OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

DISCLAIMER

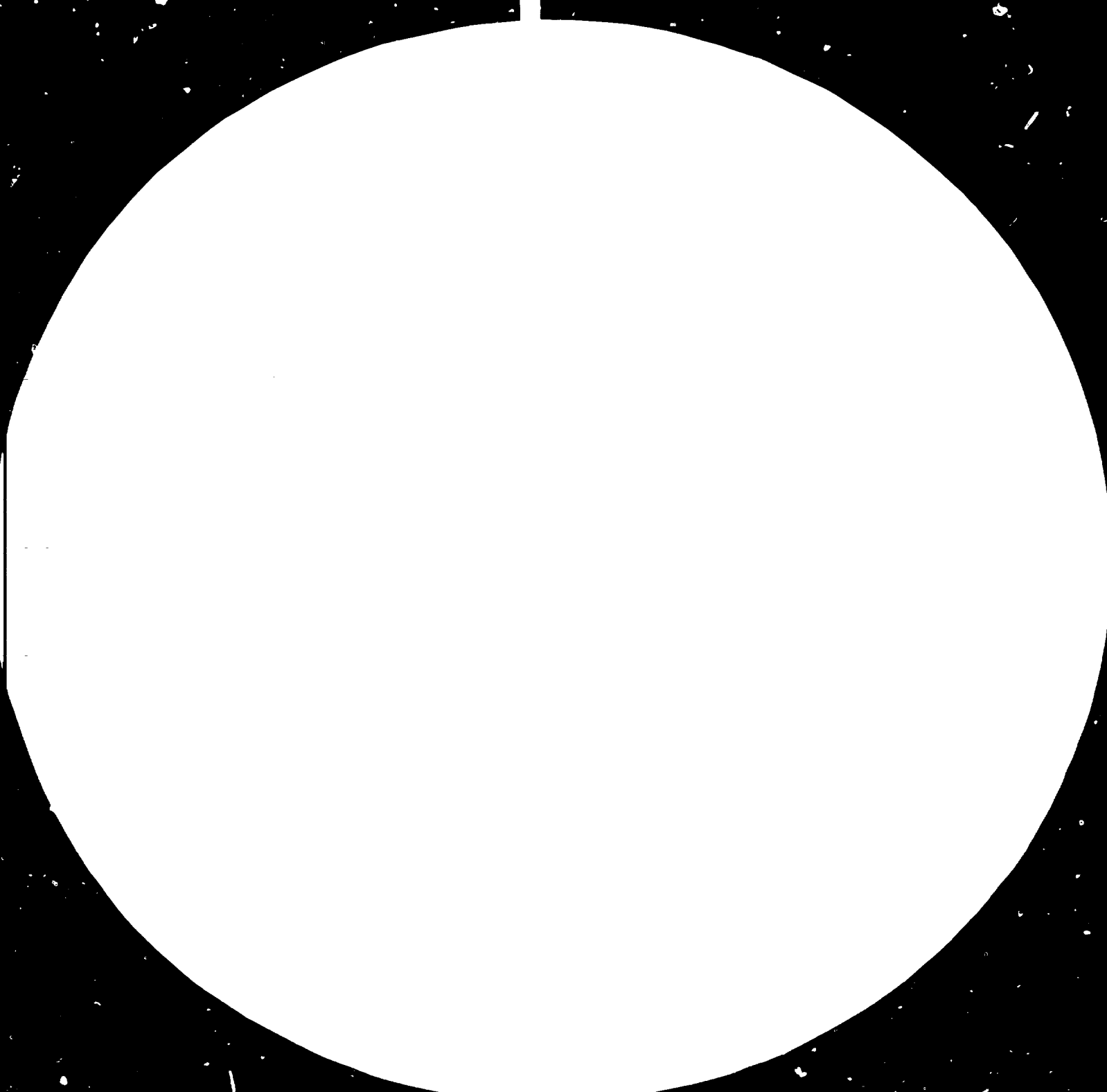
FAIR USE POLICY

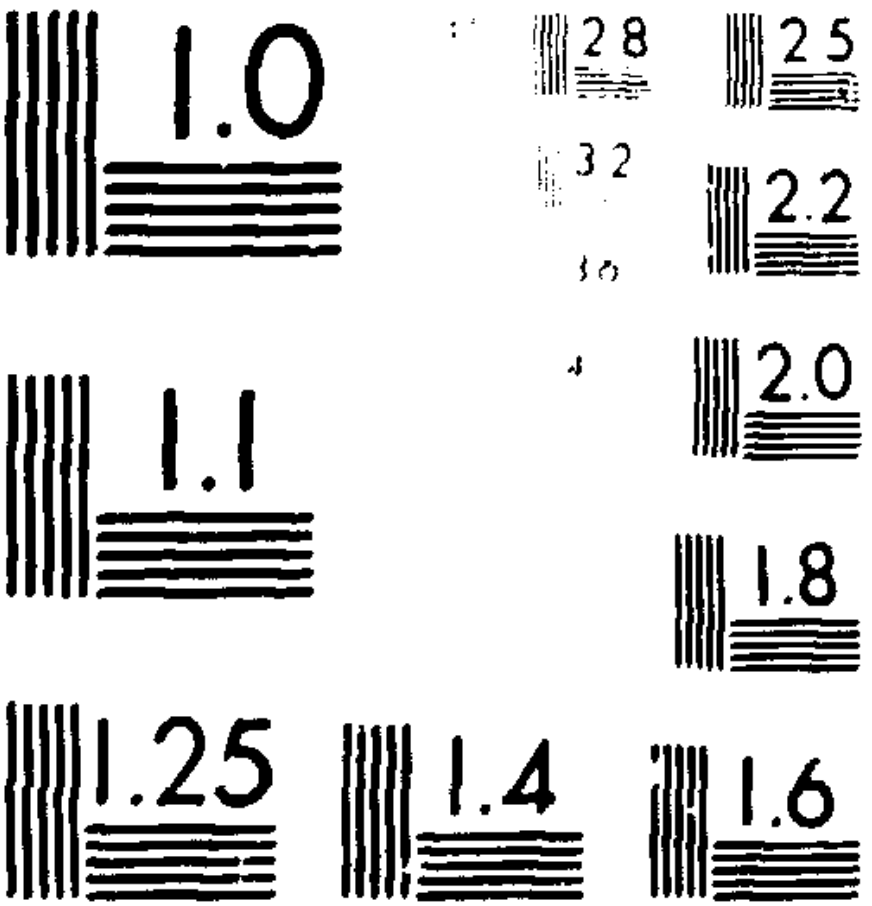
CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org




1.0
2.8
2.5
3.2
2.2
2.0
1.1
1.8
1.25
1.4
1.6

11436-E

Distr.
LIMITED

UNIDO/PC.38
14 April 1982

UNITED NATIONS

INDUSTRIAL DEVELOPMENT ORGANIZATION

ENGLISH

SOLIDARITY MINISTERIAL MEETING FOR CO-OPERATION IN THE INDUSTRIAL DEVELOPMENT OF THE KINGDOM OF NEPAL*

PROJECT PROPOSALS

Kathmandu (Nepal), 29 November - 3 December

2819

* This document has been reproduced without formal editing.

V. 82 24745


NEPAL
ADMINISTRATIVE REGIONS, ZONES AND DISTRICTS
Mountain Region
Hill Region
Inner Terai
Terai
Kathmandu Valley
Rivers
Development Region Boundaries
Administrative Zonal Boundaries
District Boundaries
International Boundaries
CHINA
INDIA
FAR WESTERN REGION
MID WESTERN REGION
WESTERN REGION
CENTRAL REGION
EASTERN REGION
KARNALI
BHERI
RAPTI
GANDAKI
DHAULAGIRI
NARAYANI
BAGMATI
JANAKPUR
SAGARMATHA
KOSHI
MECHI
BHUTAN
NEPAL
BURMA
BAY OF BENGAL
SRI LANKA
PAKISTAN
AFGHANISTAN
KILOMETERS
MILES
The boundaries shown on map
do not imply official endorsement
or acceptance by the United Nations.

DEVELOPMENT INDICATORS

		1980
1.	Population, Total (Million)	14.2
	Urban	0.8
	Rural	13.4
2.	Arable Land (Million ha)	3.1
	of which, irrigated	0.2
3.	Literacy %	24
4.	Primary School Enrollment %	66
5.	Access to Piped Drinking Water	
	% of Population	11
6.	Life Expectancy (Yrs.)	45
7.	Infant Mortality	
	(Per thousand live births)	150
8.	Foodgrain Production	
	(Million metric tons)	85-8
	5-years Averages	3.6
9.	Hydro-Power Potentiality	
	(Thousand MW)	83
10.	Installed Hydro-Power	
	Capacity for Domestic Use (MW)	52
11.	Installed Hydro-Power Capacity	
	for Export (MW)	..
12.	Growth in Farm Sector GDP	
	(In Billion Rupees)	13.5
	Annual % Growth	-1.1
13.	Growth in Non-Farm Sector GDP	
	(In Billion Rupees)	10.9
	Annual % Growth	8.6
14.	Growth in Total GDP	24.4
	(In Billion Rupees)	
	Annual % Growth	2.2
15.	Growth in Per Capita GDP	
	Rupees Per Person)	1712
	US$ per Person	143
16.	Exports (In Million NRs.)	1140
	In Million US$	95
	As % of GDP	4.7
17.	Investment as % of GDP	13.1
18.	Savings as % of GDP	7.3

CONTENTS

CONTENTS (continued)

CONTENTS (continued)

GEOGRAPHICAL, HISTORICAL, ECONOMIC AND INDUSTRIAL SURVEY

1. Geographical Background:

Situated on the Southern flank of the Himalayan mountains between China and India, Nepal covers an area of 141,059 sq.km. and extends 500 miles east-west, and north to south it varies from 90 to 150 miles. It lies between longitude 80° 15'E and 88° 15'E and latitude 26° 15'N and 30° 30'N. Topographically, Nepal can be divided into the following three distinct zones:

1.1 The Terai Region:

This region, lying along the Indian border in the south, is composed of plains, forests and big rivers which make the soils of the region particularly fertile. The principal crops are paddy, jute, pulses, sugarcane, tobacco, oil seeds, etc. Timber in this area is also being commercially exploited.

1.2 The Mid-Himalayan Region:

This region lies between the plains of the south and the Himalays in the north and comprises many valleys surrounded by rugged hills. Rice, wheat, maize, pulse, green vegetables are the main crops. The climate is also suitable for such fruits as bananas, apples, oranges, etc.

1.3 The Himalayan Region:

This region is adjoining the Chinese border and contains the world's highest mountain range. The region is always snow-clad and has become a unique tourist attraction. The principal occupation of the people is yak and sheep breeding and grazing.

2. Historical Background:

Nepal has enjoyed the distinction of being always an independent country which has never been under foreign domination. This has been possible mainly due to the political policies adopted by its rulers through different periods of history and the martial spirit of its freedom loving people.

After the Anglo-Nepali war in 1915, Prime Minister, Jung Bahadur Rana, greatly increased his power at the expense of the monarch and established the Rana line of hereditary prime-ministers which ruled Nepal until 1951 when the late king Tribhubana led the popular revolution which overthrew the family autocracy and initiated an era of democracy. The controversy about the type of democracy to be adopted in the country was finally settled by a refrendum in 1980 which came out in favor of a democratic Panchayat System. A year later, a general election was held in April 1981 which installed, under the new amended constitution, a new government heralding greater political stability.

3. Economic Development-Overview and Projection:

3.1 Despite planned development efforts since 1956, the pace of economic development has been slow in Nepal and the country remains one of the poorest in the world with a per capita income of about NRs. 1,700 (US$140). Of great concern is the heavy population pressure in the Hill and Mountain regions and the problem of continuing food deficits in these areas where two-thirds of the country's fourteen million people live.

3.2 Few countries have embarked on development so late and under so many handicaps. Until 1950, Nepal remained a closed country, virtually isolated from the outside world under a feudalistic system of Government. Modernization efforts started only after the overthrow of this regime. In 1950, there were no highways and virtually no air service. There were only a few hundred university graduates. Literacy was about 2%. There was no health service, not much electricity and industry, and little commerce or trade. The country had been held in isolation for generations. Transportation was by foot.

The flat Terai plains were infested by malaria and were inhospitable. Communication was by word of mouth, and public administration was limited to tax collection, internal security and defence. The economy was entirely based on traditional agriculture and handicrafts, and it was really a cluster of mini-economies, isolated from each other by the difficult geographical terrain of high Hills and Mountains.

3.3 The past two and a half decades have seen enormous progress in developing basic infrastructure and institutional building. A highway network has been constructed along with developments in postal and telecommunication services. An education system has been developed. Literacy has increased to 24% and school enrollment has covered about 66% primary-age children. A community health system has been introduced and is being progressively expanded as manpower is trained. A modern system of public administration has been developed. Trade and commerce has grown along with a modern banking and credit system. A beginning has been made in the development of industry.

3.4 Development in the productive sectors however has been constrained by the low level of infrastructure, by the limited purchasing power of the population because of low level of income and by low levels of investment (about 13% of GDP). During the first two decades of development, there was very little impact on incomes and living standards because of the focus on infrastructure and the capital intensive nature of investments.

3.5 Real gross domestic product grew at an average rate of 2.2% per year during 1965-75, and continued to grow at the same slow rate of 2.2% in the period 1975-80. For almost two decades, growth in GDP is estimated to have been just keeping pace with the level of population growth. With 90% of the population dependent on subsistence agriculture, the rapid rate of population growth on a narrow natural resource base has meant no appreciable improvement

in living standards for millions. Over eight hundred thousand rural households, (14% of the total) have been identified as being below the poverty line - that is with per capita daily income below the minimum subsistence level of 2 Nepalese rupees (US$0.17) per day. It is not surprising that a nutrition survey carried out in 1975 found that 51.9% of the rural population suffered from moderate to chronic stunting and 17% from severe stunting.

3.6 It is believed that the Fifth Plan (1975-80) was to be the turning point and that Nepal was poised for more rapid growth in the order of 4 to 5%. The plan was drafted with a view to increasing production of mass consumption goods, maximizing the use of manpower and promoting regional balance and integration. To achieve these objectives, a policy frame was developed within which among other things internal resources were to be mobilized, investment and production patterns modified, and industry and trade stepped up and diversified.

3.7 Public investment performance under the Fifth Plan was judged by the Nepal Aid Donor Group as excellent. Development expenditure increased at an annual rate of 14% in real terms, demonstrating considerable increase in the absorbtive capacity of the country. External assistance disbursement during the period accounted for an estimated 47% of total public development expenditures, and grew from about US$40 million in 1975/76 to US$114 million in 1979/80. They were budgeted to increase to about US$171 million by 1980/81 budget, which would represent 60% of the total development expenditure.

3.8 In many areas, progress under the Fifth Plan was considerable, particularly in social sectors and tourism. Overall economic performance of the country during the period was, however, disappointing. By the end of the Fourth Plan (1974/75), Nepal's GDP stood at NRs 16.6 billion and per capita income at NRs 1,302. At the end of the Fifth

Plan (1979/80), GDP increased to NRs 18.5 billion in 1974/75 prices, but per capita income stood unchanged at NRs 1,298. The economy registered a growth rate of 2.2% instead of the 4 to 5% which has been targeted. The low level of economic growth is explained mainly by the failure of foodgrain production to grow as planned (by 17% over the 5 year period). Instead, production of rice, maize, wheat, barley and millet taken together averaged only 3.62 million metric tons per year compared to 3.55 million metric tons in the preceeding period. Since the population growth rate is at least 2.3% per year if not higher, foodgrain availabilities to feed the people declined quite sharply, particularly in 1979/80 which was a bad harvest year, resulting in severe shortages of food in the Hill and Mountain areas which forced Nepal to call for international emergency food assistance. The poor performance of food crops in the Fifth Plan period serves to underline the vulnerability of the economy to weather and the urgent need for structural adjustments including improved delivery services and to expanded irrigation facilities for intensive cultivation.

3.9 The past decade has been marked by worsening terms of trade and an increasing trade deficit despite considerable progress in deversifying trade to overseas countries. Export performance suffered by the reduction of rice exports which fell from 165,000 metric tons in 1975/76 to 13,000 metric tons in 1976/80. The increase in imports was about 14% per year in current prices, large in response to increased developed expenditures and foreign aid disbursements. The deterioration in the trade account has been compensated in large part by increased receipts from tourism and foreign remittances, and particularly by a larger inflow of foreign aid. Because of these factors, the balance of payments remained favourable during the Fifth Plan period. But the continued rise in the trade deficit could cause payment difficulties which explains the emphasis laid in the Sixth Plan on export promotion and tourism development.

3.10 The lesson to be drawn from recent experiences is that Nepal is caught between an economy which is moving too slowly and the pressure of population which is increasing rapidly. As a result, the problems of development are being compounded. What is needed is to boost production, widen employment opportunities, meet the basic needs of the people and to stabilize the population. This is the direction taken in the Sixth Plan and one that will guide the country during the 1980's. The first and foremost aim will be to get agriculture moving, building on the base of past investments in infrastructure in agriculture, transportation and communications, and looking to more directly productive investments, better utilization of manpower and increased productivity. Development of hydropower resources will support irrigation development, stimulate growth in other sectors and open up new opportunities for industry and exports.

3.11 During the Sixth Plan, the government has projected a rate of growth of 4.5%. Agricultural output is planned to rise at the rate of 3.2% and non-agricultural production by 5.6%, at least. For the period of the Seventh Plan, it is hoped that agricultural output can be further stepped up, taking advantage of the potentials offered by irrigation development, to 4% with the non-farm sector growing at between 7 to 8% so that the overall economy would grow by 6% per year.

3.12 As shown in the following table, the total plan outlay during 1980-85 is projected at NRs. 33.95 billion, of which NRs. 20.49 billion in the public sector, 11.65 billion in the private sector and 1.8 billion in the Panchayat sector (local bodies).

Table 1

ALLOCATION OF THE TOTAL DEVELOPMENT EXPENDITURE, 1980-85

(At 1979/80 Prices)

NRs. in million

	Public Sector 1/	Panchayat Sector	Private Sector	Total	%
Agriculture, Irrigation and Forest	6,260	490	3,820	10,570	31.1
Industry, Mining and Power	5,280	30	3,500	8,810	26.0
Transport and Communications	4,230	540	1,106	5,870	17.3
Social Services 2/	4,720	740	3,230	8,690	25.6
Total	20,490	1,800	11,650	33,940	100.0

Source: The Sixth Plan (1980-85), A Summary, Part 1, National Planning Commission, January 1981, p.13

1/ Of the total development expenditure of NRs.21.75 billion to be incurred in the public sector, the sum of NRs. 1.26 billion which is to go to other sectors as financial assistance, has been included in the sectors concerned instead of lumping it up with the public sector expenses. Of the net development outlay of NRs.20.49 billion 60 percent or NRs.12.30 billion, is estimated to be spent in the form of investment.

2/ The amount shown under the head social services also includes expenses relating to residential housing construction and other miscellaneous development expenditures also.

3.13 Public sector's development outlay is projected to total NRs.wl.75 billion, including transfers of NRs.1.26 billion to the Panchayat and Private sectors. Of the NRs.21.75 billion, it is expected that domestic resources will provide roughly one-third of the financing or NRs.8.70 billion, with NRs.13.05 billion or about US$1.1 billion from foreign grants and loans.

4. Industrial Development: Status, Policy and Strategy:

4.1 Industry is in an infant stage of development with fewer than 60,000 persons employed in about 3,500 firms, half of which are in rice and oilseed milling. Production has been handicapped in recent years by erratic power supply, labour unrest and the less than buoyant stage of the economy which has limited growth in demand for industrial products.

Table 2

CENSUS DATA ON INDUSTRIES IN NEPAL

	1965/66	1972/73[a/]	1977/78[a/]
Units (No.)	1260	2434	3570
Employment (persons)	18176	41367	56340[b/]
Total Investment (NRs. million	n.a.	275	485

Source: Existing Manpower stock Assessment and Manpower Requirements for the Sixth Plan Period, Industrial Services Centre. May 1980 (p.62)

a/ Adjusted data

b/ It is estimated that manufacturing units in the private sector with investments of NRs. 200,000 or more, number about 300 employing 28,000 persons.

4.2 The size of the industrial sector reflects two major constraints; the small size of the domestic market, and the country's land locked position. The market for consumer goods is depressed by low levels of per capita income and the predominance of a subsistence economy. In the Hill and Mountain regions particularly, commerce is limited and much of the trade is by barter. The long open border with India makes competition by infant industries difficult and Nepalese goods must compete, at least in the Terai, with those of India which for reasons of economy of scale are often cheaper and of better quality. Export oriented industries catering to the overseas markets are hindered by the added costs of transhipment which add a significant margin to the prices of exported manufactures, as well as to costs of imported raw materials and inputs used in production. Furthermore, frequent delays in transit result in shortages and disruptions of production and delivery schedules. A third constraint has been the lack of skilled labour and trained and experienced managers.

4.3 Despite the various problems in this sector, industrial output appears to have increased by 6.7% per year during 1975-80, and industry's contribution to gross domestic production has remained around 4%. Feasibility studies have been completed for two major projects - a pulp and paper complex and second cement factory, the latter being considered for joint venture with the Indian Government. Because of the various problems associated with the sector in recent years, the private sector has not shown much interest in new investments which have been minimal.

4.4 Statistics on employment, investment and output of cottage industries is fragmentary. A 1977/78 survey indicated the existence of more than 750 thousand cottage industry units employing over a million persons. In addition, a large proportion of rural and urban households supplement family income with part time handicraft work. It is estimated that such work may involve over 20% of rural households.

4.5 The policy of the government is to give priority to the development of cottage and small industries with the view to expanding employment opportunities and stimulating increased family income particularly in the Hill and Mountain regions where alternative production possibilities appear limited. Secondly, the government seeks to increase capacity utilization and productivity in existing industries, particularly those in the public sector. Thirdly, the government will assist the private sector in identifying selected new product areas where research confirms the possibility of successful competion with foreign goods, and where such industries can help increase skilled manpower (as in light engineering). Assuming accelerated development, one of the principal areas for expansion is that of construction materials, The government also intends to develop a fertilizer production and distribution industry based on inexpensive hydro-power development.

4.6 The industrial sector is now so small that a high rate of growth is considered likely, on the assumption that investment financing can be found and that the manpower needs (skilled workers, technical and professional persons and managers) will be available. The Sixth Plan estimates an annual rate of growth of 10% during 1980-85. Assuming an accelerated development effort in the country, increasing demand in urban centres and rural areas and development of export markets, a growth rate of 11-12% per year during 1985-95 is estimated. Thereafter, an increase of 9-10% per annum is assumed.

4.7 Within the industrial sector top priority will be given to the development of cottage and small industries, energy based industries and industrial manpower development. Institutional arrangements will be made to enhance industrial development in an effective way. Crdit extension services, research and marketing programmes will be intergrated and launched in a bigger scale in selected districts. With respect to other industries only a few selected will be undertaken in the public sector. Private sector will be given major responsibility in developing the industrial base of the country and with this aim in mind the existing industrial incentive act will be reviewed and its administration simplified. Foreign investment will be encouraged especially in the establishment and expansion of export-oriented industries.

5. Investment Policies and Provisions:

5.1 Since the initial stage of industrialization the investment policy of His Majesty's Government of Nepal has been to encourage investment in the private sector. The Government has also established some of the key and essential industries in the public sector. Normally, after an industry becomes operational, the HMG policy is to gradually transfer it to the private sector.

The Industrial Policy promulgated in 1981 is very liberal especially when it concerns foreign investment in Nepal. Following is a detailed discussion of the 1981 investment policy.

5.2 Encouraging Private Investment:

HMG of Nepal has opened up all industries except those which are defence-oriented to private sector ownership and investment. The private sector has been given the prior opportunity to promote the development of industry through investment. When the private sector does not respond to investment programmes, the Government intervenes by way of public investment. The HMG of Nepal will not usually establish industrial enterprises under its ownership except when large scale investment is involved and private sector investment proves inadequate.

5.3 Encouraging Foreign Investment:

Foreign investment in Nepal has been encouraged in order to promote capital inflow, generate technical expertise and improve productivity. Foreign investment may take the form of total foreign ownership in the case of large scale enterprises. Administrative procedures concerned with the establishment of industrial enterprises have been very simplified to provide an incentive for investors. The Government has also taken serious steps to establish an Export Processing Zone with a view to effectively mobilizing resources needed to develop and promote specific export industries. The mechanisms relating to official guarantees for foreign loans will soon be institutionalised and stream-lined.

6. Policies on Industrial Establishment and Industry Related Activities:

HMG of Nepal will take serious steps to encourage full capacity operation of existing industrial enterprises and, where appropriate, their expansion and modernization. In the case of ailing enterprises,

assistance for rehabilitation will be provided if it could be financially and economically justified. Incentives related to the expansion, modernisation and diversification of industrial enterprises will also be provided in the context of national economic benefits to be derived.

6.1 Labour Policies:

HMG of Nepal will intend to maintain an atmosphere of industrial peace and stability. Labour welfare programmes will be implemented through mutual agreement between management and labour. The principle of engaging Nepalese nationals will be followed closely when employing unskilled, semi-skilled and skilled workers. If circumstances demand, foreigners may also be employed for a period of seven years but with the approval of HMG. Efforts will be made to give appropriate training to Nepalese so they could replace the foreigners within seven years. If, however, specialists are not readily available within Nepal, an enterprise may continue to employ foreigners for an additional period of five years.

6.2 Nationalisation Policy:

HMG of Nepal will not nationalize any industrial enterprise except in special cases. In those cases, the owners will receive compensation based on appropriate valuation of the net worth of the enterprise.

6.3 Export Policy:

Import duty and sales tax paid against the importation of raw materials, auxilliary materials and chemicals will be reimbursed to the HMG recognised export industries. Such reimbursement will be in proportion to the value of imported materials used in manufacturing such exports. Special incentives and due recognition will be accorded

to those industrial enterprises which develop techniques to increase productivity, expand production, modernise manufacturing processes and achieve note-worthy progress in the export of their manufactured goods.

6.4 Industrial Licencing:

Before setting up a (small, medium or large) industrial enterprise in Nepal, a licence should be obtained from the Department of Industry of HMG. Industrial cites are not permitted within 8 kilometers of the international borders. Furthermore, licence applications involving joint investment, foreign investment and HMG guarantees applicable to long term foreign loans are reviewed by the Industrial Promotion Board. The following guidelines have been established regarding the issuance of licences to industrial enterprises:

a- Licences to set up industrial enterprises would be processed within a maximum period of 90 days after filing the application.

b- Licences would be issued immediately if the applicant wishes to establish, expand, diversify or modernize enterprises according to the priorities and targets set in the National Development Plan. Maintaining regional economic balance is also an important criterion for the Government while considering issuing industrial licences.

c- A licence would usually specify the facilities and incentives as well as the terms and conditions applicable to granting of the licence. The concerned member of the Board would be responsible for making available the facilities and incentives specified by the Industrial Enterprises Act.

d- Industrial licences would determine the time period by which an industrial enterprise should be established and should start operation. If a sponsor fails to establish an industrial enterprise within the time specified, extension of time would be granted if the delay was due to natural or other causes beyond the control of the sponsor.

e- If applications for a licence are more than is economically justified, the principle of comparative advantage would be applied.

6.5 Registration of Industrial Enterprises:

All industrial enterprises should be registered prior to their operation. All small, medium and large enterprises must be registered as limited liability companies with the Department of Industry or with the Regional Offices of the Department. Industrial enterprises registered as public limited companies will be given preferencial treatment in receiving licences or infrastructural facilities.

6.6 Facilities and Incentives:

Income Tax Concessions:

a) Manufacturing industrial enterprises (small, medium or large) will be granted one hundred percent income tax exemption for 5 years if the value added increase amount to 20% - 50%. An additional one year exemption is granted for every 10% increase in the value added cost above 50%.
b) An additional 2 year income tax exemption will be given to enterprises which produce essential consumer goods.
c) If an enterprise exports more than 25% of its total annual production, 15% rebate will be granted on the income tax levied for that year. Similarly 25% rebate will be applicable if any enterprise exports more than 50% of its total production in one year.
d) Energy-based and mining and mineral processing enterprises will be entitled to a six-year-tax-holiday from the date of operation. Such industrial enterprises having more than 25% value added in each year will enjoy an additional six year tax holiday.

e) A five to seven year tax holiday will be granted to tourism enterprises, depending on the location designated for that purpose.

f) Service enterprises will not generally be granted tax exemption, but the following will be entitled to a three year tax holiday:

- workshops producing spare parts, tools and other articles with the help of automatic or semi-automatic machinery (lathe, shaping and milling machinery);
- large warehouses;
- cold storages;
- hospitals, x-ray clinics equipped to render specialized services;
- large rental apartments;
- printing presses; and
- trolley-bus and water transport services.

g) Industrial enterprises established in the Export Promotion Zone will be granted an initial ten year tax holiday followed by a 50% rebate on income tax for the next five years.

h) Agro-based special industrial enterprises will be exempted from income tax for a period of 10 years.

i) Enterprises located in the areas designated as backward by HMG shall be entitled to a 3 year tax holiday in addition to those enjoyed by similar enterprises established elsewhere.

j) The starting date of production or developing of service will be used for the purpose of computing the period of income tax exemption.

k) If an operating enterprise expands its originally licensed capacity by more than 50% an investment allowance of 15% on the new investment will be granted and can be claimed within a maximum period of 7 years.

l) Expenses incurred on training (recognised by the Department of Labour, HMG) with a view to providing employment for and up-grading the skills of Nepalese workers will be regarded as operating expense and such an expense will be considered as a tax credit. The tax credit allowed for this purpose will be subject to a maximum of 1% of the total annual sales revenue.

6.7 Customs Facilities:

a) Import duty at the rate of 1% will only be levied on machineries used directly in the construction and the operation of mining and related conveying equipment and on spare parts and tools. The entitlement of an enterprise to total exemption or a rate reduced below 1% is not affected by this clause.

b) Import duty of 1% will be levied on raw materials, auxillary raw materials and chemicals to be used in the production, mixing, blending and processing of natural and manufactured products. But if the duty applicable to such materials is below 1%, the enterprise will retain preferential/rights. Notwithstanding what mentioned above, the raw materials, auxillary materials and chemicals will be subject to duties currently in force if the enterprises which import them function under the schedule designated by HMG.

c) If these raw materials, auxillary elements and chemicals of suitable quality are readily available within the country, an enterprise importing supplies of the same materials will pay an additional 15% customs duty.

d) Imports by industrial enterprises for their own use, by

HMG, semi-government agencies, co-operatives or by the designated public limited companies will be subject to custom duties as specified in (a), (b) and (c) above. The appropriate agency of HMG will monitor the quantity of such imports and their use.

e) Assembly enterprises which will be established outside the Export Promotion Zone and whose products will have more than 20% value added, will pay 25% less than the rate of duty normally applicable to the parts and components imported, provided the imports are for their own manufacturing operations.

f) Enterprises established in the Export Promotion Zone will be liable for only 1% import duty on the machinery to be used in construction and operation, on spare parts and tools, raw materials, auxiliary materials, and on chemicals to be used in the production, processing, mixing and blending operations. Duty paid on these items in excess of 1% will be refunded.

g) Products manufactured in Nepal except those designated by HMG under the relevant provisions of the current law, will not be subject to any export duty. Designated products of the kind referred to above will be promulgated after consultation with the appropriate Ministry of HMG.

h) If manufacturers which export their products have previously paid more than 1% import duty on raw materials, auxillary materisls and chemicals, such duty paid in excess of 1% on the quantity of these materials used in the manufacturing of goods exported will be refunded.

i) If the machinery, spare parts, raw materials, auxillary materials and chemicals are supplied by domestic manufacturers, the supplies will be treated as exports for duty concession purposes.

j) As regards tourism industry enterprises, customs duty will be levied at 1% only on imported items used directly, except those specified by HMG in its Gazettes.

6.8 Excise Duty Concessions:

a) Cottage industrial enterprises will be exempt from excise duty for 5 years from the date of operation.

b) All (small medium and large) industrial enterprises will be exempt from excise duty for 3 years from the date of operation registered as public limited companies will be given preference in receiving licences or infrastructural facilities.

c) Industrial enterprises established in the backward regions will be entitled to a 5 year exemption in addition to that applicable for similar enterprises located elsewhere.

d) Manufactured goods supplied to the enterprises established in the Export Promotion Zone or exported abroad will be exempted from excise duties.

e) Excise duties will be waived totally on products manufactured in the Export Promotion Zone.

6.9 Sales Tax Concessions:

a) Sales tax will not be levied on the products of cottage industries.

b) Sales tax will not be levied on imports of machinery used directly in the construction and operation of an enterprise, mining and related conveying equipment, spare parts and tools, and on raw materials, auxiliary materials and chemicals.

c) Where sales tax is already paid on the raw materials, auxillary materials and semi-processed materials purchased, manufacturers using such materials will be exempt from sales tax for the proportion of the taxed materials used in manufacturing.

d) Domestic products exported abroad or supplied to the enterprises within the Export Promotion Zone will have sales tax exemption.

6.10 Concessions on Electricity Charges:

a) Royalties will not be charged on power generated by industrial enterprises for their own use.

b) Royalties will be imposed on the basis of actual public sale of electric power by industrial enterprise.

c) In distributing electric power from public supply mains, first priority will be given to industrial enterprises.

6.11 Concessions on Interest Rates:

Industrial enterprises established in the backward regions shall pay loan interests at a rate of 2 percent lower than others of similar status located elsewhere.

6.12 Concessions on Urban Property Tax:

Land and buildings which are essential for the operation of manufacturing and energy-based enterprises and are owned by such enterprises will be exempt from urban property tax for a period of 10 years. Such exemption will be applicable to the following types of premises: factory buildings, labour and staff quarters, go-downs, administrative buildings, clinics, recreation halls and canteens.

6.13 Convertible Foreign Exchange Facility:

Subject to prior approval of HMG, convertible foreign exchange shall be provided to industrial enterprises on the basis of economic merits, for the following:

a) Acquisition of machinery, spare parts, tools and implements, other capital goods, raw materials, auxillary materials and chemicals which are directly used in the industrial enterprise.

b) Technical consultancy, technical assistance, service charges, management fees, patent fees, investment promotion, market studies, sales promotion etc.

6.14 Protection:

HMG of Nepal may provide protection to industrial enterprises for a specified period, by means of quantitative restrictions on imports or by higher import tariffs if such a policy is justified on economic grounds, financial conditions, or a time requirement to improve quality and price competitiveness.

6.15 Provisions Relating to Foreign Investment:

a- Foreign investment in industrial enterprises is welcomed on the grounds of obtaining access to desirable technology, expansion of export markets, higher management standards and an increase in employment opportunities.

b- Foreign investment will be limited to medium and large industrial enterprises. The investor may be a government, firm, individual, company or an international institution.

c- An industrial enterprise financed by foreign investment must be incorporated as a limited liability company in Nepal. Foreign investment is allowed up to a majority holding in the medium and one hundred percent in the large industrial enterprises.

d- If a foreign investor makes an equity investment in a Nepalese industrial enterprise, in convertible foreign currency, one hundred percent of the dividends may be remitted in convertible currency, whether the enterprise is jointly or collectively owned.

e- If a foreign investor invests in shares, in terms of convertible foreign currency, such shares may be sold only after an enterprise has started operation. Repatiation of capital will be at the rate of 20% of the sales proceeds of the shares each year up to the limit of the total investment made in convertible currency.

f- If a foreign investor has invested in a Nepalese public limited company and has sold shares through the Nepalese Security Marketing Centre, the sales proceeds may be remitted in convertible currency at the maximum annual rate of 25% of the orignal total investment made in convertible currency.

g- Managerial and technical experts who have been engaged, with prior approval of HMG and who belong to countries where convertible currency is freely exchanged, can remit in convertible currency, up to 75% of earnings generated by way of salary and allowance.

h- Industrial enterprises with foreign equity participation will not be nationalised except in special circumstances, in which case, compensation will be paid to investors on the basis of a just valuation of the net worth of the enterprise.

i- If an industrial enterprise, having foreign investment, goes into liquidation, a foreign investor can repatiate his share of proceeds and sale of assets in convertible currency under the Nepal Company Act. No taxes will be levied on such amounts.

j-HMG or its designated agency will stand as a guarantor on long-term loans under prescribed terms and conditions.

k-Provisions will be made through institutionalised procedures to facilitate a simple, smooth and integrated approach to foreign investment, joint ventures and arrangements for the guarantee of long-term loans. The Department of Industry will be the focal point and will be responsible as such for liaison tasks in all these matters.

6.16 Miscellaneous Facilities:

a-Industrial enterprises are required to depreciate fixed assets on either straight line or accelerated write-down basis.

b-For the purpose of depreciation, the useful life of fixed assets has been determined as follows:

1. Buildings, residences, drainage, sewerage and water distribution systems ..... 20 years
2. Machinery, equipment, tools and implements .. 10 years
3. Transport vehicles, furniture and fixtures, official equipment etc. ..... 5 years
4. Other assets ..... 10 years

c-Pre-investment and pre-operation expenses may be amortized over a period of 10 years from the date of operation.

d-Prices, royalties, fees, etc. of agro-based, forest-based, and mineral-based raw materials to be supplied by HMG will remain constant for a period of 3 years.

e-If a Nepalese industrial enterprise competes successfully in an international bidding process and supplies its products within the country, such products will be treated as exports abroad and will enjoy relevant privileges and concessions accordingly.

f- Notwithstanding rulings contained in the current Nepalese law, specified facilities and concessions will be provided in accordance with the Industrial Enterprises Act and Foreign Investment and Technology Act.

Project Profiles

A number of project proposals which will accelerate the pace of industrial development in Nepal has been presented in the following pages. His Majesty's Government of Nepal would welcome financial, technical and technological assistance from the co-operating countries for the implementation of these projects. The assistance provided may take any of several forms, depending on the position of the co-operating partners. It may be a loan, a grant, a joint venture or equity participation. In other cases, it may be technical collaboration, technological assistance, or it may be an agreement for co-operating in training and industrial research, or exchange of information and experience or twinning arrangement between and/ or among institutions.

PROJECT 1:

1.	Name of the Project:	Strengthening the laboratory and testing facilities of Nepal Institute of Standards (NIS).
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Nepal Institute of Standards
3.	Capacity:	To make the NIS self sufficient in testing and printing facilities.
4.	Location:	Kathmandu
5.	Estimated Cost:	Total cost ..... NRs 10,000,000 (US$862,000)
6.	Objective:	a. Establishment of equiped testing laboratories. b. Establishment of a printing unit. c. Strengthening the Library and Technical Information Section. d. Manpower development.
7.	Justification:	Standardization and quality control is very essential not only for providing more and better manufactured products for the people of Nepal, but also for expanding the country's export programme so as to generate the needed foreign exchange. But due to its limited facilities, NIS has prepared only fifty national standards so far. Implementation of above objectives will enable NIS to standardise and control the quality of more products.
8.	Benefit:	At present NIS does not have its own laboratories. It is utilizing the laboratories of other public organizations which are not adequately equipped. The establishment of specialized laboratories will enable NIS to perform those tests which cannot be readily undertaken elsewhere in public laboratories. Establishment of the NIC printing unit will help the printing of national standards in the form of booklets. It will also improve the skill of manpower as well as improving its technical information unit.

9.	Remarks:	The project proposal is being prepared on the basis of proposals for UNDP Third Country Programme, but due to limited UNDP funds, the project was abandoned in the Third Country Programme.
10,	Request:	HMG of Nepal would welcome financial assistance of US$862,000 from the co-operating countries for the implementation of this project as well as the required expert services.

PROJECT 2:

1. Name of the Project: Water turbines

2. Sponsor:

   a) Ministry: Ministry of Agriculture

   b) Agency: Agricultural Development Bank

3. Capacity: 100 unit installations per annum
   50 large capacity turbines and
   50 small capacity turbines

4. Location: Hilly districts of Nepal

5. Project Period: Seven years (1984 - 1990)

6. Estimated Cost:

	Per Annum	(7 Years) Period
(a) Capital cost in NRs	10.0 m	70.0 m.
(b) Grant for promotion and feasibility studies	0.5 m.	3.5 m.
Total cost in NRs	10.5 m.	73.5 m.
Total cost in US$	0.9 m.	6.33 m.
Foreign exchange components in US$	0.45 m.	3.20 m.

7. Objective: To generate and supply water power/energy for the agricultural and rural development activities.

8. Justification: Nepal's water energy potentials are estimated at 80,000 MW. In the hilly district, however, the use of water energy is limited to traditional water mills of low capacity. Due to lack of mechanical power supply, the development of cottage and rural industries is restricted. As farming is a seasonal enterprise, the village labour force remains idle and unproductive. Most of the generated electric energy from this project would be used to run milling-machineries, operate rural and cottage industries, operate water pumps, and supply electricity to rural communities.

9. Benefit: The operations of agro-processing units and rural and cottage industries will create employment oppurtunities for rural people, thereby increasing their total income. The assurred supply of water for irrigation obtained by operating water pumps (using power from the turbines) will increase the productivity of the land and thus increase income of the rural population. In view of the energy crisis faced by the country, the installation of water turbines would help minimise importation of costly fuels.

10. Request: HMG of Nepal would welcome financial assistance of US$3.20 million and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 3:

1. Name of the Project: Biogas Development Programme.

2. Sponsor:

   a) Ministry: Ministry of Agriculture

   b) Agency: Agricultural Development Bank

3. Capacity: 850 Biogas Plant Installations per annum (6,000 units within 7 years)

4. Location: All Terai and feasible lower hills areas

5. Project Period: 7 years (1984 - 1990)

6. Estimated Cost:

	Per Annum	7 Year Period (in millions)
Total cost in NRs	9.94 m.	69.6 m.
Total cost in US$	0.86 m.	6.0 m.
Capital cost NRs	4.97 m.	34.8 m.
Capital cost US$	0.43 m.	3.0 m.
Subsidy NRs	4.97 m.	34.8 m.
Subsidy in US$	0.43 m.	3.0 m.

7. Objectives:

   (a) To ensure supply of bio-gas as a source of energy for cooking, lighting, generation of electricity for household use and operating various agricultural machineries.

   (b) To promote application of nutritious organic fertilizer which will be available from the bio-gas plants for use in agriculture thereby reducing the import of costly chemical fertilizer.

8. Justification: Rural households depend on either fuel wood or dry dung cake for cooking purposes. This results in the destruction of forests which are essential for the soil and water conservation and ecological balance and also cause the misuse of dung which is a source of soil nutrients. Biogas is an appropriate source of energy for the rural household applications. However, due to its high cost, most of the farmers are continuing to consume large quantities of firewood and dung for their household energy needs. The destruction of forests and cow dung for want of fuel has a very high economic cost to the nation. To improve this situation, one approach would be to promote the use of biogas plants on a wider scale. This would be possible only when the costs of the plants are reduced through government support so that the farmers would be encouraged to adopt the biogas technology.

9. Benefit:

1. With the adoptation of biogas for cooking, the destruction of forest land will be minimized. This will in turn lead to the conservation of soil and water, and control of flood hazards.
2. Use of slurry helps the improvement of productivity of the land and thus increases the total income of the rural population.
3. The importation of petroleum required for electrification of the rural areas will be minimized.
4. Operating the agricultural machines with the help of locally produced biogas will be promoted.
5. Health hazards such as eye-irritation, and dirty-utensils due to smoke from the traditional cooking means will be eliminated thereby improving the rural women's health and sanitation.

10. Request:

HMG of Nepal would welcome financial assistance of US$6.00 million which includes the subsidy of US$3.00 million in technical assistance from the co-operating countries for implementing this project.

PROJECT 4:

1.	Name of the Project:	Assistance to Cottage Industries Development
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Cottage and Village Industry
3.	Location	Various parts of the country
4.	Estimated Cost:	a) Enterpreneur training NRs 980,000 (US$ 84,500) b) Raw materials, machinery, finished goods, marketing: NRs 17,028,000 (US$ 1,467,931) Total cost ..... NRs 18,008,000 US$ 1,552,400
5.	Objective:	To develop 532 craftsmen as self-enterpreneurs in 14 districts of Nepal.
6.	Justification:	The Department of Cottage and Village Industry has launched a 3 month-mobile training programme and a 3 month enterpreneur training programme in various districts. But due to lack of necessary capital and equipment, the skills learned by trainees have not been properly utilized. This programme is being envisaged to provide necessary capital as loan to the trainees. Necessary raw materials will also be provided and in return the finished products will be taken and marketed by the existing Cottage Industries Handicraft Emporeums.
7.	Benefit:	With excution of this project, 532 new enterpreneurships will be created with employment possibilities of about 1,064. At the same time goods worth US$2,200,000 will be produced.
8.	Request:	HMG of Nepal would welcome financial assistance of NRs 17,028,000 (US$1.467, 931) from the co-operating countries to implement this project.

PROJECT 5:

1.	Name of the Project:	Establishment of Pilot/multi-purpose Analysis Units for Utilization of Natural Products.
2.	Sponsor:	
	a) Ministry:	National Council for Science and Technology; National Planning Commission.
	b) Agency:	Research Centre for Applied Science and Technology (RECAST)
3.	Capacity:	To strengthen RECAST to be able to develop or adopt more suitable technologies for testing domestic natural products.
4.	Location:	Kathmandu
5.	Estimated Cost:	Total cost ..... NRs 11,994,800 (US$ 1,034,000) Foreign exchange ... US$ 603,000
6.	Objectives:	a) To establish a pilot plant for versatile treatment of natural domestic products; b) To develop a training programme for dimensional analysis of the laboratory data in semi-industrial production units. c) To stimulate investment in utilization of natural products for domestic needs or export purposes.
7.	Justification:	The research and development (R + D) in RECAST laboratory investigates a large number of potential raw materials from forest and agricultural stations which in the past were not utilized. The laboratory tests show that such raw materials are rich in proteins, oil and minerals, suitable for use in industry and food production as well as other human needs. Until now, there has been no unit for experimental and semi-industrial verification of the applicability of technology for testing natural products and a production unit with up-to-date technical assistance services.

8.	**Benefit:**	Establishment of a versatile pilot unit with corresponding training and research facilities will be highly beneficial to the country's development. It will produce trained technical manpower and will help the increase of productivity in Nepal's Research/Training Institutions.
9.	**Request:**	HMG of Nepal would welcome financial, technical and technological assistance from the co-operating countries for the implementation of this project.

PROJECT 6:

1.	Name of the Project:	Jute Mill
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industries
3.	Capacity:	a. Wide hessian ..... 1,329 tons b. Narrow hessian ... 3,475 tons c. Sacking ..... 5,013 tons
4.	Estimated Cost:	Total cost ..... NRs 280 million (US$24.13million) Foreign currency component ..... US$21.552 million
5.	Location:	Birtamod, Jhapa Districts
6.	Objective:	To set up a Jute manufacturing unit, basically for export.
7.	Justification:	This project is based on 90% export of hessain and 10% of sacking. Quality jute which grows in abundance in the above mentioned districts is at present exported to foreign countries in raw form. With the establishment of this mill it will be possible to export finished jute at a higher price. The jute growers of those localities will benefit in numerous ways.
8.	Benefit:	The project will generate employment for about 1,800 persons. Apart from this, the project is likely to increase export earning of the country to the tune of NRs 59 million (US$5.09 million).
9.	Request:	HMG of Nepal would welcome from the co-operating countries, financial and/or technical assistance for implementing this project. Financial assistance may be by way of a grant and/or equity participation.

PROJECT 7:

1.	Name of the Project:	Industrial Glove and Apron Manufacturing Plant.
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Bansbari Leather Shoe Factory Limited
3.	Capacity:	200 pairs of chrome leather gloves per day 50 leather aprons per day 50 leather aprons with bibs per day
4.	Location:	Hetauda/Kathmandu
5.	Estimated Cost:	Total cost ..... NRs 764,062 (US$65,874) Foreign exchange ... US$26,455
6.	Objective:	To produce industrial gloves and aprons.
7.	Justification:	Industrial development requires simultaneous development of elements that are necessary for safe industrial operation. Industrial gloves and aprons constitute such necessary elements. This project envisages fulfilling the needs of local industrial enterprises producing excess quantity for export.
8.	Benefit:	The project will provide 20 employment possibilities for skilled, semi-skilled and unskilled labourers. If the project expands to produce the gloves and aprons for export (because of cheap labour and available raw materials), its contribution to foreign exchange earning would be substantial.
9.	Request:	HMG of Nepal would welcome financial and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 8:

1.	Name of the Project:	Leather and Leather Products Industry (Hide Finishing Unit)
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Industry/Hetauda Leather Industry Limited.
3.	Capacity:	Up to 500 hides per day
4.	Location:	Hetauda
5.	Estimated Cost:	Total Cost ..... NRs 20,534,400 (US$1.77 million) Foreign exchange .. US$1,672,455
6.	Objective:	To utilize Nepal's hide resources and process them for local needs as well as for export purposes.
7.	Justification:	Nepal's present preservation and preparation of raw hides is very poor. Improvement in procurement and handling methods could substantially upgrade the quality and quantity of leather and leather products for both export and domestic markets.
8.	Benefit:	The project will add quality to Nepalese hide resources, create employment (up to 40 skilled and semi-skilled jobs), contribute to foreign exchange earning/saving and make available finished leather for use in domestic shoe and leather goods manufacturing industries.
9.	Request:	HMG of Nepal would welcome financial assistance of US$1,672,455 million and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 9:

1.	Name of the Project:	Fruit and Vegetable Processing Plant
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Industry
3.	Capacity:	2,550 metric tons of fruits and vegetables.
4.	Location:	Bharatpur, Chitwan
5.	Estimated Cost:	Total cost ..... NRs 51,538,800 (US$4.44million)
6.	Objective:	To process 2,550 metric tons of various fruits and vegetables i.e. mandarin, pineapple and tomato. The processed produce will be used for both local consumption and export.
7.	Justification:	The soil condition, wide range of rainfall and varying altitudes provide beneficially varied conditions for the cultivation of almost all citrus fruits and vegetables. Most of these fruits and vegetables are currently produced in substantial quantities. The establishment of a processing plant would make the consumption of these products throughout the year feasible and establish profitable export markets.
8.	Benefit:	In addition to substantial foreign exchange earning, the plant will provide 84 direct employment opportunities.
9.	Request:	HMG would welcome financial assistance of US$4.44 million and technical assistance from the co-operating countries for implementing this project.

PROJECT 10:

1. Name of the Project: Fruit and Vegetable Processing Plant

2. Sponsor:

   a) Ministry: Ministry of Industry

   b) Agency: Department of Industry

3. Capacity:
   a. 2,000 metric tons of sweet orange concentrate
   b. 350 metric tons of mandarin concentrate
   c. 200 metric tons of tomato concentrate

4. Location: Dhalkebar, Dhanusha District

5. Estimated Cost: Total cost ..... NRs 38.28 million (US$3.30 million)

6. Objective: The main objective of this project is to convert the large quantity of fruits into various preserves and thus avoid the loss or perishing of fruits and vegetables, and to supply processes products to local and foreign markets.

7. Justification: The sweet orange of Sindhuli and Ramechhap district of eastern development region are of standard quality. HMG of Nepal is planning to launch a special programme to process 20,000 metric tons of sweet oranges per year by the end of fiscal year 1986/87.

8. Benefit: Since the Government is launching a special programme to process sweet oranges in the neighbouring districts, a large number of small growers will benefit from the programme. It will also generate employment to 84 persons and help increase foreign currency earnings.

9. Request: HMG of Nepal would welcome financial assistance of US$3.30 million and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 11:

1.	Name of the Project:	Nitrogenous Fertilizer Project
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Industry
3.	Capacity:	100 tons of urea per day (30,000 tons per year).
4.	Location:	Ghobhar, Kathmandu.
5.	Estimated Cost:	Total cost ..... NRs 880 million Foreign exchange .. US$ 62.4 million
6.	Objective:	To make Nepal self-reliant in nitrogenous fertilizer and to boost agricultural production
7.	Justification:	Every year, Nepal uses considerable quantities of fertilizer of various types of which nitrogenous (N) fertilizer is the most important one. Fertilizer is the most important input in increading agricultural productivity. Agriculture is the mainstay of the Nepalese economy. At present, all the fertilizer requirements are met by import. All the raw materials required for the production of urea are available within the country.
8.	Benefit:	Establishment of the nitrogenous fertilizer will definitely boost not only agricultural production but also the Nepalese economy itself. The plant will provide direct employment to 220 people. The establishment of a chemical plant will enchance the local skill badly needed for further development. After the establishment of the urea plant it can be extended to produce nitro-phosphate (NPK-type) fertilizer. Thus, the envisaged plant will develop to a fertilizer complex in the future.

9.	Remarks:	This project is based on a study made by UNIDO at the request of the Department of Industry of HMG. The study has a favourable outcome and implementation of the project is considered feasible. The plant will use hydrogen from water, nitrogen from air, and carbon-dioxide from the exhaust gases of Chobhar Cement Plant.
10.	Request:	HMG would welcome the technical and financial assistance from the co-operating countries for the implementation of the project.

PROJECT 12:

1.	Name of the Project:	**Tannery in the Far Western Region of Nepal.**
2.	Sponsor:	
	a) Ministry:	**Ministry of Industry**
	b) Agency:	**Department of Industry**
3.	Capacity:	a. Goat skin.....120,000 pieces per annum b. Baffalo hides .. 40,000 pieces per annum c. Cattle hides ... 22,500 pieces per annum
4.	Location:	Nepalgunj, Banke Distric
5.	Estimated Cost:	Total cost ..... NRs3,838,400 (US$331,000) Foreign exchange .. US$210,470
6.	Objective:	To produce blue tanned leather specially for the export markets.
7.	Justification:	Collection of goatskins in the Eastern, Central and Western Regions of Nepal is approaching the stage of feasible extraction where existing collection, preservation and preparation methods are adequate. Many tanneries and leather industries exist in these regions. Goatskins in the Far Western Region amounting to some 239,000 pieces per year are, however, neither collected nor utilized. Similarly 78,000 pieces of buffalo hides and 45,000 pieces of cattle hides per annum have not been utilized for processing either.
8.	Benefit:	Hides and skins are major natural renewable resources in Nepal and potentially one of the country's largest foreign exchange earning commodities. In addition to job creation and foreign exchange earning, this has proven to be an increasing source of tax revenue for the Government.

9.	Remarks:	The project has been prepared on the basis of a study carried out by the Tropical Products Institute of London and the Industrial Services Centre in Nepal.
10.	Request:	His Majesty's Government of Nepal would welcome financial assistance of US$210,470 from the co-operating countries for the implementation of this project along with the necessary technical know-how.

PROJECT 13:

1. Name of the Project: Malt Plant

2. Sponsor:

   a) Ministry: Ministry of Industry

   b) Agency: Department of Industry

3. Capacity: 4,000 tons per annum

4. Location: Hetauda, Makwanpur District

5. Estimated Cost: Total Cost NRs27,200,000
   (US$2.34 million)
   Foreign exchange ..... US$1,208,700

6. Objective: To establish a malt factory which would be both an import substituting as well as an export oriented industry.

7. Justification: Malt is a by product of barley. Barley is grown in Nepal. Malt is used by breweries, biscuit factories and distilleries. At present there are one brewery, three large biscuit factories and many distilleries in Nepal. Two more breweries and one more biscuit factory are being built. But the malt required by them is imported. At the same time malt is in great demand in South East Asian Countries where it can be exported easily.

8. Benefit: Malt barley can be grown in the Narayani Zone as the Department of Agriculture has already experimented with malt barley production since 1971. With the establishment of this plant, the indirect employment opportunities will be made available by growing the malt barley as a cash crop. Besides, it will provide direct employment to 49 persons. The project will not only save the scarce foreign exchange by import substitution, but will also earn foreign exchange by export.

9.	Remarks:	The project is based on "Feasibility Report on Malt Plant, 1981", conducted by the Industrial Services Centre.
10.	Request:	HMG of Nepal would welcome financial and/or technical assistance from the co-operating countries for implementing this project. Financial assistance may be provided by way of a grant or equity participation.

PROJECT 14:

1.	Name of the Project:	Integrated Textile Mill
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Industry
3.	Capacity:	a. 9 million meters of cloth b. 1,132 tons of Yarn
4.	Location:	Bhairwa-Butwal region, Lumbani Zone
5.	Estimated Cost:	Total cost ..... NRs 93.825 million (US$8,088,000) Foreign exchange .. US$5,902,000
6.	Objective:	To establish an integrated textile plant with spinning, weaving, processing finishing, and hosiery units.
7.	Justification:	Cotton textile is one of the most essential daily necessities, but 60% of the demand is met by import. By the year 1991/92, the demand will reach 207 million meters. At present there is no integrated textile mill in Nepal.
8.	Benefit:	The mill will provide direct employment to 840 people. Establishment of such a mill will reduce the import, resulting in substantial foreign exchange savings. The project will also encourage the cultivation of cotton as a cash crop. The region selected is very suitable for the cultivation of cotton.
9.	Request:	HMG would welcome financial and/or technical assistance from the co-operating countries for implementing this project. Financial assistance may be provided by way of grant and/or equity participation.

PROJECT 15:

1. Name of the Project: Establishment of a Mini-Petroleum Refinery

2. Sponsor:

   a) Ministry: Ministry of Industry

   b) Agency: Department of Industry

3. Capacity: 5,000 barrels per day

4. Location: Amlekhgunj, Makwanpur District

5. Estimated Cost: Total cost ..... NRs 298,120,000
   (US$25.7 million)

6. Objective: To produce the following products:

   a) LPG, 4,975 million tons = 9,952 M3
   b) Gasoline ..... = 35,907 M3
   c) Naptha ..... = 22,000 M3
   d) Kerosene ..... = 39,285 M3
   e) Diesel Oil ..... = 79,574 M3
   f) Fuel Oil ..... = 54,348 m.tons
   g) Coke ..... = 16,971 m.tons

7. Justification: At present, crude oil is imported from OPEC countries and is then given for refining to India as no refineries exist in Nepal. Nepal receives from India, gasoline, diesel oil, fuel oil and kerosene and loses all other possible byproducts. Nepal also imports jet fuel, Jute Batching oil, Asphalt, Coke (fuel) etc. Thus, establishment of a mini-refinery will substitute the import of these products. It will also prove an opportunity to start petro-chemical industries in Nepal.

8. Benefit: The project will provide direct employment to 134 people. Besides, it will provide indirect employment in transportation etc. In addition, there will be monetery benefit (foreign exchange savings) by the utilization of locally produced by-products.

9. Remarks: The project is based on a study carried out by a chemical expert Mr. Abdon Zomosa, who was provided to HMG (Department of Industry) by UNIDO. The study concluded that installation

of a mini-refinery in Nepal is highly feasible. The study focuses on the Arabian Light-34 crude oil and Kuwait 31 crude oil.

10. Request: His Majesty's Government of Nepal would welcome technical and financial assistance for conducting a pre-investment study for the implementation of the project.

PROJECT 16:

1.	Name of the Project:	Silica, Lime, Brick Plant
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Industry
3.	Capacity:	12,000,000 bricks per year.
4.	Location:	Pathalaiya, Hetuada
5.	Estimated Cost:	Total cost ..... NRs 22,708,000 (US$1.958 million) Foreign exchange ... US$1.687,000
6.	Objective:	To produce highly demanded silica lime bricks by utilizing silica and lime deposits.
7.	Justification:	The growing construction industry covering both private and industrial buildings has produced critical demand for construction bricks. Currently the supply of available bricks is far below the requirements, producing a delaying effect on construction industries.
8.	Benefit:	The implementation of the project will eliminate shortages of brick supply and produce an estimated 65 direct employment opportunities with possibilities of additional indirect employment. The project is expected to produce 18,480,043 bricks and will generate NRs 11,088,000 million of sales revenue per year.
9.	Request:	HMG would welcome financial assistance of US$1,687,000 and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 17:

1.	Name of the Project:	Lime Industry Plant
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	
3.	Capacity:	40 tons per day
4.	Location:	Godvari, Kathmandu
5.	Estimated Cost:	Total capital cost ..... NRs 31,200,000 million (US$2.64 million) Foreign exchange ..... US$2,200,000
6.	Objective:	To produce the refined silica lime for bricks, cement and other construction materials.
7.	Justification:	The growing demand for lime in the construction and other industrial areas provides ample justification for building a lime plant. The obvious positive impact of this plant in the overall industrial development and self-reliance objective of Nepal cannot be neglected.
8.	Benefit:	The plant will produce a total of 66 direct jobs beside providing the raw materials for construction industries.
9.	Request:	HMG would welcome financial assistance of US$2,200,000 and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 18:

1.	Name of the Project:	Sugar Plant
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Industry
3.	Capacity:	1,500 tons of sugarcane crushing per day.
4.	Location:	Rautahat
5.	Estimated Cost:	Total cost ..... NRs 148,749,000 (US$12.82 million) Foreign exchange ..... US$8,992,000
6.	Objective:	To produce around 15,000 tons of Sugar.
7.	Justification:	There are 3 sugar mills in Nepal with a total installed capacity of 28,000 metric tons. In 1980, the actual production of these three units was 21,000 metric tons whereas the demand was 24,240 metric tons. The demand in sugar is increasing every year, due to increase in population as well as income growth. The demand is expected to rise to 48,400 metric tons in 1985/86 and 71,500 metric tons in 1990/91. Thus the establishment of one more sugar plant is well justified despite the establishment of the Chinese aided sugar plant in progress.
8.	Benefit:	Until a few years ago, Nepal was not only self sufficient in sugar, but was also exporting sugar to other countries. However, since 1980, Nepal has had to import sugar. With the establishment of this project, Nepal will again be self-sufficient and will probably provide indirect employment to sugar cane growers, transporters like bullock cart drivers, loaders, unloaders etc.

9.	Remarks:	The project is based on a feasibility study carried out by the Industrial Service Centre in 1981. The project is also based on Industrial/Sectoral Plan Study and a Feasibility Study Report on the Ram Sugar Mill.
10.	Request:	HMG would welcome financial and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 19:

1.	**Name of the Project:**	**Paper Plant**
2.	**Sponsor:**	
	a) **Ministry:**	**Ministry of Industry**
	b) **Agency:**	**Department of Industries**
3.	**Capacity:**	**30 tons per day**
4.	**Location:**	**Bankabasa Kapilvastu district, or Nepalgunj, Banke district.**
5.	**Estimated Cost:**	**Total cost ..... NRs 108.10 million (US$9,320,000)**
6.	Objective:	**The over all objective of the project is to meet the national demand for writing and printing paper.**
7.	Justification:	The total demand for writing and printing paper in Nepal at the moment is 8,630 metric tons and it is estimated that it will reach 18,268 by the years 1990/91. Due to the lack of a paper manufacturing plant in the country all needs are met through import.
8.	Benefit:	This project, once implemented, will provide direct employment for 356 people and is also likely to generate part-time employment for people at the farm level. Beside these, it will help substituting the import of paper.
9.	Request:	HMG of Nepal would welcome financial assistance of US$9,320,000 and/or technical assistance from the participating countries for implementing this project. Financial assistance may be in the form of grant and equity participation.

PROJECT 20:

1.	Name of the Project:	Small Scale Iron and Steel Plant
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Mines and Geology
3.	Capacity:	50,000 tons of bars, rods, flats, angles and channels.
4.	Location:	Hetauda, Makwanpur District, Narayani Zone
5.	Estimated Cost:	Total cost ..... NRs 883,820,000 (US$76.2 million)
6.	Objective:	To manufacture the necessary metal requirements for construction industries.
7.	Justification:	Nepal's present construction industry is highly dependent on importing necessary metal materials mentioned above. The implementation of this project will considerably reduce reliance on external raw materials and will provide a linkage support for other related areas of construction industry.
8.	Benefit:	In addition to providing jobs for 6,363 persons the project will result in foreign exchange saving of NRs 174 million per year.
9.	Request:	HMG of Nepal would welcome financial assistance of 76.2 million and/or technical and technological assistance from the co-operating countries for implementing this project.

PROJECT 21:

1.	Name of the Project:	Cotton Spinning Mill
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industries
3.	Capacity:	22,736 spindles and 3,600 tons of cotton yarn yearly.
4.	Location:	Kathmandu Valley
5.	Estimated Cost:	Total cost ..... NRs 193.11 million (US$16,648,000)
6.	Objective:	To meet the growing demand of the cotton yarn for existing local hand and power looms which are running below capacity because of the shortage of cotton yarn.
7.	Justification:	At present, in Kathmandu valley there are 8,000 looms (hand and power) and by 1984/85 the demand for cotton yarn will reach nearly 6,028 tons at a growth rate of 10%. The needed yarn supply currently is imported from abroad. Only 8% of the total yarn demand can be met by domestic production.
8.	Benefit:	The existing cloth mills are producing only one third of the total cloth requirements of the country and two thirds of the requirements are met by import. This requires substantial amount of foreign currency. The proposed project will help the production of more cloth within the country and will reduce import. The project will also creat employment for about 420 people and many more will derive indirect benefit.
9.	Request:	HMG of Nepal would welcome financial assistance for the total cost of the project (US$16,648,000) and technical assistance from the co-operating countries for implementing this project.

PROJECT 22:

1.	Name of the Project:	Canvas Shoes Factory
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industries
3.	Capacity:	One million pairs yearly
4.	Location:	Kathmandu Valley
5.	Estimated Cost:	Total cost ..... NRs 12million (US$1.03 million) Foreign currency component ..... US$500,000
6.	Objective:	To meet the national demand for canvas shoes.
7.	Justification:	A survery, made by the Industrial Services Centre, shows that the present consumption of canvas shoes is 0.9 million pairs a year. The whole requirement at present is met through import. The annual demand growth of this product is nearly 4%. In this situation it is highly justified to establish a canvas shoes manufacturing plant of the stated capacity.
8.	Benefit:	Besides becoming an import substituting industry, the project will generate employment for about 90 persons.
9.	Request:	HMG of Nepal would welcome financial and technical assistance from the co-operating countries of this project.

PROJECT 23:

1.	Name of the Project:	Skim Milk Powder Producing Unit
2.	Sponsor:	
	a) Ministry:	Ministry of Agriculture
	b) Agency:	Department of Industry
3.	Capacity:	1,300 metric tons per annum
4.	Location:	Janakpur, Dhanusha District
5.	Estimated Cost:	Total cost ..... NRs 261,348,000 (US$ 22.53 million) Foreign exchange cost .... US$ 1,100,000
6.	Objective:	To produce skim milk powder and establish an import substitution industry
7.	Justification:	Dairy Development Corporation (DDC), is the sole milk distributor of milk in the urban areas of Nepal. It has not, however, been able to cope with the growing demand. Production of skim milk in urban areas entirely relies on local collection of skim milk. Consequently, substantial quantities of skim milk powder (SMP) is being imported every year. Similarly all bakeries and confectioneries are importing SMP. By the establishment of this plant, these imports will be substituted by local production.
8.	Benefit:	An integrated live stock development project is being launched by the Ministry of Agriculture in Janakpur and Sagarmatha Zones. The Sagarmatha Rural Integrated Development Programme alone envisages daily marketable surplus milk of 10,000 to 14,000 litres. If the industry to utilize these surplus is not established, then the farmers may either have to consume all these products or sell them at low prices. Thus the establishment of the factory will benefit the entire population of farmers of Janakpur and Sagarmatha Zones. Besides, it will provide direct employment to about 80 people.

9. Remarks: The project has been prepared on the basis of:

a) Agricultural Development Programme of HMG/Nepal 1980-81.
b) Livestock Development Project in Janakpur area.
c) Pokhra Milk, Supply Scheme prepared by Agricultural Projects Services Centre (APROSC) - 1977.
d) Dairy Development Corporation Report.

10. Request: HMG of Nepal would welcome financial assistance for the entire cost of the project. HMG of Nepal would also like to receive the necessary techncial assistance from the co-operating countries for implementing this project.

PROJECT 24:

1.	Name of the Project:	Match Manufacturing Plant
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industries
3.	Capacity:	1,850 gross match boxes per day (single shift)
4.	Location:	Kailali district, Dhangadi
5.	Estimated Cost:	Total cost ..... NRs 10.846 million (US$ 0.935 million)
6.	Objective:	To produce matches in order to meet the demand of the far western region of the country.
7.	Justification:	The production of matches in 1980 was around 116.73 million boxes where as the demand for the same period was 198.94 million boxes. The short supply of matches was met through import. The growth rate of 6% per annum in demand is envisaged due to population growth and increase in per capita consumption. The basic raw material for matches which is soft wood can be easily supplied from the forests of the western development region.
8.	Benefits:	The project will help meet the local demand and will minimize the import of matches. It will also generate employment for about 200 persons.
9.	Request:	HMG of Nepal would welcome financial assistance of US$0.935 million and technical assistance from the co-operating countries for implementing this project. Financial assistance may be in the form of grant or equity participation.

PROJECT 25:

1.	Name of the Project:	Establishment of Light Engineering Industry
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Industrial Services Centre
3.	Capacity:	Establishment of industrial estate for light engineering industries.
4.	Location:	Lahan, Siraha District
5.	Estimated Cost:	Total Cost ..... NRs 8,236,000 (US$ 710,000)
6.	Objective:	The immediate objective is to assist ISC (industrial Services Centre) in the establishment of a light engineering Industry Complex in Lahan. This complex will identify, design and manufacture such products as pumps, water meters, turbines, fittings etc. utilizing materials produced in the country. The complex will also establish theoretical and on-the-job training.
7.	Justification:	HMG of Nepal, in co-operation with the UN-Mission to Nepal, has successfully established the "Butwal Engineering Works" (B.E.W.). The BEW has workshop facilities, offers training courses and provides extension services to neighbouring industries. ISC has identified the need to establish a similar project in Lahan.
8.	Benefit:	Establishment of such a complex will provide extension services to neighbouring metal workshops/industries so that they can diversify their products and improve their quality.

9. Remarks: The project is planned to take place in three phases:

Phase I: detailed study of project and project design with layout of physical facilities, manpower requirement and specification of fellowships.
Phase II: Construction of buildings and provision of fellowships.
Phase III: Implementation of Project.

10. Request: HMG of Nepal would welcome, from the co-operating countries technical and financial assistance for the following components:

Phase	I	Consultants ..... US$	60,000
Phase	II	Fellowships .....US$	30,000
Phase	III	Experts and Consultants .....US$	200,000
		Equipment .....US$	400,000
		Study Tours and Fellowships .....US$	20,000
		Total.....US$	710,000

PROJECT 26:

1.	Name of the Project:	**Feasibility study of an Export Processing Zone.**
2.	Sponsor:	
	a) Ministry:	**Ministry of Industry**
	b) Agency:	**Department of Industry**
3.	Capacity:	**To carry out the feasibility study of an Export processing Zone (EPZ).**
4.	Location:	**Near Trivhuban International Airport, Kathmandu.**
5.	Estimated Cost:	**Total cost ..... NRs 1,508,000 (US$ 130,000)**
6.	Objective:	**To study existing conditions and assess the feasibility of establishing an EPZ along with the identification of potential investment projects, assessment of prospective employment avenues and required physical and institutional infrastructural facilities for developing an EPZ complex.**
7.	Justification:	**The availability of cheap and abundant labour, possibilities of expanding exports of some traditional crafts, attracting foreign investment in high value low weight products and getting international sub-contracting jobs have prompted Nepal to explore the feasibility of setting up an Export Processing Zone (EPZ) in the country.**
8.	Benefit:	**The study will provide a basis for initiating the work towards setting up an EPZ in Nepal. This will be an important move for generating employment as well as for export promotion.**
9.	Remarks:	**Since the project is new in Nepal, expatriate services will be required from the initial stages of the project.**
10.	Request:	**HMG of Nepal would welcome from the co-operating countries financial and technical assistance in order to conduct a feasibility study on establishing an EPZ.**

PROJECT 27:

1.	Name of the Project:	Rehabilitation of the Agricultural Tools Factory in Birgunj.
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Agricultural Tools Factory, Limited, Birgunj.
3.	Capacity:	Strengthening the existing factory, so that it can run at full capacity.
4.	Location:	Birgunj, Parsa District
5.	Estimated Cost:	Total cost ..... NRs 1,102,000 (US$ 95,000)
6.	Objective:	To prepare a master plan, for improving, enlarging and rehabilitating the Agricultural Tools Factory in Birgunj.
7.	Justification:	The Agricultural Tools Factory of Birgunj has all the workshop facilities, but most of the equipment are sitting idle. The factory may have to diversify the products. For this, the factory may have to add some non-existing equipment or may have to be rehabilated and improved, so that it will run at full capacity and become a profitable source. Since Nepal's economy is predominantly agriculture based, this industry can, therefore, be a most profitable venture.
8.	Benefit:	This factory is one of the best workshops in the country, run by HMG, but due to reliance on traditional agricultural tools, in short supply, it has incurred heavy losses. After the preparation of a master plan the factory may be rehabilitated along with some soft loan.
9.	Remarks:	The project has been developed by HMG and has been presented to UNDP for financing but due to limited resources available, the project has not been considered.

10.	Request:	HMG of Nepal would welcome financial and/or technical assistance to the tune of $95,000 for recruiting an expert in general management for a period of 12 months; and for sub-contracting the Industrial Services Centre for carrying out a market study and a feasibility study.

PROJECT 28:

1. Name of the Project: Strengthening of existing mechanical workshops.

2. Sponsor:

   a) Ministry: Ministry of Industries

   b) Agency: Industrial Services Centre

3. Capacity: Strengthening the existing mechanical workshop.

4. Location: Kathmandu and Taria belt

5. Estimated Cost: Total cost ..... NRs 6,229,000
   (US$ 5, 37,000)

6. Objectives:

   a) To strengthen the metal works sector in Nepal as a crucial basic industry for the overall industrial development and support to the agriculture sector.

   b) To introduce new products to be manufactured in the existing mechanical workshop.

   c) To upgrade existing technology.

   d) To raise capacity utilization by improving workshop management.

7. Justification: A feasibility study made by ISC shows that there are possibilities for manufacturing new consumer products like Electric Cookers, Radiators, Kerosene heaters, alternative energy devices like Solar water heaters, Biogas plants, Water turbines, with the help of these mechanical workshop .

8. Benefits: HMG has given a significant priority for the promotion of rural and small scale industries. An important sub-sector in this area is the mechanical workshop sector. Strengthening this sector could mean upgrading agricultural productivity.

Similarly, it would help reduce the country's dependance on fire wood and at the same time it will improve the technological capacity of the people.

9. Remarks: This project has been prepared on the basis of a UNIDO - survey titled "Assessment of Mechanical Workshop Capacity and Projections for its Expansion".

10. Request: HMG of Nepal would welcome financial assistance of US$5,37,000 and/or technical assistance from the co-operating countries for implementing this project.

PR JECT 29:

1.	Name of the Pr ject:	Floriculture Development
2.	Sponsor:	
	a) Ministry:	Ministry of Forest
	b) Agency:	Department of Medicinal Plants
3.	Capacity:	Up to a value of $0.8 million flowers and plants during a 5 year period.
4.	Location:	
5.	Estimated Cost:	Total cost ..... NRs 25.52 million (US$ 2.2 million)
6.	Objective:	To develop a floriculture industry in Nepal based on temperate and alpine plants. This also includes application of modern technology for the production of quality plants.
7.	Justification:	Nepal encompasses four climatic Zones (Tropical, sub tropical, temperate and alpine) where more than 7,000 different plants species are found. Among these about 400 native orchids and a large number of alpine plants have great market potential. Some basic technologies and skills already exist in the country to make the implementation of future projects more successful.
8.	Benefit:	Beside marketing plants worth $0.8 million during a five year period, the project will provide numerous job possibilities and change the nature of floriculture in Nepal from a business to an industry.
9.	Linkage:	The project will provide incentive and support to such enterprises as gardening, designing, and other related businesses.
10.	Request:	HMG would welcome financial and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 30:

1.	Name of the Project:	Sericulture Development Plant
2.	Sponsor:	
	a) Ministry:	Ministry of Agriculture
	b) Agency:	Sericulture Development Station
3.	Capacity:	745 tons of cocoons at full development stage
4.	Location:	Kavre, Sindhupal chok, Bhaktapur, Kathmandu, Dhading, Nuwacoat, Tanahu, Kaski, Syanaja, Palpa and Dhankuta Districts.
5.	Estimated Cost:	Total cost.....NRs 53,012,000 (US$4.6 million) Foreign exchange ....US$1.02 million
6.	Objective:	To develop a sericulture industry and provide employment opportunities for farmers; To help control land erosion by planting deep rooted mulberry plants and improve defective plants; and To provide basic technologies for sericulture through research and development.
7.	Justification:	Sericulture in Nepal has been an important agro-based income generating cottage industry. It is labour intensive and relies on domestic specimen like silkworms surviving on such plants as mulberry and morus etc. grown in Nepal.
8.	Benefit:	In addition to producing 745 tons of cocoons the project will benefit 4300 farm families at a value of 260,000 NRs per kg. Furthermore, the silk-worm pillets produced will be used as cattle feeds and/or as composit for mulberry fields. Tons of firewood through harvesting mulberry wood will be an added benefit. The project will also provide 3,000 men-day employment to skilled workers and 3,000 men-day employment to semi and unskilled labourers.
9.	Request:	HMG would welcome financial assistance of US$1.02 million and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 31:

1. Name of the Project: Establishment of Security Printing Press

2. Sponsor:

   a) Ministry: Ministry of Home

   b) Agency: HMG Press

3. Capacity: First Phase:

   Printing arrangements for Aerogrammes. Bank Cheques, Airtickets, and two colour postage stamps.

   Second Phase:

   Multi-colour postage stamps.

   Third Phase:

   Currency notes.

4. Location: Kathmandu

5. Estimated Cost: Total cost ..... NRs 40,020,000 (US$3.45 million)

6. Objective: To make Nepal self-sufficient in security printing.

7. Justification: At present the security printing works are being done outside the country. This has led to the draining of the valuable foreign currency reserves. With the establishment of this project Nepal could print its needed materials.

8. Benefit: The country could be self sufficient in security printing, save the flow of foreign currency to outside, make printing industry effective and develop efficient printing technology.

9. Request: HMG of Nepal would welcome financial assistance of US$3.45 million and technical assistance from the co-operating countries for implementing this project.

PROJECT 32:

1.	Name of the Project:	Tassar Silk Plant
2.	Sponsor:	
	a) Ministry:	Ministry of Food and Agriculture
	b) Agency:	Department of Agriculture
3.	Capacity:	
4.	Location:	Mid-hills of Nepal
5.	Estimated Cost:	Total cost ..... NRs39.44 million (US$ 3.4 million) Foreign exchange ..... US$ 2.7 million
6.	Objectives:	To develop Tassar silk farming as a suitable additional enterprise for farmers; To develop regular supply of raw tassar silk for the textile industry and export surplus material; and To utilize leaves of quercus spp. and shorea rubusta for rearing tassar silk worms.
7.	Justification:	In the mid-hills region of Nepal Sal and Oak trees are abundantly found. The leaves of these trees have not been used for commercial purposes. Tassar silk farming in this area, thus, provide a real possibility for utilizing the natural resource available.
8.	Benefit:	Because of the labour intensive nature of the industry a substantial number of under-employed farmers will be given job opportunities. This project will also generate a source of income for the poor farming communities and the export of silk will help foreign exchange reserve.
9.	Request:	HMG would welcome financial and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 33:

1.	Name of the Project:	Cable Car Complex in Kathmandu
2.	Sponsor:	
	a) Ministry:	Ministry of Tourism
	b) Agency:	Department of Tourism
3.	Capacity:	a. 100 people hour - 200 people/hour b. Hotel 75 transient rooms of 4 star category c. Restaurant and Bar - 15,000 sq.ft.
4.	Location:	Budhanilkantha - Shivapuri
5.	Estimated Cost:	Total cost ..... NRs 55,645,200 (US$ 4,797,000)
6.	Objectives:	To develop a cable car system starting from Budhanilkantha and terminating at Shivapuri peak; To construct an observation platform, a restaurant and hotel facilities.
7.	Justification:	Tourism is a major foreign exchange earning sector in Nepal. Tourists visiting Nepal are increasing at an annual rate of 18 percent. The total reached 1,620,000 in 1979 and generated US$29.31 million in foreign exchange. The average number of days tourists stay in Nepal is only 3 nights. The establishment of such facilities and attractions will lengthen the period tourists would want to spend in the country.
8.	Benefit:	It will provide direct employment to 161 people. At present, about 77.82 percent of the total accommodations of Nepal in terms of beds is confined to the Kathmandu Valley. With the completion of this complex, the stay of tourists will increase at least by one day which will substantially increase the foreign exchange earning. This project has been based on a pre-feasibility already completed.

9.	Request:	HMG of Nepal would welcome financial assistance either in the form of grant or in the form of equity participation in order to construct the cable car complex.

PROJECT 34:

1.	Name of the Project:	Production and supply logistics of Pharmaceuticals.
2.	Sponsor:	
	a) Ministry:	Ministry of Forest
	b) Agency:	Royal Drug Limited
3.	Capactiy:	US$14.6 million worth of various types of medicine.
4.	Location:	Kathmandu
5.	Estimated Cost:	Total cost ..... NRs 146.16 million (US$ 12.6 million)
6.	Objective:	To contribute to the progressive expansion in production, supply logistics and quality control of drugs and to contribute to the building up of national self-reliance and self sufficiency in the manufacture and distribution of pharmaceuticals in Nepal.
7.	Justification:	His Majesty's Government of Nepal has started implementing concrete programmes to improve the health status of the people. The long term objective of the health sector is to expand preventive, promotive and curative health services and make them available to the public.
8.	Benefit:	It will help the country to achieve self-reliance and self-sufficiency in manufacturing of basic essential drugs for up to 70% of the total national needs. It will also provide economical and effective drugs to the poorer sectors of the population.

9.	Remarks:	UNICEF has already contributed US$75,000 for acquiring machineries to produce oral dehydration salt and has agreed to contribute US$41,000 in 1980/81 for the same purpose. UNICEF has also agreed to contribute US$6,180,000 in 1980/81 for the machineries to produce MCH and Anti-TB Drugs and an additional amount of US$3,500,000 in 1981/82 for the same purpose. UNDP has been formally requested for a contribution of US$5,300,000 needed for the production of Allopathic and Ayurvedic drugs.
10.	Request:	HMG of Nepal would welcome financial assistance for total cost of the project (US$12.60 million) and technical assistance from the co-operating countries for the implementation of this project.

PROJECT 35:

1. Name of the Project: Livestock Development Project

2. Sponsor:

   a) Ministry: Ministry of Food and Agriculture

   b) Agency: Department of Livestock Development and Animal Health

3. Location: Karnali

4. Estimated Cost: Total cost .... .. NRs 17.4 million
   (US$ 1.5 million)
   Foreign exchange.. US$ 0.65 million

5. Objectives: To increase the wool and meat production by genetic improvement of sheep and goats;
   To develop useful technology for grassland and feeding resources improvement and to improve grassland productivity itself;
   To establish a sound extension programme by training farmers and workers;
   To develop horses and mules for transportation use and yaks and chauri for milk production;
   To develop technology for wool processing; and
   To establish a wool based small cottage industry and cheese processing unit.

6. Justification: Throughout Nepal animal and animal products form a crucial component of farm production. Animal raising also provides an important source of lifelihood in the region. Scientific improvement and further development in this area is, thus, an important contribution to the overall development of the country.

7. Benefit: This project will help the development of proper technologies for grassland and feeding resources improvement in the region. Limited arable land in the area produces idle farmers. It is expected that the farmers of this area will be employed in cottage industries as well as in animal husbandry after harvesting seasons.

8. Request: HMG of Nepal would welcome financial assistance of US$0.65 million and/or technical assistance from the co-operating countries for implementing this project.

PROJECT 36:

1.	Name of the Project:	Pilot Programme for the development of a Centre for Science and Technology in Industrial Development of Nepal.
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Industry/ISC
3.	Location:	Kathmandu
4.	Estimated Cost:	Total cost ..... NRs 18,600,000 (US$ 1.6 million) Foreign exchange part US$ 1,120,000
5.	Objective:	To develop and implement a pilot scheme for the development of a centre for application of Science and Technology in Nepal which will eventually lead to a comprehensive programme on development of scientific methods and means for the utilization of Nepal's resources as well as the adaptation and dissemination of socially and economically appropriate technologies throughout the country.
6.	Justification:	The Nepalese economy operates on a very low level of technology in both agricultural and industrial sectors. Imported technologies, on the other hand, prove inappropriate for the needs of the country. Application of science and technology in research, development and design of methods and industrial products will, therefore, have a crucial impact on the general level of productivity, adaptation and distribution of technology fitted to local needs.
7.	Benefits:	The implementation of this project will encompass the following benefits:

a) Generation and enchancement of indigenous capabilities for the development and application of science and technology.

b) Provision of environment and conditions for exchange and sharing of knowledge and information;

c) Rendering co-operation to the educational and training institutes for the production of primary and middle level technicians;

d) Development and/or compilation of scientific and technological information based on comprehensive research and exploratory experiments;

e) Identification of needs, capacities, resources and potentials, existing for further progress and appropriate use for the overall development of the country; and

f) Prevention of brain drain by providing practical opportunities for educated and skilled national cadre.

8. Request: HMG of Nepal would welcome financial and/or technical and technological assistance from the co-operating countries to implement this project.

PROJECT 37:

1. Name of the Project: Building Materials and Housing Development

2. Sponsor:

   a) Ministry: Ministry of Works and Transport

   b) Agency: Department of Housing and Physical Planning.

3. Capacity:
   i) Identification and classification of local materials;
   ii) Establishment of laboratory for testing, improving and developing building materials;
   iii) Demonstration project for self help housing;
   iv) Promotion and improvement of building materials industries.

4. Location: Country as a whole

5. Estimated Cost: Total cost ..... NRs 220.4 million (US$19 million)

6. Objectives: This project has been devised with the following objectives:

   (1) Use of locally available building materials;
   (2) Encouraging public sector to increase the production of building materials;
   (3) Improvement of low cost housing.

7. Justification: Building materials is one of the important factors in construction. Inadequate supply of building elements is an obstruction to speedy development. Different kinds of raw materials are available in Nepal, but due to transport difficulty, shortage of capital investment, and low purchasing power Nepal can not set up building materials production. To overcome these difficulties and improve the locally available raw materials, it is well justified to implement this project.

8. Benefits: Most of the people of the country will benefit from this project in various obvious ways.

9. Request: HMG would welcome financial assistance of US$19 million from the co-operating countries to implement this project.

PROJECT 38:

1. Name of the Project: Development of Hydro-Electric Plant.

2. Sponsor:

   a) Ministry: Ministry of Water Resources

   b) Agency: Department of Electricity

3. Location: Kulekhani, Mulghat, Jhimruck, Saptagandaki and Seti.

4. Capacity: 120.1 million KWH of electricity

5. Estimated Cost: Total cost ..... NRs 510.4 million (US$44,000,000)
   Foreign exchange ... US$37,400,000

6. Objective: To augment the power supply capacity of the central power system.

7. Justification: Because of the unique geographic character of the country abundant natural possibilities for producing electric energy exist in Nepal. Low purchasing power and great distances from suppliers of other sources of energy make energy-based industrial development programmes difficult and costly. Development of hydro-electric energy plants in Nepal, therefore, becomes a necessity.

8. Benefit: In addition to supplying the badly needed energy, the project will generate numerous employment possibilities for local skilled cadre and will alleviate the burden on foreign exchange reserves.

9. Request: HMG of Nepal would welcome financial and/or technical assistance from the co-operating countries for implementing this project.

		in US$
Mulghat	Total cost	60,000,000
	Foreign exchange	45,000,000
Jhimruck	Total	20,000,000
	Foreign exchange	15,000,000
Saptagandaki	Total	169,600,000
	Foreign exchange	121,800,000

PROJECT 39:

1.	Name of the Project:	Starch and Glucose
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industries
3.	Capacity:	5,000 metric tons of starch and 2,250 metric tons of glucose.
4.	Location:	Makwanpur district, Hetauda
5.	Estimated Cost:	Total cost ..... NRs 30,884,000 (US$ 2.66 million) Foreign exchange component ..... US$ 1.253 million
6.	Objective:	To produce adequate amount of starch and glucose to meet the industrial and pharmacutical needs of the country.
7.	Justification:	It is estimated that by the year 1985/86 the domestic demand for starch will reach 1,264 metric tons and the domestic demand for glucose will reach 322 tons. There is also a great export potential for these products in countries like India and Bangladesh due to the shortage of the raw materials in these countries.
8.	Benefit:	This project will help import substitution and export promotion. In addition it will creat employment for about 250 people and many more will derive indirect benefit.
9.	Request:	HMG of Nepal would welcome financial assistance of US$1.253 million and technical assistance from the co-operating countries for implementing this project.

PROJECT 40:

1.	Name of the Project:	Glue and Gelatine Manufacturing Plant.
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Bansbari Leather and Shoe Factory Ltd.
3.	Capacity:	One ton per day per location
4.	Location:	Kathmandu, Hetauda and Birgunj
5.	Estimated Cost:	Total cost ..... NRs 25 million (US$2,155,1724) Foreign exchange ..... US$2,000,000
6.	Objective:	To produce adequate amount of glue and gelatine for domestic requirements and possible export.
7.	Justification:	HMG of Nepal has launched extensive studies on the possibilities of developing and expanding various types of industries which naturally require raw material, glue and gelatine. Though the present local market may prove too small for the projected production but the development of related industries will generate enough demand to warrant the establishment of the plants proposed above.
8.	Benefit:	Beside producing the required glue and gelatine for local and export markets, the project will generate employment and play a significant role in the foreign exchange saving earning and in the overall industrial development of the country.
9.	Remarks:	The project will be related to other subsectors, i.e. leather and leather products industries and other industries requiring a steady and cheaper supply of glue and gelatine products. It's development, should therefore be considered concomittantly with other industrial development projects.

10.	Request:	HMG of Nepal would appreciate financial and/ or technical assistance from the co-operating countries for implementing this project.

PROJECT 41:

1.	Name of the Project:	Re-Rolling mill, Hetauda
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industry
3.	Capacity:	18,000 metric tons of M.S Bars and rods per annum.
4.	Location:	Makwanpur District, Hetauda
5.	Estimated Cost:	Total cost ..... US$1.8 million
6.	Objective:	To cope with the national demand of mild steel rods and bars.
7.	Justification:	The domestic production of M.S. rods and bars in 1978/80 was 7,208 metric tons. The import during the same period was 9,515 metric tons. However, the sixth five year plan foresees the total demand of 2,89,000 metric tons of iron and steel in the country during the entire plan period with 90% of iron and steel consumption in the form of M.S. rods and bars(an average demand of 46,818 metric tons and bars per year is envisaged). Taking into consideration the total projected demand of the country , the establishment of a re-rolling mill of the proposed capacity is well justified.
8.	Benefit:	Beside being an import substituting industry, it will generate employment opportunities for 140 people.
9.	Request:	HMG of Nepal would welcome financial assistance of US$1.8 million from the developing countries for implementing this project.

PROJECT 42:

1.	Name of the Project:	Jute Carpet Backing Unit, Biratnagar.
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Rajhupati Jute Mill
3.	Capacity:	6,360 tons of Carpet backing per year.
4.	Location:	Morang District, Biratnagar
5.	Estimated Cost:	Total cost ..... US$3.85 million
6.	Objective:	To introduce new jute products into the international markets and maximize the utilization of jute yarn produced by local mills.
7.	Justification:	The proposed jute carpet backing unit is based on the principle of vertical integration by consuming jute yarn produced by the existing mills. At present the existing two jute mills have been consuming only 1/3 of the total raw jute produced in the country leaving more than 66% of the raw jute to be exported in raw form.
8.	Benefit:	This, being an export oriented industry, will generate more foreign exchange. Beside this, it will generate employment for about 309 persons. It will also help the jute growers by offering better prices for their raw jute.
9.	Request:	HMG of Nepal would welcome financial assistance of US$3.85 million from the co-operating countries for implementing the project.

PROJECT 43:

1.	Name of the Project:	Training and Manpower development of the Nepal Industrial Development Corporation.
2.	Sponsor:	
	a) Ministry:	Mininstry of Industries
	b) Agency:	Nepal Industrial Development Corporation.
3.	Capacity:	24 persons to be trained in 5 years starting from 1983.
4.	Location:	Different countries
5.	Estimated Cost:	US$195,710
6.	Objective:	To make the officials of this financial institution more efficient.
7.	Justification:	To provide effective and quick financial assistance to the industries, it is necessary to train the officials in the same line, so that it may be easier to implement the financial policies of the Government and the orporation itself.
8.	Benefit:	It will directly increase the efficiency of the corporation. Concerned industries will also benefit from this project.
9.	Request:	HMG of Nepal would welcome financial assistance of US$195,710 from the participating countries for implementing this project.

PROJECT 44:

Name of the Project:		Training and Manpower development at the Department of Industries.
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industries
3.	Capacity:	47 persons to be trained in 5 years starting from 1983.
4.	Location:	Different countries.
5.	Estimated Cost:	Total cost ..... US$392,359
6.	Objectives:	To make the officials of the Department more efficient.
7.	Justification:	The Department of Industries is in urgent need of enhancing its manpower efficiency through proper training and skill development. Trained manpower will facilitate effective implementation of industrial policies and programmes.
8.	Benefit:	The efficiency of the Department of industries will increase, which will indirectly help the industrialization process of the country itself.
9.	Request:	HMG of Nepal would welcome financial assistance of US$392,359 from the participating countries for implementing this project.

PROJECT 45:

1.	Name of the Project:	Assistance for Training and Manpower development at the Department of Cottage and Village Industries.
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Cottage and Village industries
3.	Capacity:	67 persons to be trained in 5 years, starting in 1983.
4.	Location:	Different countries
5.	Estimated Cost:	Total cost ..... US$314,327
6.	Objective:	To make the officials of the Department more efficient.
7.	Justification:	One of the basic problems faced by under-developed countries like Nepal is the shortage of trained and skilled manpower. It is indeed very necessary to train the officials of the Government for effective implementation of industrial plans and policies.
8.	Benefit:	The efficiency of the Department of Cottage and Village industries will increase, which will in turn help the industrialization process in the country.
9.	Request:	HMG of Nepal would welcome financial assistance of US$314,327 from the co-operating countries for implementing this project.

Project 46:

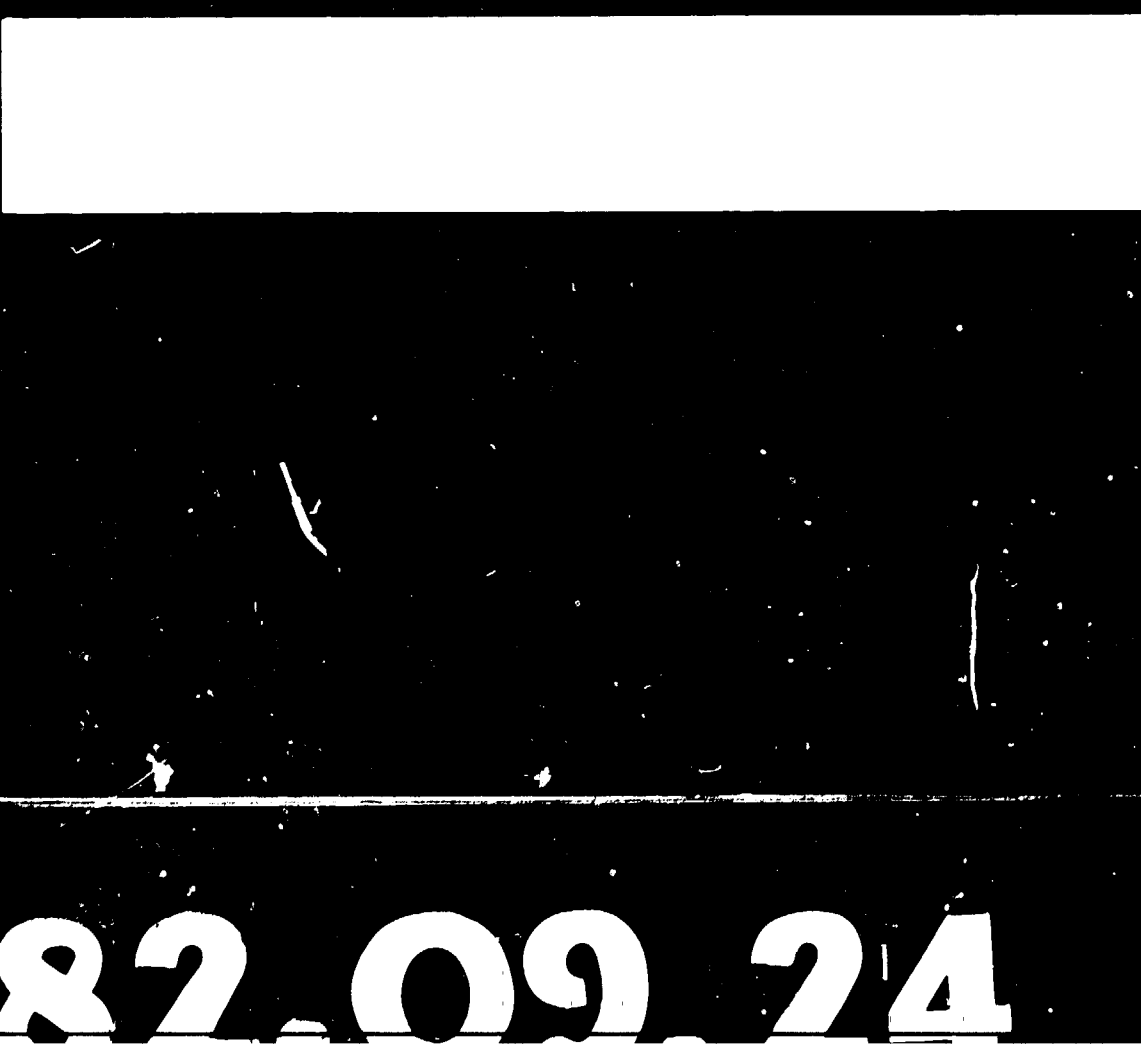
1.	Name of the Project:	Training and Manpower development at the Industrial Services Centre (ISC).
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Industrial Services Centre
3.	Capacity:	48 persons to be trained in 5 years starting from 1993.
4.	Location:	Different countries
5.	Estimated Cost:	Total cost .....US$316,639
6.	Objective:	To make the officials of the Centre more efficient.
7.	Justification:	To strengthen the Centre and provide quick services to the customers, it is necessary to train the officials of the institution.
8.	Benefit:	The quality of the Centre's work will be greatly improved through the implementation of this project.
9.	Request:	HMG of Nepal would welcome financial assistance of US$316,639 from the co-operating countries for implementing this project.

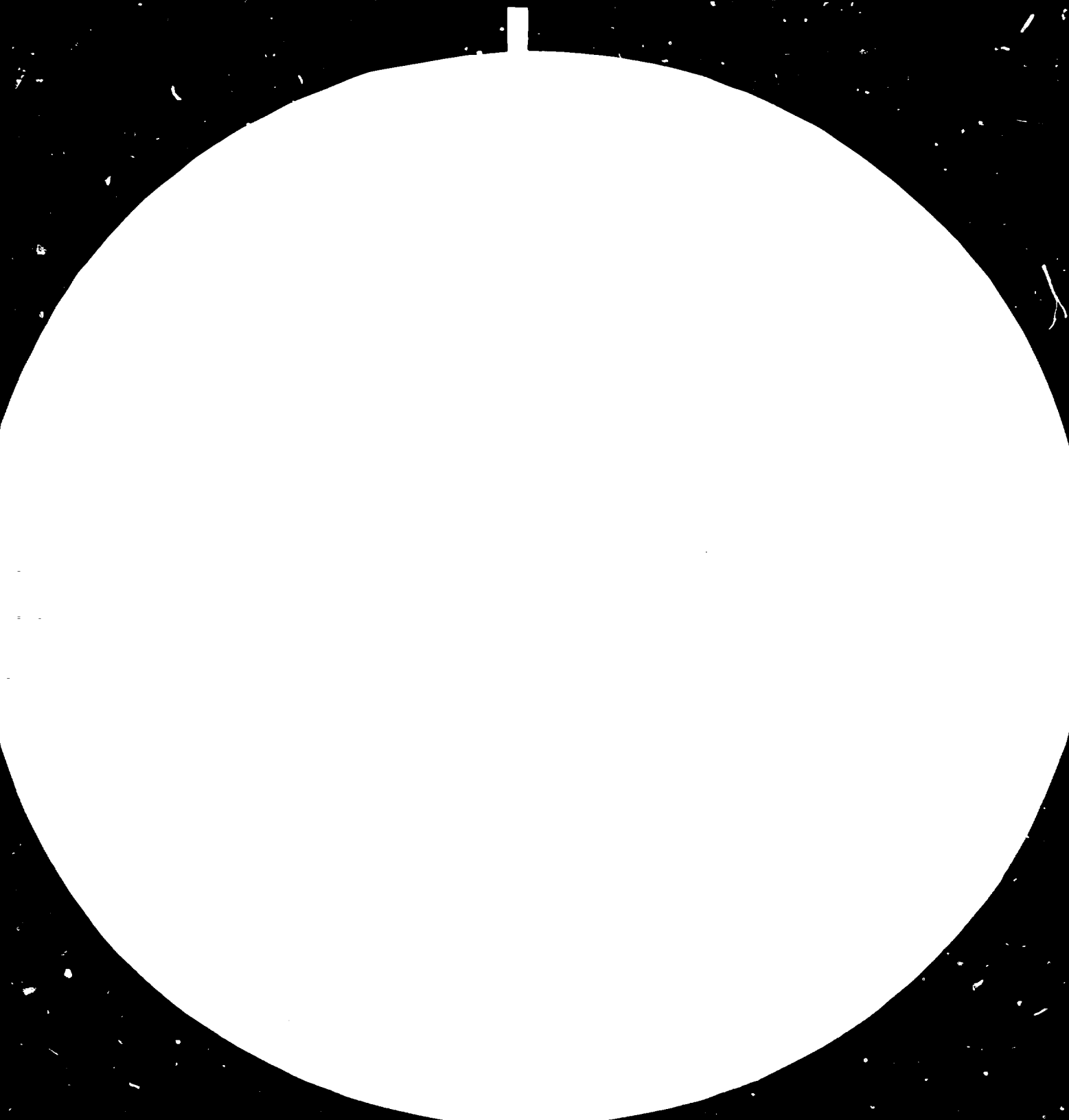
PROJECT 47:

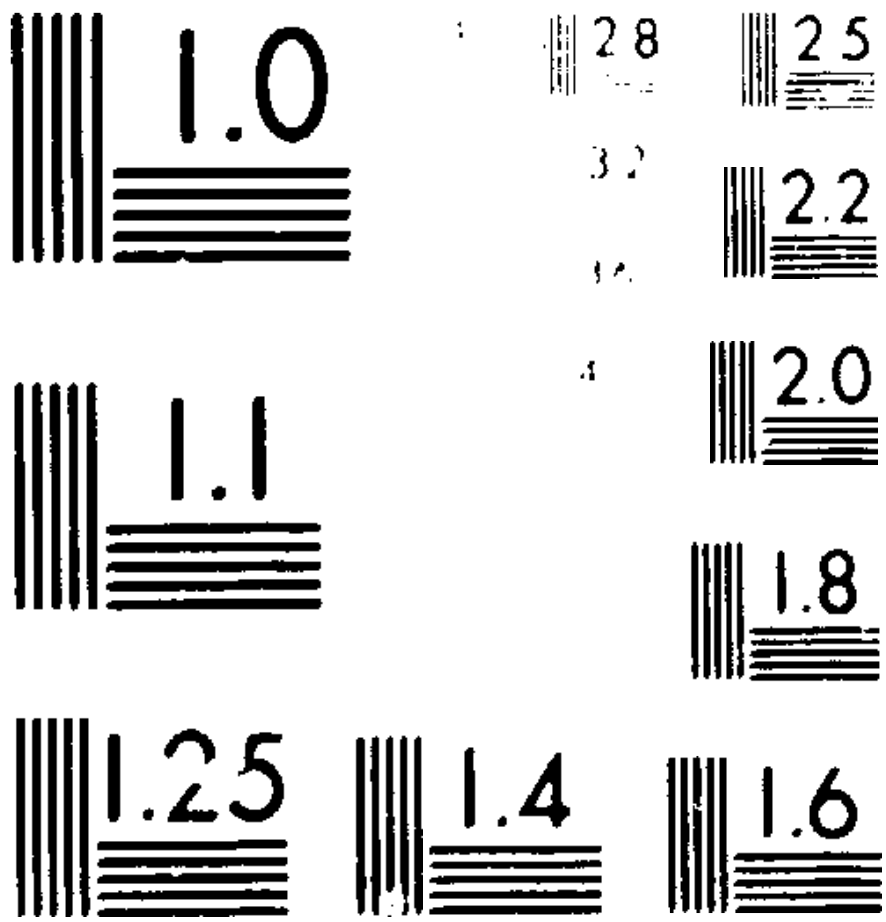
1.	Name of the Project:	Training and manpower development in the Public Sector Industries.
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industries
3.	Capacity:	29 persons will be trained in 5 years starting from 1983.
4.	Location:	Different countries
5.	Estimated Cost:	Total cost ..... US$245,813
6.	Objective:	To train the manpower in selected public sector industries.
7.	Justification:	Basically most of the public sector industries are producing very essential consumer goods. To guarantee the continuous supply of better quality products, it is necessary to train the persons directly or indirectly involved in the production and marketing processes.
8.	Request:	HMG of Nepal would welcome financial assistance of US$245,813 from the co-operating countries for implementing this project.

PROJECT 48:

1.	Name of the Project:	Training and Manpower Development in the Private Sector Industries.
2.	Sponsor:	
	a) Ministry:	Ministry of Industries
	b) Agency:	Department of Industries
3.	Capacity:	85 persons will be trained in 5 years starting from 1983.
4.	Location:	Different countries
5.	Estimated Cost:	Total cost ..... US$458,955
6.	Objective:	To train the manpower in the private sector industries.
7.	Justification:	Most of the industries in Nepal are in the private sector. To maintain better quality and to guarantee a continuous supply of quality products, it is essential to train the working force involved in the production and marketing precess.
8.	Benefit:	The public in general and most private sector industries will benefit from this project.
9.	Request:	HMG of Nepal would welcome financial assistance of US$458,955 from the co-operating countries for implementing this project.


82 09 24

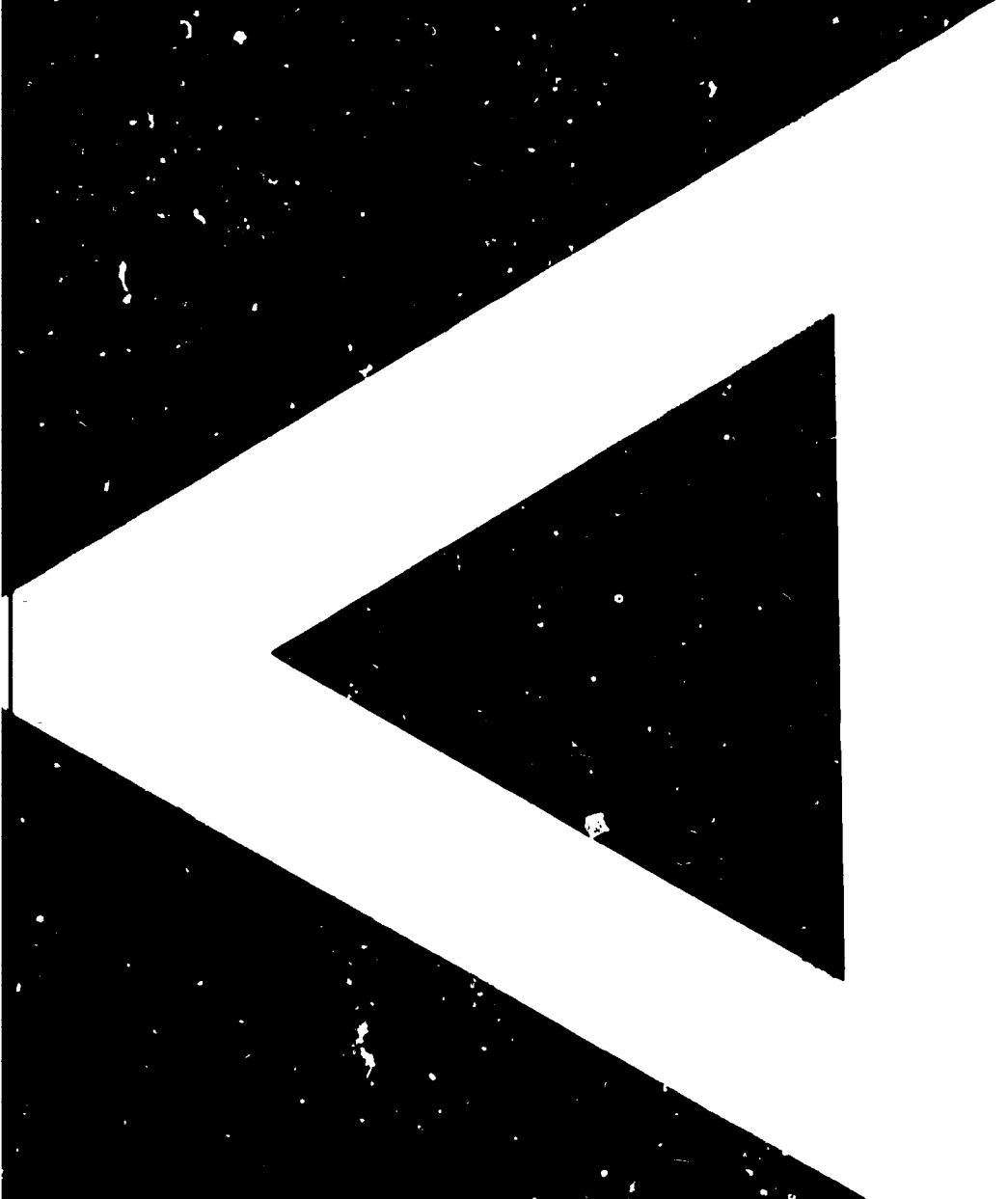


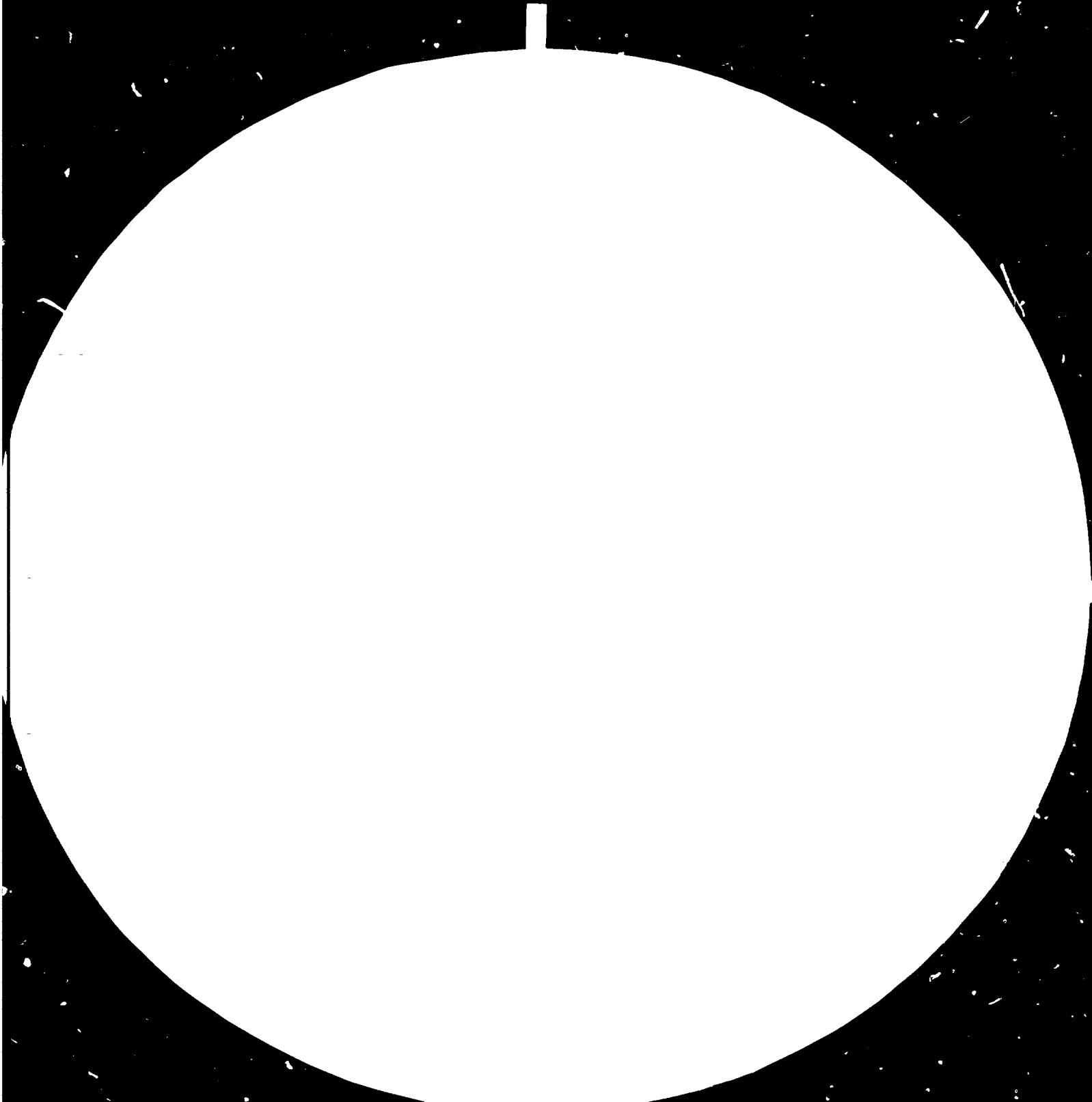

1.0
2.8
2.5
3.2
2.2
2.0
1.1
1.8
1.25
1.4
1.6

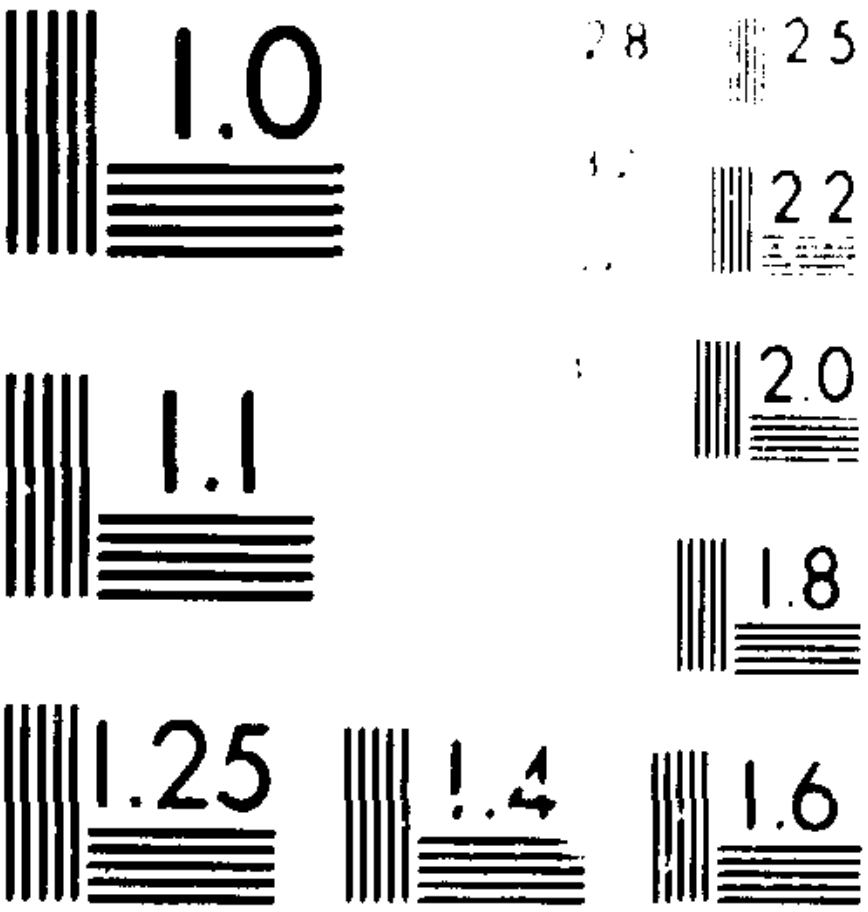
PROJECT 49:

1.	Name of the Project:	Strengthening the Scientific Instrumentation Division of Research Centre for Applied Science and Technology (RECAST).
2.	Sponsor:	
	a) Ministry:	Ministry of Education
	b) Agency:	Research Centre for Applied Science and Technology, Tribhuvan University.
3.	Capacity:	Instrumentation and training
4.	Location:	Kathmandu
5.	Estimated Cost:	Total cost ..... US$853,000 Foreign currency . US$811,980
6.	Objective:	a. Through this project, to establish practical and well-balanced infrastructure of scientific services and facilities that will support and enhance the development of science and technology. b. To improve the ability of the T. University to undertake further development work in the field of applied research and scientific services. c. To establish facilities for repair, maintenance and testing of scientific, medical and industrial equipment. d. To undertake training of professional staff and technicians in equipment repair and servicing. e. To establish facilities for building simple equipment and instrumentation.
7.	Justification:	At present there are ten institutions and four research centres at the University. These institutions and research centres are engaged in academic and scientific work, applied research activities and technical and scientific education and training. A large variety of precision electrical and electronic, optical and mathematical instruments are in daily use.

		At present there are no facilities in Nepal for the maintenance, repair, and testing of scientific and laboratory equipment. In addition, it is important to acquire facilities for designing and servicing instruments and equipment.
8.	Benefit:	This project will contribute to the strengthening and building up of scientific and technological capabilities in the country.
9.	Request:	HMG of Nepal would welcome financial contribution of US$811,980 from the co-operating countries for implementing this project.






1.0
1.1
1.25
1.4
1.6
1.8
2.0
2.2
2.5
2.8

with

11436

Distr.
LIMITED
UNIDO/PC.38/Add.1
22 July 1982
ENGLISH

UNITED NATIONS

INDUSTRIAL DEVELOPMENT ORGANIZATION

SOLIDARITY MINISTERIAL MEETING FOR CO-OPERATION IN THE INDUSTRIAL DEVELOPMENT OF THE KINGDOM OF NEPAL*

PROJECT PROPOSALS

Addendum

* This document has been reproduced without formal editing.

PROJECT 50:

1.	Name of the Project:	Integrated Stone Industry
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Industry
3.	Capacity:	a. Adeswor Unit: 60,000 m^3/annum b. Thumke Hill/Bhaktapur Unit: 40,000 m^3/annum
4.	Location:	Kathmandu Valley
5.	Estimated Cost:	Total cost ..... NRs15.68 million (US$1.40 million) Foreign exchange ..... US$.83 million
6.	Objectives:	To establish a stone block cutting industry in Kathmandu Valley and produce stone aggregates for construction use.
7.	Justification:	The housing growth rate shows a steep increase in Nepal, producing critical demand for building materials. At present, Kathmandu is facing acute scarcity of bricks and for the last 4 or 5 years many public development projects have been delayed due to unavailability of bricks. Therefore, with the establishment of a stone industry, the use of bricks could be substituted by stone blocks. Stone is the most abundant mineral resource in Nepal and stone blocks have extensive market in Kathmandu Valley and the surrounding areas.
8.	Benefit:	By implementing this project, the increasing demand of building bricks can be met with stone blocks. In the stone industry, nothing is wasted as small stones can be used as aggregates for concrete structures while the smaller chips can be used for road asphalting. Stone-blocks are low energy consuming products which need very low maintenance cost and are highly durable.
9.	Remarks:	A preliminary study has been conducted by the Department of Mines and Geology. The above cost is calculated by taking 16 per cent annual inflation rate on 1974 prices.

10. Request: HMG of Nepal would like to receive the entire foreign exchange cost of the project, US$.83m. as financial assistance. HMG of Nepal would also like to receive technical assistance from participating countries for implementing this project.

PROJECT 51:

1.	Name of the Project:	Stone Industry in Eastern Terai
2.	Sponsor:	
	a) Ministry:	Ministry of Industry
	b) Agency:	Department of Mines and Geology
3.	Capacity:	120,000 m^3 to 160,000 m^3 annually.
4.	Location:	Along East-West Highway of Eastern Terai.
5.	Estimated Cost:	Total cost..... NRs7.44 million (US$0.65 million) Foreign exchange .... US$0.47 million
6.	Objectives:	To establish a stone industry and produce block stones and stone aggregates in order to utilize stone resource of Eastern Nepal.
7.	Justification:	Stone is abundantly available in Eastern Terai and stone is in high demand as it is used in various forms, e.g., gravel, concrete aggregates, boulders etc., in housing, road construction, railway beds, flood control etc. In addition to local use, stone is in demand in India mainly for railway bed, flood control and construction of dams. Stone products could also be exported to Bangladesh.
8.	Benefit:	The establishment of a stone industry in eastern Nepal will not only fulfill the domestic requirement but will also earn foreign currency. Furthermore, it will substitute the use of bricks for which coal is imported from India. This will indirectly reduce the import of coal resulting in substantial foreign exchange saving. In addition, the industry provides employment opportunities in the factory in the stone quarries.
9.	Remarks:	The preliminary feasibility study has been completed by the Department of Mines and Geology. The investment cost includes 16 per cent inflation rate on 1974 prices.
10.	Request:	HMG of Nepal would like to receive the entire foreign exchange cost of the project (US$0.47m) and the necessary technical assistance for the implementation of the project.

PROJECT 52:

1. **Name of the Project:** Mini Cement Plant

2. **Sponsor:**

   a) **Ministry:** Ministry of Industry

   b) **Agency:** Department of Industry

3. **Capacity:** 40 tons of Cement per day.

4. **Location:** Patharkot, between Butwal and Kohalpur in Lumbini Zone.

5. **Estimated Cost:** Total cost ..... NRs14.23 million
   (US$ 1.22 million

6. **Objectives:** To utilise the unexploited limestone deposits near Kanchikot of the Arghakhanchi District and to meet the growing demand for cement in the country.

7. **Justification:** Nepal has been paying serious attention to Industrial growth as well as the development of such infrastructures as irrigation canals, dams, bridges, roads and power stations. Cement plays a vital role in these development programmes and constitutes one of the core industries. At present, there is only one cement factory in operation and another factory at Hetauda is under construction which may take 4-5 years to begin operation. Even with both factories functioning, production will not be sufficient to meet the increasing demand of cement as there will be a projected deficit of 150,000 metric tons of cement in 1989/90.

   There is an estimated deposit of about 8.0 million tons of cement grade limestones in Kanchikot which can be utilised to produce cement for a minimum period of 300 years. The proposed location Patharkot will have sufficient infrastructural facilities like power, water, roads etc. in the near future to support the cement industry.

8.	Benefit:	The establishment of the cement plant will help the country to be self-sufficient in cement. At present due to shortages, the price of cement is going up steadily. This plant will make cement available at cheaper prices. It will also generate employment for about 500 persons. A mini cement plant will bring the installation cost lower than the conventional cement plants and make it possible to exploit small deposits of lime stones.
9.	Remarks:	The project is based on a feasibility study carried out by the Industrial Services Centre which indicates that the establishment of a mini cement plant at Patherkot would be highly feasible.
10.	Request:	HMG of Nepal would like to receive financial and/or technical assistance from the participating countries for implementing the project. Financial assistance would be welcomed in the way of grant and/or equity participation.