necessary promotional assistance could be made available

2. Encouragement to cooperative and contract farming

- Cooperative training and education program will be expanded in the regional level.
- Cooperative and contract farming will be encouraged with a policy to ensure ownership and use of the land.

3. Program and Implementation arrangement for Food Security

- The cooperative and the private sectors will be encouraged in programs to participate for popularizing the use of organic fertilizer, balanced and appropriate use of chemical fertilizer, production of organic fertilizer from the waste generated in the agricultural market sites and so on. For environmental conservation and population control, assistance will be provided to reduce the use of pesticides and to the integrated crop management.

NEPAL SAHAKARI BITTIYA SANSTHA ESTD 2049

Introduction

It is with a view of catering financial support services to the rural and urban poor population through co-operatives, this society, with the participation of co-operative, non co-operative agencies and some business elites as well as NRB staffs was established on 2049 Magh (1992 AD) under the co-operative Act of 2048.

It started with a modest limited banking operations and authorised share capital was NRs. 10 million under the approval of NRB in 2051 Poush 15 (1995 Dec). Today, its paid-up capital is 30 million and reserved fund is above 15 million.

Objectives

- Raising funds by encouraging the savings and deposits from its member's area.
- Provision of supervised credit facilities for small and medium undertakers in local areas.
- Help socio-economic development of the deprived people in the rural and urban areas through co-operative societies.
- Management support services to the co-ops in regard to supervision and control of credit to its members for generating optimum return on the investments of co-ops members.
- Arranging training and seminars for the co-operative management development.

Activities

- Collect deposits from its member individuals, firms and associations.
- Collect daily savings from its member small traders, housewives, teachers and people of the varied professions by giving them optimum returns on their deposits.
- Provide short and medium term loan to its members for pursuing of small traders, services, industries and other various purposes.
- Provide agriculture, cottage industries and marketing loan to its member rural credit co-operative societies.
- Provide secondary market of NRB & HMG Bond facilities.
- Some incentives to depositors and loaners.
- Provision of free personal accident insurance to the depositors of standing deposit of Rs.500000 and above in saving account.
- Provision of tele-banking services to regular depositors.
- Provision of rewards to the best of the depositors.
- Provision of 10% rebate on the interest for repayment of monthly interest dues.
- Simplification of loan process and prompt services with a view to save time and money of loaners and depositors.

Share Capital

Authorized share capital
NRs. 100,000,000.00

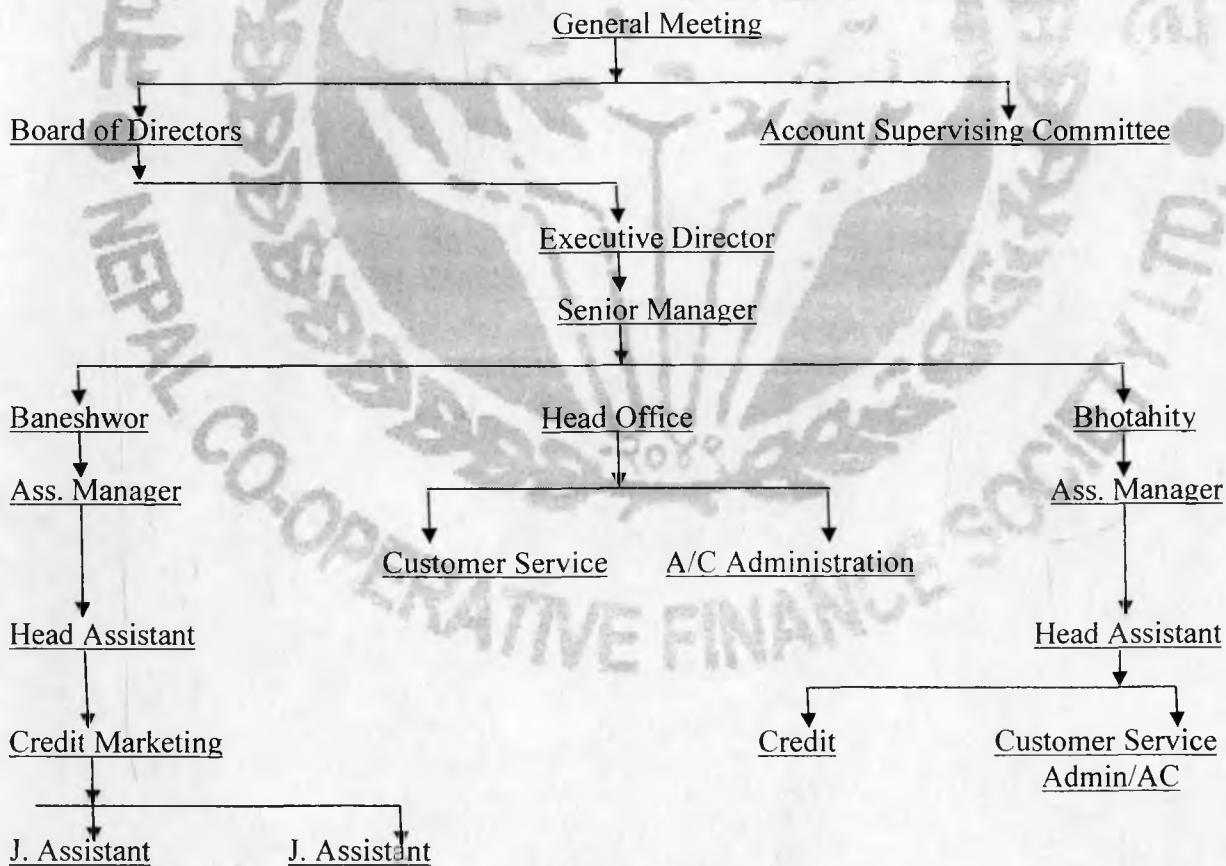
The value of share capital in Rs.100.00 each
Paid up capital Rs. 38 millions

The Board

The organization consists of 7 Board of Directors & Three Account Supervisory Committee members. The Board is responsible for formulating policies and the Supervisory Committee is responsible for overall inspection and supervision of the organization.

Auditing is being conducted by a Registered Accounts Audit Firm, staffed chartered Accountant who is nominated by General Assembly and approved by NRB as well as co-operative department. Auditing is generally done under the guiding principles of NRB, within the period laid down by the Act.

Organizational Structure of Nepal Co-operative Finance Society



Deposits and rate of interest

Deposits can be started with an amount of Rs.1000.00. The rate of interest will be as decided by the board and at present annual interest rate is as following:

Annual Interest Rate

Co-operative savings deposits	6.0%
Co-operative special deposits	1.0%
Co-operative domestic savings deposits	6.0%
Co-operative time deposits of 6 months	7.0%
Co-operative time deposits of 1 year	8.5%
Co-operative time deposits of 2 year	9.0%
Co-operative time deposits of 3 year	9.5%
Provident fund deposit	9.0%

Interest rate on deposits of above 4 years and above 20 million rupees will be decided as per negotiation.

Loan and Rate of Interest

Purposes	
Trade	14.5%
Industry	14.5%
Service works	14.5%
Consumer service	14.5%
Personal	14.5%
Hire purchase	14.5%
Construction	14.5%
Contract	14.5%
Prime client business	14.0%
Against F.D. extra	2.0%

Working Capital

Prime 1	12-13%
Other	15%

Recurring deposit schemes

Under this scheme people deposit certain fixed amount monthly for forty two months and 43rd month they collect the amount of 50 months.

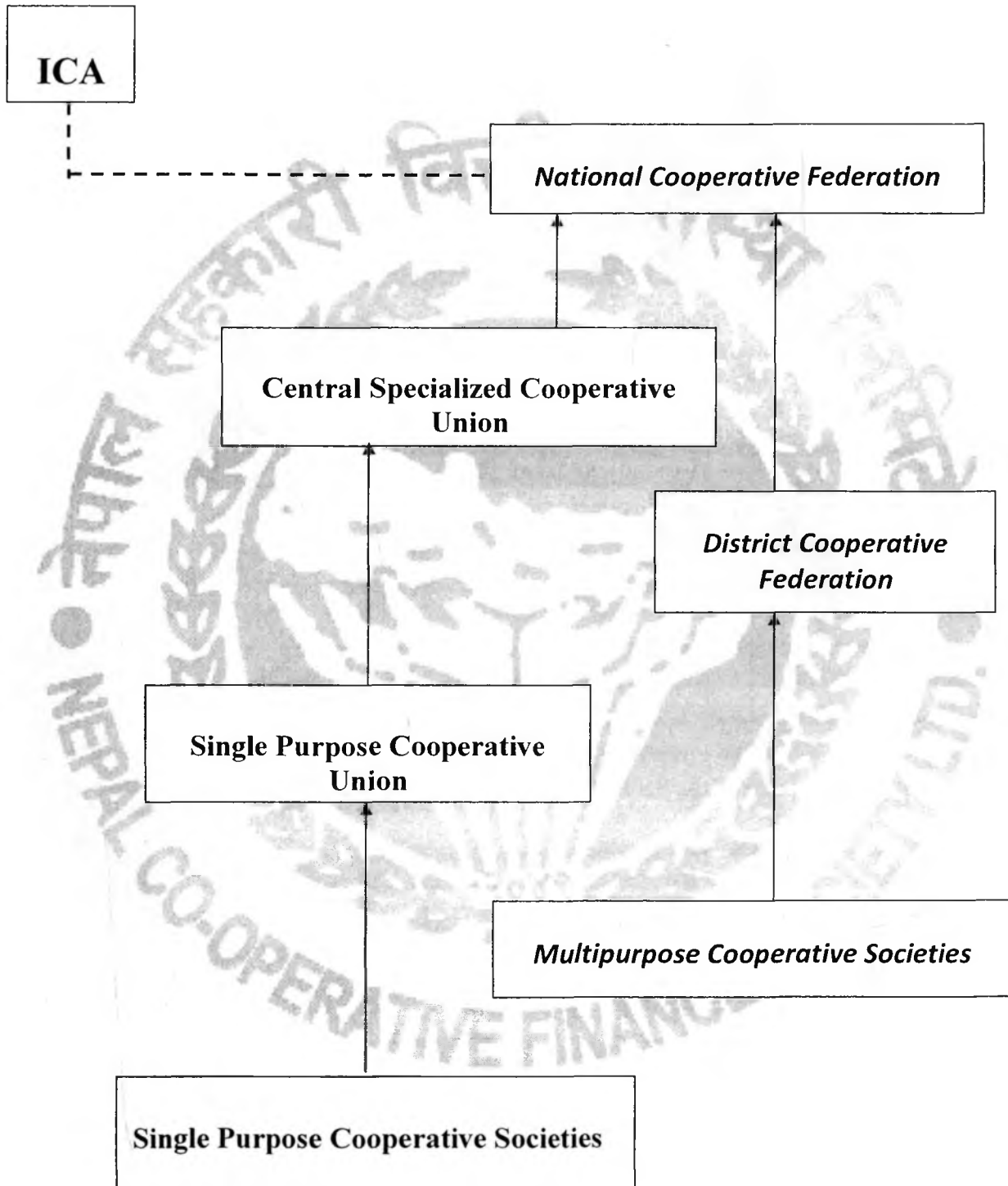
Amount receivable under this scheme.

Monthly deposit	Total amt.dep. in 42 months	Returnable amt. in 43 rd month
Rs.1000.00	Rs. 42000.00	Rs.50000.00

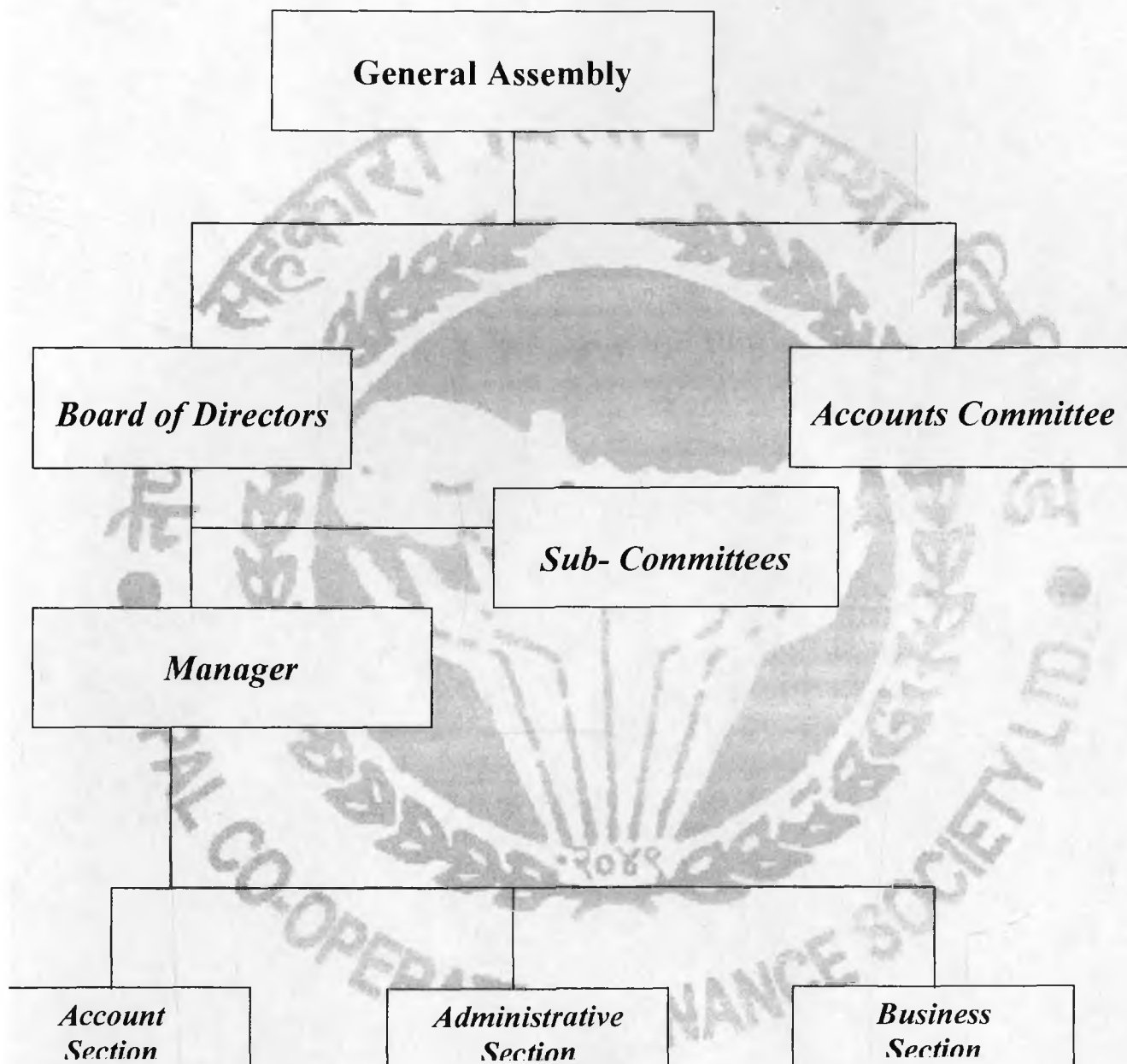
Problem of Cooperative Movement

- a) **Inadequate fund**: Ever since the co-operative bank was converted into the Agriculture Development Bank of Nepal (ADB/N), co-operatives have not been able to get adequate refinance facilities. The ADB/N can lend directly to the farmers either through its district branches or through the subproject office of its own Small Farmer Development Project (SFDP). As a result, the co-operatives have not been able to meet the credit needs of their members. The Co-operatives Development Fund created by National Cooperative Development Board (NCDB) also lacks adequate resources to support co-operative projects to the desire extent.
- b) **Lack of member participation**: The majority of co-operative members are least interested in the cooperative mechanism as they lack knowledge of Co-operation. Member education camps and different types of leadership training programs launched to create awareness about cooperation are still insufficient.
- c) **Lack of management expertise**: It is clear that in this rapidly changing socio-economic environment, co-operatives can survive and thrive only through professionalization of their management. However, inability of co-operatives to provide salaries and other benefits comparable to that of other public and private sector enterprises have all been the constraints for management development in Nepalese co-operatives.
- d) **Lack of government commitment**: To implement and accomplish any plan and program strong will power and commitment are needed. Regarding cooperative movement HMG's vision to have been found confused in comparative development. It is obvious that the cooperatives are promoted, run and owned by its members. There should not be any intervention from the government sector. The HMG should facilitate cooperative societies by making favorable rules and regulations for sustainable development of entire cooperatives.
- e) **Inadequate Education**: The cooperative has a four decades long history. The people still are not adequately aware of the concept and benefit of group working. It does not mean that cooperatives are not working at all but the level of their performance is very poor. Education and training therefore should be massively launched.
- f) **Lack of coordination among authorities**: There are various agencies being involved in the cooperative sector. They are National Cooperative Federation, the National Cooperative Development Board, the Department of Cooperatives, the Ministry of Agriculture and Cooperatives, the Nepal Rastra Bank and other some agencies. But they still don't have coordinated approach for the cooperative development of the country.

Organizational Structure of Cooperative Movement in Nepal



A Typical Organizational Structure of a Cooperative Society or Union



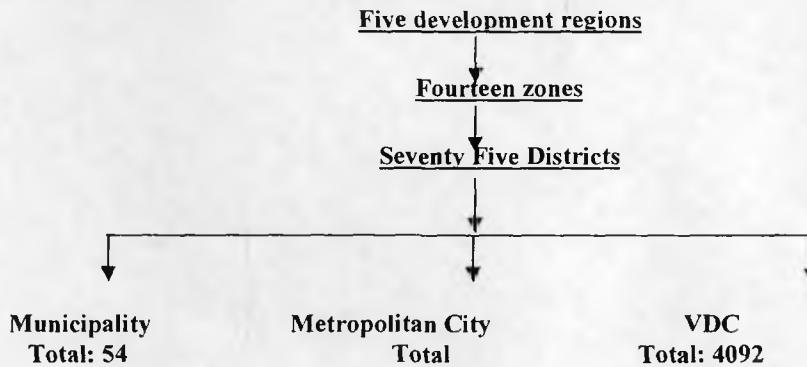
Annex -1

NEPAL AT A GLANCE

1. Geographical Situation:

- a. **Area :** 147,181 sq. km
- b. **Location:** Situated between China in the north and India in the South.
- c. **Geographical Position:**
 - i. Himalayan Region - covers 23% of the total land
 - ii. Hilly Region - covers 50% of the total land
 - iii. Terai Region (Plain) - covers 27% of the total land

d. Administrative Division:



- e. **Capital:** Kathmandu
- f. **Socio economic situation**
 - i. **Location:** Nepal lies between India and China.
 - ii. **Population :** 2,27,36,934
 - iii. **Language:** Nepali is the national language. However, travel-trade people understand and speak English as well.
 - iv. **Currency:** Nepalese Rupee (approximately US\$ 1 equals Rs. 63.65).
 - v. **Political System :** Multi-party Democracy With constitutional monarchy
- g. **Religion:** Majority of the population believes in Hinduism and the distinction of being the only Hindu Kingdom in the world. However, there is a harmonious blending of Hinduism and Buddhism. Recently, the country is declared as Religious Secularism.
- h. **Climate:** Nepal has four major seasons, namely,
 - (1) Winter: December-February,
 - (2) Spring: March-May,
 - (3) Summer: June-August,
 - (4) Autumn: September-November.
- i. **People:** Nepal has more than 61 ethnic groups and 70 spoken languages.

Annex – 2

Information on the Agriculture Sector

1.	Total area of the Kingdom		147,181
	<ul style="list-style-type: none"> • Mountain • Hill • Terai 		51,817 61,345 34,019
2.	Land Use (ha)		2,597,400
	<ul style="list-style-type: none"> • Agriculture Land cultivated • Agricultural Land uncultivated 		2,392,900 204,500
3.	GDP at current prices (Rs. Million) (2001/2002)		446.18 billion
	<ul style="list-style-type: none"> • Agriculture (+2.2%) 39% • Non-agriculture (-2.1%) 61% 		174.01 billion 272.17 billion
4.	Per capita GDP (Rs) 2001/02		\$ 227
5.	Per capita GDP (Rs) 2002/03		\$ 236
6.	Per capita growth % (2001/02-02/03)		4%
7.	GDP at constant prices		
	<ul style="list-style-type: none"> • Agriculture • Non-agriculture 		4.99 % 6.67 %
8.	Population [2001]		22,736,934
	<ul style="list-style-type: none"> • Male • Female 		11,359,378 11,377,556
9.	Population growth rate per annum (1985-1995)		
10.	Unemployment rate% [estimated for 2002] aged 15 years over		1.8
11.	Population density estimated/2002 (per sq km)		157
12.	Population in agriculture (%)		80%
13.	Crude birth rate [2002] per 1000 population		30.5
14.	Crude death rate [2002] per 1000 population		5.7
15.	Total fertility rate [2002] per woman		3.5
16.	Life expectancy at birth [2002]		63.1
	Life expectancy at birth [2002] - Male		62.9
	Life expectancy at birth [2002] - Female		63.3
17.	Households [2001 census]		4,174,374
18.	Irrigated area (ha) (up to 2000/01)		27,282
19.	Area and production of cereal crops [2001/2002]		
	Crops	Area (ha)	Production (Mt)
	Paddy	1,560,044	4289827
	Maize	824,525	1716042
	Millet	259,888	289833
	Wheat	641,030	1442442
	Barley	28,194	29341
	Total	9,123,681	7,767,485
20.	Area and production of cash crops		
	Area (ha)	Production (Mt)	
	Oilseeds	188,455	122,331

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	Potato	129,019	1,313,717
	Tobacco	4,226	3,973
	Sugarcane	59,422	2,211,781
	Total	381,123	3,651,802
21.	Area and Production of Pulses [2000/2001]		
	Crops	Area (hectars)	Production (Mt)
	Lentil	188,895	160,716
	Chick Pea	11,770	10,439
	Pigeon Pea	19,337	17,841
	Black Gram	32,433	28,028
	Grass Pea	5,863	4,464
	Horse Gram	7,836	5,680
	Soybean	22,559	19,820
	Others	28,113	24,324
	Total	316,806	271,312
22.	Fruits	45,108	4,56,013
23.	Vegetables	1,40,177	13,42,567
24.	Cotton	1,264	1,229
25.	Tea		7,000
26.	Coffee		139
27.	Cardamom		
28.	Livestock Population (2000/2001)		
	Category	Numbers	
	Cattle	6,994,463	
	Buffaloes	4,081,463	
	Sheep	816,727	
	Goats	7,153,527	
	Pigs	947,711	
	Fowls	22,790,224	
	Duck	391,855	
	Milking Cows	902,286	
	Milking Buffaloes	1,050,977	
	Laying Hen	6,643,350	
	Laying Duck	183,208	
29.	Livestock Production [2000/2001]		
	Products	Unit: Number	
	Milk (metric ton)	1,274,228	
	- Cow Milk	379,637	
	- Buffalo Milk	894,591	
	Meat (NET) Production (metric ton)	214,817	
	- Buff	138,953	
	- Mutton (Sheep)	2,744	
	- Goat	41,698	
	- Pig	15,724	
	- Chicken	15,461	

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	- Duck	237
30	Eggs ('000 number)	590,137
	- Hen Egg	576,521
	- Duck Egg	13,616
	Wool Production (Kg)	590,004
32.	Fish Production (Kg)	15,320,000
33.	Inputs distribution by AIC [200.../200...]	
	- Chemical ... (Mt)	N/A
	- Improved Seeds (Mt)	N/A

Annex - 3

STATISTICAL CHART (JTC) about cooperatives

1	Total National Population	→	22,736,934
	- Male Population	→	11,359,378
	- Female Population	→	11,377,556
	- Farm Population	→	18,189,547
2	Total Land Area [sq.km/sq ha]	→	147,181 sq.km.
	- Total cultivable land [ha]	→	2392900
	- Irrigated [ha]	→	11,76,668 hector
	- Wasteland [ha]	→	204500
3	Per Capita Income [US\$]	→	US\$ 243
4	Total Number of Cooperatives [All types, all levels]	→	10,000
5	Total Cooperatives Membership [All types, all levels]	→	3,211,400
6	Total number of Agricultural Cooperatives [all types]	→	3,500
7	Total members of Agricultural Cooperatives [all types]	→	1,200,100
8	Total business volume of Agricultural cooperatives [US\$]	→	N/A

The major institutional sources of farm credit are Commercial Banks, NGOs, Cooperatives, ADB/N etc.

Export/Import of agricultural products

- These are imported:

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Maize Corn, Wheat Flour, Vegetables seeds, Dry fruits, Coffee, Tea, Spices, Pulses, Rice, Meat, chemical fertilizer, medicine, petroleum products, electrical goods, raw wool, textiles, equipments and parts,

- These are exported:

Fruit Jam, Pulses, Mushroom, Tea, Tobacco, Coffee, Spices, Dry ginger, Raw Jutes, Goat Skin, Mustard, Cotton seed, Cardamom and Live animals, woolen carpet, readymade garments, skin, pulses, raw jute and jute goods, handicrafts, vegetable ghee.

Sources: Central Bureau of Statistics, National Co-operative Development Board, Department of Cooperatives, Economic Survey 2006, Agri-Business Promotion and Statistics Division, Ministry of Agriculture, Co-operatives and Nepal Co-operative Finance Society Ltd, Agriculture Research Council (NARC), Agriculture Inputs Corporation, Nepal Cooperative Finance Society Ltd. etc.