

# India's Development Assistance and Connectivity Projects in Nepal



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**Image Details:** Jomsom Bridge (Mustang District, Nepal) constructed with Indian assistance in 2017.

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# List of Abbreviations

<b>ADB</b>	Asian Development Bank
<b>BBIN</b>	Bangladesh-Bhutan-India-Nepal
<b>BIMSTEC</b>	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
<b>DDC</b>	District Development Committee
<b>DUDBC</b>	Department of Urban Development and Building Construction
<b>GOI</b>	Government of India
<b>GON</b>	Government of Nepal
<b>H.M.G</b>	His Majesty's Government
<b>ICD</b>	Inland Container Depot
<b>ICP</b>	Integrated Customs ports
<b>INR</b>	Indian National Rupee
<b>JPMC</b>	Joint Project Monitoring Committee
<b>MEA</b>	Ministry of External Affairs
<b>MoPIT</b>	Ministry of Physical Infrastructure and Transport
<b>MOU</b>	Memorandum of Understanding
<b>MVA</b>	Motor Vehicles Agreement
<b>NHIDCL</b>	National Highways and Infrastructure Development Corporation
<b>PM</b>	Prime Minister
<b>UTES</b>	Rail India Technical and Economic Service
<b>RTO</b>	Regional Transport Organisation
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SASEC</b>	South Asia Subregional Economic Cooperation
<b>SDP</b>	Small Development Projects
<b>USA</b>	United States of America
<b>USSR</b>	Union of Soviet Socialist Republics

## DECONSTRUCTING DEVELOPMENT ASSISTANCE: INDIA AND NEPAL

# India's Development Assistance and Connectivity Projects in Nepal

### ***About the Project***

*The world politics is increasingly becoming multi-polar, and Asia is witnessing the rise of new powers. Quite often the development assistance is being deployed by these new powers to shape Asia's economic landscape through numerous connectivity projects. However, these efforts to build connectivity projects have a long history. For instance, India was implementing development assistance programmes in Nepal since the early 1950s. These efforts stemmed from the recognition of interdependence between the two countries. This project report evaluated India's development assistance with specific reference to connectivity projects. While trade is a related dimension, this study refrained from an elaborate study of trade issues and instead focused on physical connectivity projects.*

### Introduction

A realist approach to international politics tends to see developmental assistance as a tool to promote national interests by creating dominant-dependent relationships. A liberal approach to international politics sees developmental assistance as a platform that creates interdependencies between nations, thereby making war initiation a difficult enterprise. Developmental assistance as a tool of foreign policy gained prominence after the end of the Second World War. As the ideological conflict between the United States of America (USA) and the erstwhile Union of Soviet Socialist Republics (USSR) gained momentum, both camps sought to attract countries in their respective blocs. Both the USSR and the USA deployed significant financial and technological resources in other countries. Such developmental assistance had numerous objectives, such as maintaining or undermining political stability, building economic leverages, creating support bases in other societies and influencing the intellectual life of other nations. The success of developmental assistance in achieving its objectives was contingent on numerous factors, such as the institutional strength of the recipient countries and effectiveness in targeting the assistance. In the post-Cold War era, developmental assistance was influenced by objectives such as the promotion of human rights and environmental protection. There was greater effort to balance national interests with larger humanitarian ideals. More importantly, there is also growing recognition that national interests and humanitarian values are not antithetical and tend to converge.



## A Unique Relationship

India's developmental assistance to Nepal does not fit into the usual frameworks of Cold War dynamic. Given the similarities in cultural heritage and close people-to-people interactions, India's engagement of Nepal has been deep and unusual. India and Nepal have significant cultural overlaps. Nepal has many religious sites which are associated with the Ramayana and the Mahabharata. Nepal also has sacred sites that are associated with other faiths such as Buddhism. For instance, Goddess Sita was supposed to have been born in Janakpur, and Lumbini is regarded as Lord Buddha's birthplace. Both these places are located in Nepal. The priests of the Pashupatinath Temple come from Shringeri Mutt in Karnataka, which is reportedly in consonance with the traditions set by Adi Shankara.<sup>1</sup> In addition to the cultural domain, there is a significant interaction between the two countries in the political realm as well. The members of the royal family of Nepal often marry into Indian royal families. In the realm of democratic politics, many leaders from Nepal have contributed to India's struggle for independence. As Jayant Prasad, former Indian Ambassador to Nepal, notes: "Many partisans of Nepalese democracy also fought for India's freedom, for which they were jailed by the British, including Matrika Koirala, B.P. Koirala, and Man Mohan Adhikari, who became Prime Ministers of Nepal."<sup>2</sup>

Nepal is located in a geo-strategically important position. It is situated right in the middle of two rising powers in Asia, viz., China and India. For India, more than China, Nepal assumes importance as major river systems of the Indian subcontinent originate in Nepal. For instance, the three biggest river systems - Kosi, Gandaki and Karnali - flow from Nepal into the Ganges river system in India.<sup>3</sup> Further, Nepal shares an 1850 kilometre border with five Indian states - Bihar, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal.<sup>4</sup> There

### Methodology

The study examined primary and secondary resources pertaining to India's development assistance to Nepal. A thorough analysis of the Memoranda of Understanding (MOUs)/Agreements since the 1950s was conducted, and census data was also clinically examined. Further, important publications, such as book and reports, were studied in detail.

A field study was conducted for a more comprehensive understanding of the connectivity projects, which involved interviews of policy-makers, academicians, journalists and other stakeholders in India as well as in Nepal. These interviews were semi-structured and quite often witnessed free-flowing conversation on the subject of connectivity issues in Nepal. A one-day workshop was also organised in Kathmandu, Nepal, which witnessed participation of a wide range of stakeholders. A preliminary report was presented at the workshop, and the suggestions of the participants at the workshop have also been included in the report. This report benefitted immensely from the comments/suggestions of various participants at the workshop. It should be noted that this report avoided a comparative study of India's development assistance with reference to development assistance provided other emerging powers to Nepal. Such a comparative study would merit a standalone report, as it will have to compare projects which have been implemented in different geographic regions spread over differing time periods.

- 1 Sagar Kulkarni, "Worship at Pashupatinath faltered for just 3-4 days", *Deccan Herald*, 2 May 2015, available at <http://www.deccanherald.com/content/475315/worship-pashupatinath-faltered-just-3.html>
- 2 Jayant Prasad, A New Template for India-Nepal Ties, *The Hindu*, 2 August 2014, available at <http://www.thehindu.com/opinion/lead/a-new-template-for-indianepal-ties/article6272963.ece>
- 3 Nepal - International Rivers, available at <https://www.internationalrivers.org/campaigns/nepal>
- 4 "India-Nepal Relations", *Ministry of External Affairs, Government of India*, February 2017, available at [http://www.mea.gov.in/Portal/ForeignRelation/India\\_Nepal\\_Relations\\_11\\_04\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/India_Nepal_Relations_11_04_2017.pdf)



is considerable movement of people across borders in search of employment, relationships and everyday living across the borders. In the minds of ordinary people, 'the border' is non-existent. Even if it exists, it is not conceptualized in a rigid form.

Given these interactions, India-Nepal relations are also governed by a unique Treaty of Peace and Friendship, which was signed in 1950. This is a unique treaty as it envisages free movement of people instead of establishing a rigid border with fences or walls. It is also interesting to note that immediately after independence, which was accompanied by partition and growing concerns about security threats, the Indian government conceptualized and operationalized open borders with a neighbouring country. Article 7 of the Treaty states, "The Governments of India and Nepal agree to grant, on reciprocal basis, to the nationals of one country in the territories of the other, the same privileges in the matter of residence, ownership of property, participation in trade and commerce, movement and other privileges of a similar nature".<sup>5</sup> Further, Article 5 grants the Government of Nepal transit rights in terms of import from or through India, not only for commercial items but also arms, ammunition and war-like items.<sup>6</sup> Further, Article 2 of the Treaty refers to security concerns by enabling the two countries to inform each other in case of "any serious friction or misunderstanding with any neighbouring State".<sup>7</sup> There have been concerns in Nepal that the Treaty is unequal and undermines the sovereignty of Nepal. As a response to these developments, Foreign Secretary-level meetings were initiated in 1995 to examine the Treaty, but these interactions did not make progress.<sup>8</sup> It should be noted that the provision for national treatment has resulted in significant employment opportunities for many citizens coming from Nepal. It is being estimated that approximately 6 million people from Nepal are working in India.<sup>9</sup> Unsurprisingly, the presence of such a large number of people from Nepal in India has resulted in significant remittances to Nepal. Scholars in Nepal have also pointed that there has been significant movement of people from India into Nepal as well.

Nepal has endured many transitions in the recent past. There has been a shift from monarchical forms of governments to a more representative form of government. Simultaneously, Nepal is progressing from an intense conflict (civil war) to a post-conflict situation. India's developmental assistance in general and its attempts to develop connectivity networks is happening in the context of these rapid political changes in Nepal.

In the recent past, there have been increased interactions between the Indian Prime Minister (PM) Narendra Modi and Nepal PM Oli to improve the bilateral relationship. Indian Prime Minister Narendra Modi visited Nepal from 11 and 12 May. This visit took place approximately a month after Nepalese Prime Minister K.P. Sharma Oli visited New Delhi. These back-and-forth visits indicate that India and Nepal are working towards scaling up their bilateral relationship.

What explains the frequent meetings between the premiers of the two countries? The Left Alliance government in Nepal, headed by Oli, enjoys a strong presence in the national parliament as well as in provincial governments. Given the current domestic political stability, there is greater confidence in Nepal's external engagements. Further, there seems to be a growing recognition in India as well as in Nepal that the deterioration in relations between the two countries, with close socio-economic-cultural relations, is not desirable.

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5 Treaty of Peace and Friendship between the Government of India and the Government of Nepal", *Ministry of External Affairs, Government of India*, 31 July 1950, available at <http://mea.gov.in/bilateral-documents.htm?dtl/6295/Treaty+of+Peace+and+Friendship>

6 Ibid.

7 Ibid.

8 K.V. Rajan, "Should the 1950 treaty be scrapped?", *The Hindu*, 3 May 2008, available at <http://www.thehindu.com/todays-paper/tp-opinion/Should-the-1950-treaty-be-scrapped/article15215112.ece>

9 "India-Nepal Relations", *Ministry of External Affairs, Government of India*, February 2017, available at [http://www.mea.gov.in/Portal/ForeignRelation/India\\_Nepal\\_Relations\\_11\\_04\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/India_Nepal_Relations_11_04_2017.pdf)

Some in India may argue that India is reaching out to Kathmandu because of China's growing presence in Nepal. While there is an element of truth in such an assertion, it fails to capture the depth and history of the India-Nepal engagement. Nepal was the first country to receive India's development assistance, way back in 1951. In 1954, the Indian Aid Mission was initiated, and approximately 75 developmental projects were initiated. In 1966, it was rechristened the India Cooperation Mission. Further, India played an important role in building road networks, including the East-West Highway (Mahendra Rajmarg), as well as airports. The next section will examine in detail some of the connectivity projects that were operationalized with Indian assistance.

### Connectivity Projects

India operationalized a wide variety of connectivity projects in Nepal, which include big/small roads, highways, barrages, bridges, railways and so on. This assistance in developing connectivity networks has a long history dating back to the early years of Indian independence. It is interesting to note that the changing structure of world politics and regional power dynamics did not negatively impact India's willingness to develop connectivity infrastructure in Nepal. The following are some of the connectivity projects that India operationalized in Nepal.

#### Tribhuvan Rajpath–Kathmandu–Pathlaiya Highway

The Tribhuvan Rajpath is one of the first substantive connectivity projects involving a neighbour undertaken by India. The 116km highway construction was initiated in 1953 and was completed within three years in 1956 at an estimated expense of INR 564.85 lakh and interestingly, it was maintained by Indian cooperation mission until August 1965.<sup>10</sup> It is intriguing to note that a newly independent country with its developmental challenges had decided to allocate considerable resources to its neighbour. On the other hand, Mahendra Lama noted that there is a perception among Nepali strategic analysts that India's road building activity was also guided by the need to touch economically important areas of Palung, Daman and Thankot.<sup>11</sup> Nonetheless, the Tribhuvan Rajpath, by connecting Kathmandu with Bhainse, had succeeded in opening the capital of Nepal to the outer world.

#### Minor Roads

The Indian government was also involved in developing a series of roads of smaller distances. These include the 8km road linking Kakrawa on the Indo-Nepal border with Lumbini (in 1957-1958) at an estimated cost of INR 4.20 lakh; the 3km road to connect Lanchaur near the Royal Palace and Mahendra Park at Balaju at an estimated expense of INR 1.70 lakh between 1964 and 1966; the 9km road connecting Kathmandu city with Tribhuvan Rajpath terminating at Thankot at a cost of INR 1.00 lakh between 1965-1966. Similarly, the 4km road linking the airport to the railway station at Janakpur and an approach road to Janaki Mandir were completed in 1966-1967 at the cost of INR 3.08 lakh.

#### Regional Transport Organization

It is interesting that at the height of the Cold War, India and the US agreed to collaborate in building connectivity projects in Nepal. In 1958, the three countries signed a regional agreement concerning the development of the transportation facilities in Nepal.<sup>12</sup> India's non-alignment did not prevent it from entering into a multilateral agreement with the US and Nepal. It is possible that the growing concerns about China may have prompted India to be more receptive to such multilateral cooperative frameworks. India's non-alignment was also flexible enough to accommodate such agreements. Following the agreement, the three countries decided to create a Regional Transport Organisation (RTO). Under the auspices of the RTO, the construction of the following eight roads was planned: (1) Raxaul–Bhainse; (2) Sonauli–Pokhara (3) Kathmandu–Trisula (4) Nepalgunj–Surkhet (5) Dharan–Dhankutta–Bhojpur (6) Kathmandu–Janakpur

10 "Development assistance of India to Nepal from 1952 to 1972", *Indian Co-operation Mission Kathmandu (Now under the Economic wing of the Ministry of External Affairs)*, Government of India, March 1972

11 Mahendra P. Lama, "Aid in pre-1990 Nepal", *The Kathmandu Post*, 8 March 2017, available at <http://kathmandupost.ekanti.com/printedition/news/2017-03-08/aid-in-pre-1990-nepal.html>

12 "United States Treaties and Other International Agreements", *Volume 14 Part I*, Department of State, United States Government, (Washington D.C.: U.S. Government Printing Office, 1964).



(7) Dhangarhi–Dandelhdhura–Baitadi and (8) Krishnanagar–Piuthan.<sup>13</sup> The RTO aimed to construct 1,441 kilometres of roads within five years, which however was reduced to 28 percent of the initial goal of 1,441 kilometres in 1959.<sup>14</sup> However, the functioning of the RTO was bedevilled by numerous challenges such as design/administrative incongruence between the countries, the tendency of the staff of these countries to work in silos, and lack of technically trained local workers. Not surprisingly, this multilateral agreement was terminated in 1963.<sup>15</sup> Interestingly, over \$1m worth of American road-building equipment was left behind in Nepal, and it was used in the construction of the Chinese aided Kathmandu–Kodari road.<sup>16</sup>

The collapse of the RTO meant that India took the lead in constructing some of the roads, which were earlier under the organization. For instance, in August 1964, India extended assistance to Nepal to build the Sonauli-Pokhara road at an estimated expense of INR 9.11 crore.<sup>17</sup> The Road was completed in 1970, and the Indian government maintained the road until 1972 before handing it over Nepal.<sup>18</sup>

### Mahendra Rajmarg

India played an important role in operationalising the East-West Highway (Mahendra Rajmarg), which is often referred to as the lifeline of Nepal. As per the agreement in 1966, India extended financial assistance to the tune of INR 22 crore for the construction of the eastern section of the proposed highway, which was to be completed by 1971, and promised to build a bridge “over the River Kosi near Chhatra within 12 years of the date of completion of the eastern sector of the East-West Highway”.<sup>19</sup> Similarly, as per the agreement in 1972, India also provided financial assistance of INR 25.82 crore for the construction of the Butwal-Nepalganj sector of the proposed highway.<sup>20</sup> Interestingly, both the agreements refer to the possibility of using the road building equipment provided by the United States government. Probably, this referred to the equipment that was left behind after the dissolution of the RTO mentioned above. Overall, India constructed about “807 kilometres out of the total road length of 1024 kilometres of the East-West Highway”.<sup>21</sup> In a related development, the Indian government constructed “22 bridges on Mahakali-Kohalpur segment of the East-West highway in Nepal.”<sup>22</sup>

13 “Development assistance of India to Nepal from 1952 to 1972”, *Indian Co-operation Mission Kathmandu (Now under the Economic wing of the Ministry of External Affairs), Government of India*, March 1972.

14 Christa A. Skerry, Kerry Moran, Kay M. Calavan, “Four Decades of Development. The History of U.S. Assistance to Nepal 1951-1991”, (Kathmandu: United States Agency for International Development (USAID) in Kathmandu, 1991), available at [https://pdf.usaid.gov/pdf\\_docs/PNABR755.pdf](https://pdf.usaid.gov/pdf_docs/PNABR755.pdf)

15 Ibid.

16 Ibid.

17 “Agreement Between The Government Of India And His Majesty’s Government Of Nepal For The Construction Of Sonauli-Pokhara Road”, *Ministry of External Affairs, Government of India*, 25 August 1964, available at <http://mea.gov.in/bilateral-documents.htm?dtl/6392/Agreement+on+Sonauli+Pokhara+Road>

18 “Exchange of Letters regarding Construction of Sonauli-Pokhara Road Extension for maintenance”, *Ministry of External Affairs, Government of India*, 1 September 1971, available at [http://mea.gov.in/bilateral-documents.htm?dtl/5268/Exchange\\_of\\_Letters\\_regarding\\_Construction\\_of\\_SonauliPokhara\\_Road\\_Extension\\_for\\_maintenance\\_15021974](http://mea.gov.in/bilateral-documents.htm?dtl/5268/Exchange_of_Letters_regarding_Construction_of_SonauliPokhara_Road_Extension_for_maintenance_15021974)

19 “Agreement Between The Government Of India And His Majesty’s Government Of Nepal For Construction Of The Eastern Portion Of The East-West Highway Of Nepal”, *Ministry of External Affairs, Government of India*, 19 December 1966, available at <http://mea.gov.in/bilateral-documents.htm?dtl/6127/Agreement+on+Construction+of+East+West+Highway>

20 “Agreement Between The Government Of India And His Majesty’s Government Of Nepal For The Construction of Butwal-Nepalganj Sector Of Mahendra Rajmarg”, *Ministry of External Affairs, Government of India*, 15 June 1972, available at <http://mea.gov.in/Portal/LegalTreatiesDoc/NP72B1577.pdf>

21 “About Development Partnership”, *Embassy of India, Kathmandu, Nepal*, available at [http://www.indianembassy.org.np/index1.php?option=Xgc4cACnML2T1\\_DC21jA58Ttm2KiX8lXemmj5VvU8ug&id=9kpHNgadAY6klNn5u0WaLVF\\_-7VxUlnLrYqFZplq1aw](http://www.indianembassy.org.np/index1.php?option=Xgc4cACnML2T1_DC21jA58Ttm2KiX8lXemmj5VvU8ug&id=9kpHNgadAY6klNn5u0WaLVF_-7VxUlnLrYqFZplq1aw)

22 Jayanta Kumar Ray, *India’s Foreign Relations, 1947–2007* (New Delhi: Routledge, 2011), p. 451.

## Mahendranagar-Tanakpur Link Road

Moreover, the East-West Highway catalysed the development of various other road network links between India and Nepal. One of the important projects in this direction has been the Mahendranagar-Tanakpur Link Road. It was in 1996 that the two countries agreed to build an “all-weather link road connecting the Tanakpur Barrage to the East-West Highway at Mahendranagar in Nepal.”<sup>23</sup> Incidentally, the Mahendranagar-Tanakpur Link Road is a commitment made under Mahakali Treaty.<sup>24</sup> In the recent past, the significance of this 14.5km link road was recognized, and necessary financial allocations have been made by the Indian government.<sup>25</sup>

## Mahendra Rajmarg: Socio-Economic Impact of the Connectivity Projects

The Mahendra Rajmarg (East-West) highway was a watershed project for rural Nepal. Beginning in the early 1960s and ending in the early 1980s, it extends 1,030km from Gaddachowski in the Kanchanpur district in the far-west to Kakarbhitta in the east. Prior to its construction, people were forced to travel through India to reach the east or west of Nepal because of the densely forested regions and various north-south rivers sans bridges. The Mahendra highway solved both of these problems by traversing the entire country and en-route rivers alike with over 500 bridges. Besides facilitating unprecedented levels of intra-national connectivity, the highway was also responsible for positive downstream changes in demographic, sociological, and economic sectors of development. Various urban centres began popping up in areas along the highway that would have otherwise been left relatively unpopulated while the East and West also availed the increased infrastructural and developmental benefits. Eventually, but only by coincidence, the Mahendra Highway even became an integral component of the United Nation’s Asian Highway (AH) project.

During the interactions, it was noted that these connectivity projects did have a positive socio-economic impact. Given that Nepal is a landlocked country and faces significant infrastructural challenges, it was noted that investment in infrastructure projects would always be welcomed. Interactions with officials and others often generated very generic information such as the construction of roads resulted in a greater movement of people and also economic activity. This report cross-checked the observations of various stakeholders by examining census data for the relevant years. Because of the reorganization and creation of new districts in the 1960s, it has become difficult to compare district-wise census statistics of 1961 with similar stats of subsequent years. Therefore, the census data from 1971 was used. Nonetheless, the 1971 Census Report notes the positive impact highways have had on Nepal in the previous decade. For instance, the 1971 Census report clearly states that “the eradication of malaria in the infected districts (Chitwan and Makawanpur districts in Narayani zone), and the construction of the roads across the Mahabharat and the Terai belt to India have played a principal role in the rehabilitation of people in the Terai and in marketing the Terai production of cereals in the metropolitan city of Kathmandu, as well as, allowing the export of these products to the Indian markets and abroad.”<sup>26</sup> The construction of roads, according to census report in 1971, resulted in easy market access for Nepal’s agricultural produce. The report goes on to state that the population of eastern Terai ‘increased by 45 percent in the intercensal

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23 “Treaty Between His Majesty’s Government Of Nepal And The Government Of India Concerning The Integrated Development Of The Mahakali River Including Sarada Barrage, Tanakpur Barrage And Pancheshwar Project”, *International Environmental Agreements (IEA) Database*, 12 February 1996, available at <https://iea.uoregon.edu/treaty-text/1996-mahakaliriverentxt>

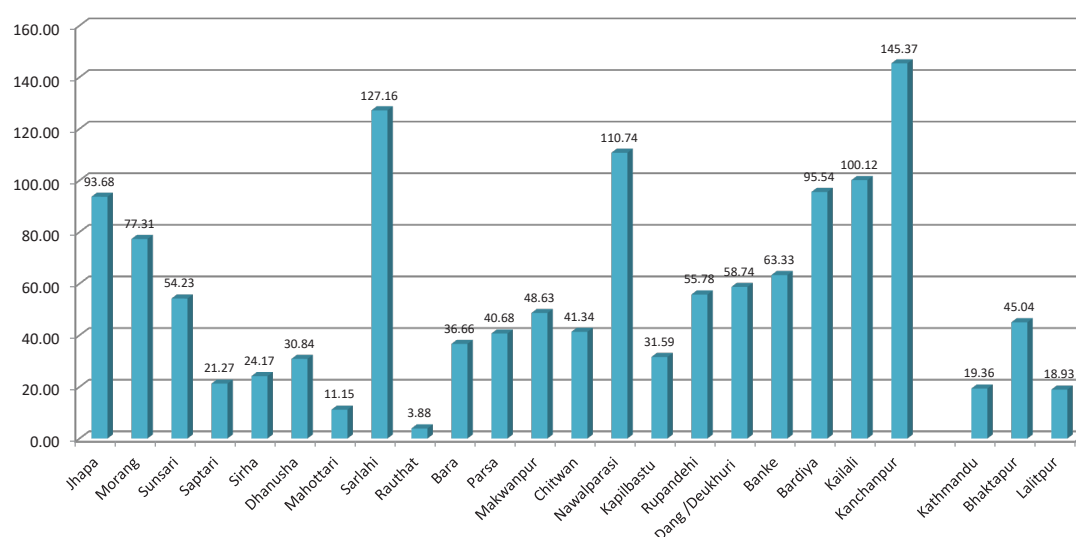
24 “Outcome Budget 2010 to 2011”, *Ministry of External Affairs, Government of India*, available at [https://mea.gov.in/Uploads/PublicationDocs/160\\_Outcome-Budget-2010-11.pdf](https://mea.gov.in/Uploads/PublicationDocs/160_Outcome-Budget-2010-11.pdf)

25 “Economic Cooperation”, *Embassy of India, Kathmandu, Nepal*, available at [http://www.indianembassy.org.np/uploaded/economic\\_cooperation/Economic\\_Cooperation.ppt](http://www.indianembassy.org.np/uploaded/economic_cooperation/Economic_Cooperation.ppt)

26 “The Analysis Of The Population Statistics Of Nepal, 1971,” *Central Bureau Of Statistics* (Kathmandu:Jore Ganesh Press, 1977) p.29.

period' (1961-71).<sup>27</sup> The socio-economic impact of the improved transportation networks could also be noticed in terms of significant movement of population to the districts along the East-West Highway between 1971 and 1981. The graphs below compare the population and literacy shifts between some of the districts (21) which the East-West highway traverses with districts which were not touched by the highway (Kathmandu, Bhaktapur and Lalitpur). The Kathmandu district because it epitomized development in Nepal, serves as an apt basis of comparison, whose emulation by the 21 districts would indicate positive consequences of the East-West Highway. The basis of comparison is imperative because development in a district would be inevitable with time. But development to the degree of archetypal Nepalese prosperity (as evinced by comparisons with the Kathmandu district) would signify atypically positive development, in this case, explained by the East-West Highway.

**Graph 1 Increase in Population in Select Districts of Nepal (Percentage Increase): 1971-1981 Based on Reports by Central Bureau of Statistics, Government of Nepal**

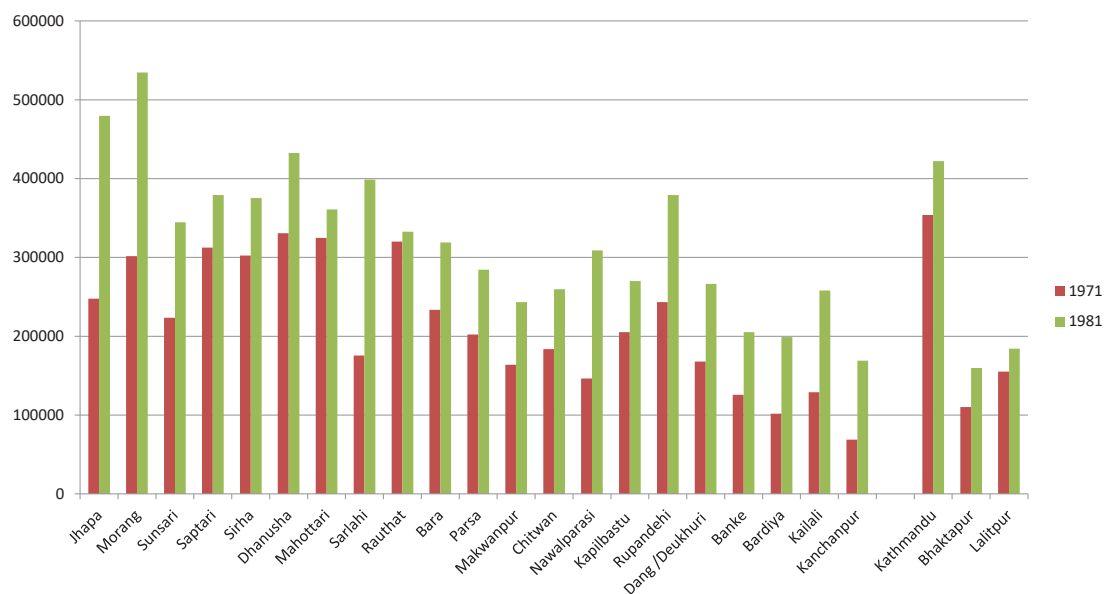


Between 1971 and 1981 the districts along the East-West Highway such as Sarlahi, Nawalparasi and Kanchanpur registered a 127.16 percent, 110.74 percent and 145.37 percent increase in the population (See Graph 1). Morang district, with a significant population, registered a 77.31 percent increase. On the other hand, Kathmandu registered around a 19.36 percent population increase between 1971 and 1981. The population of the Morang district, which was the second most populous (with 301,557 people) in 1971 registered a significant increase during the decade. By 1981, the population of Morang shot up to 534,692 people, which was higher than that of Kathmandu (with 422,237 people). Graph (2) shows the district-wise population in Nepal in 1971 and 1981, which demonstrates that in 1981 Jhapa, Morang and Dhanusha had greater population than Kathmandu. Districts, such as Sarlahi, with a population of 398,766, were also close to the population of Kathmandu.

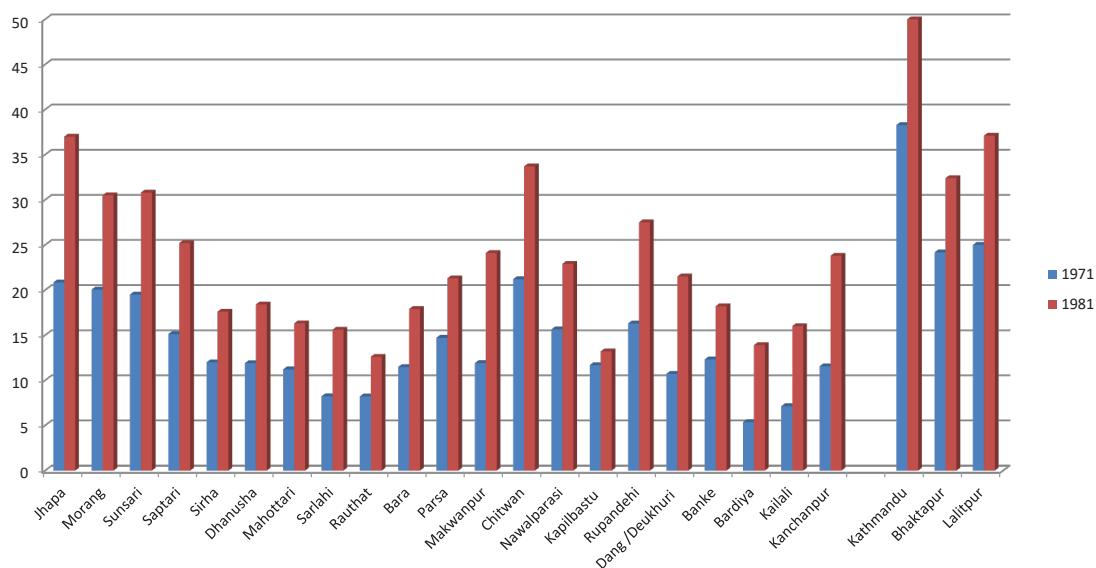
27 Ibid.



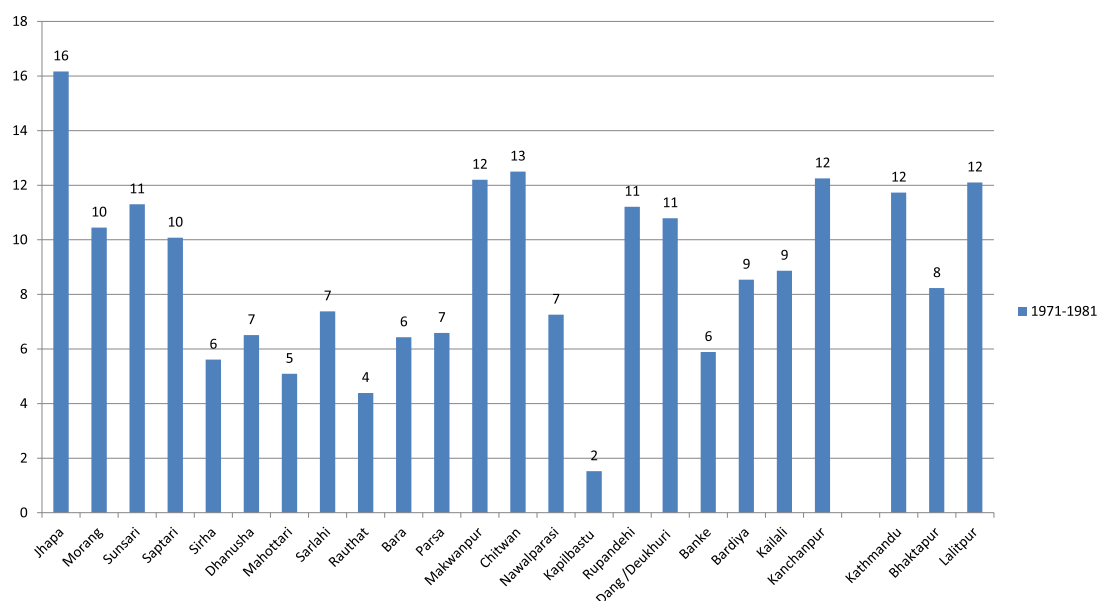
**Graph 2: Increase in Population in Select Districts of Nepal, 1971-1981. Based on Reports by Central Bureau of Statistics, Government of Nepal**



**Graph 3: Literacy Rates of Select Districts in Nepal. Based on Reports by Central Bureau of Statistics, Government of Nepal**



**Graph 4: Trends in Literacy Rate 1971-1981. Based on Reports by Central Bureau of Statistics, Government of Nepal**



The connectivity projects, such as the East-West highway ushered-in quick changes in the literacy rates. Graph 3 demonstrates that while Kathmandu had a literacy rate of 50 percent in 1981, other bigger districts along the East-West highway, such as Morang, the literacy rate was 30.5 percent. It should be noted that Kathmandu is a Capital city of Nepal. Because of the presence of the administrative infrastructure and other associated infrastructure, Kathmandu tends to have relatively more educated people and therefore, a high literacy rate compared to other regions. However, it is interesting to note that almost half the districts along the East-West Highway have a literacy growth rate (See Graph 4) that is either more or close to the literacy growth rate of Kathmandu during the 1971-1981 period. Figure (2) demonstrates that Jhapa (16), Makwanpur (12) and Chitwan (13) had higher literacy growth rates compared to Kathmandu (12). It should be recognized that the total population of these districts vary significantly and numerous other factors such as administrative infrastructure as well as historical factors could also have contributed to the varying literacy rates in these districts. Nonetheless the fact that a large number of districts along the East-West highway registered higher or similar growth rates w.r.t Kathmandu should be noted.

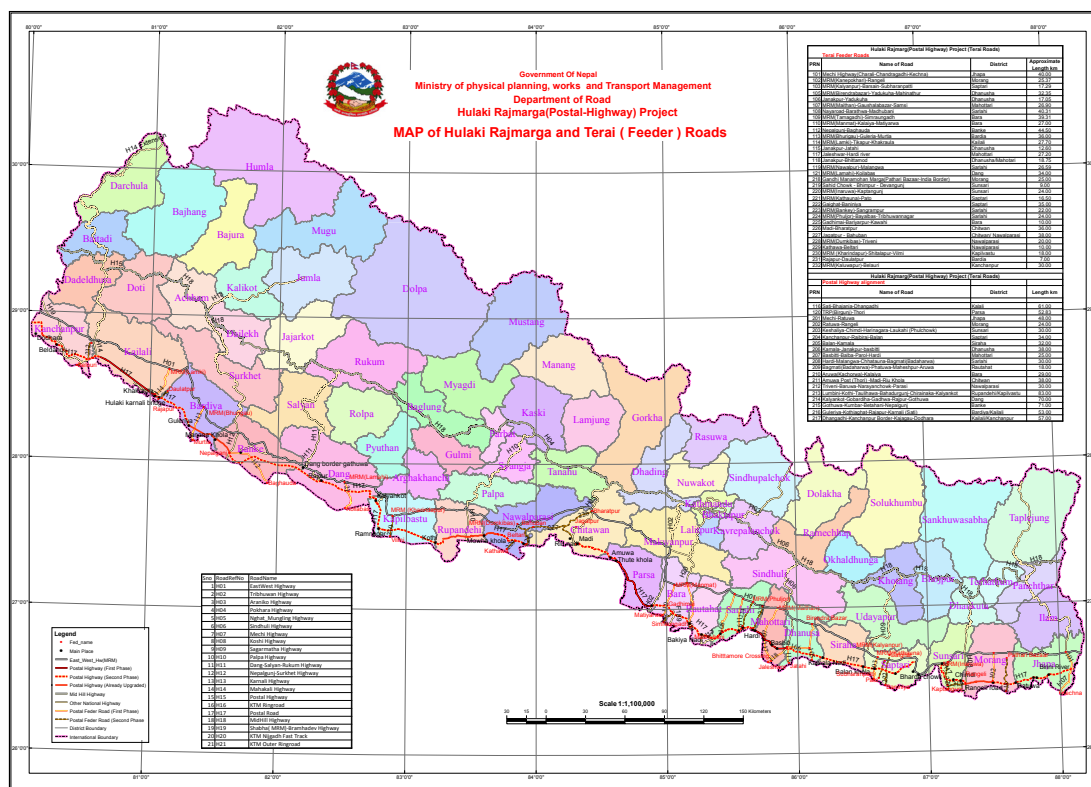
After the conclusion of the East-West highway and after a gap of over two decades Terai Road project was initiated in 2006.

### Terai Roads:

In 2006, India and Nepal reached an agreement to study the feasibility of developing road infrastructure in the Terai region. In pursuance of the Memorandum of Understanding (MOU), an Indian consultancy firm Rail India Technical and Economic Service (RITES) developed detailed project reports. In 2010, both countries signed an MOU for strengthening road infrastructure in the Terai region. The agreement identified approximately 20 road projects (which included feeder as well postal roads) amounting to a total approximately 650km<sup>28</sup> to

28 "MOU between India And Nepal Regarding The Strengthening Of Road Infrastructure In The Terai Area Of Nepal", Ministry of External Affairs, Government of India, 15 January 2010, available at <http://mea.gov.in/Portal/LegalTreatiesDoc/NP10B2680.pdf>

## Map of Hulaki Rajmarg and Terai (Feeder) Roads



be implemented. According to the Indian embassy reports, these feeder roads and link roads would cost approximately INR 700 crore and would improve connectivity to 88 lakh people as well as contribute to the promotion of trade and industry.<sup>29</sup> There was a considerable delay for various reasons such as land acquisition and other related issues. For instance, a Nepal newspaper quoted an official of the Ministry of Physical Planning, Works and Transport Management as saying, “The progress on Terai roads project is disappointing. The main reason behind this is the slow progress in acquisitioning land for the project.”<sup>30</sup> Factoring the lessons learned from the 2010 agreement, both countries reached a new understanding in 2016 to develop road infrastructure in the Terai region. Compared to the 2010 agreement, the 2016 agreement makes some corrections such as clearly specifying the expenditure ceiling to build the roads, allowing the Government of Nepal to appoint Indian as well as Nepali contractors, and making it mandatory that “at least 90 percent of land is available before the tendering for the project is undertaken”.<sup>31</sup> The table below provides some important improvements in the 2016 agreement over the 2010 agreement:

29 “About Development Partnership”, *Embassy of India, Kathmandu, Nepal*, available at [http://www.indianembassy.org.np/index1.php?option=Xgc4cACnML2T1\\_DC21jA58Ttm2KiX8IXemmj5VvU8ug&id=9kpHNgadAY6klnN5u0WaLVF\\_-7VxUlnLrYqFZplq1aw](http://www.indianembassy.org.np/index1.php?option=Xgc4cACnML2T1_DC21jA58Ttm2KiX8IXemmj5VvU8ug&id=9kpHNgadAY6klnN5u0WaLVF_-7VxUlnLrYqFZplq1aw)

30 Bipulendra Adhikari, “Govt delay in acquiring land hits Terai roads project”, *My Republica*, 27 February 2013, available at <http://www.myrepublica.com/archive/75750/Govt-delay-in-acquiring-land-hits-Terai-roads-project>

31 “MOU between India And Nepal Regarding Strengthening Of Road Infrastructure In The Terai Area Of Nepal”, *Ministry of External Affairs, Government of India*, 20 February 2016, available at <http://mea.gov.in/Portal/LegalTreatiesDoc/NP16B2668.pdf>



## Differences between the 2010 and 2016 MOUs on the Terai Road Project

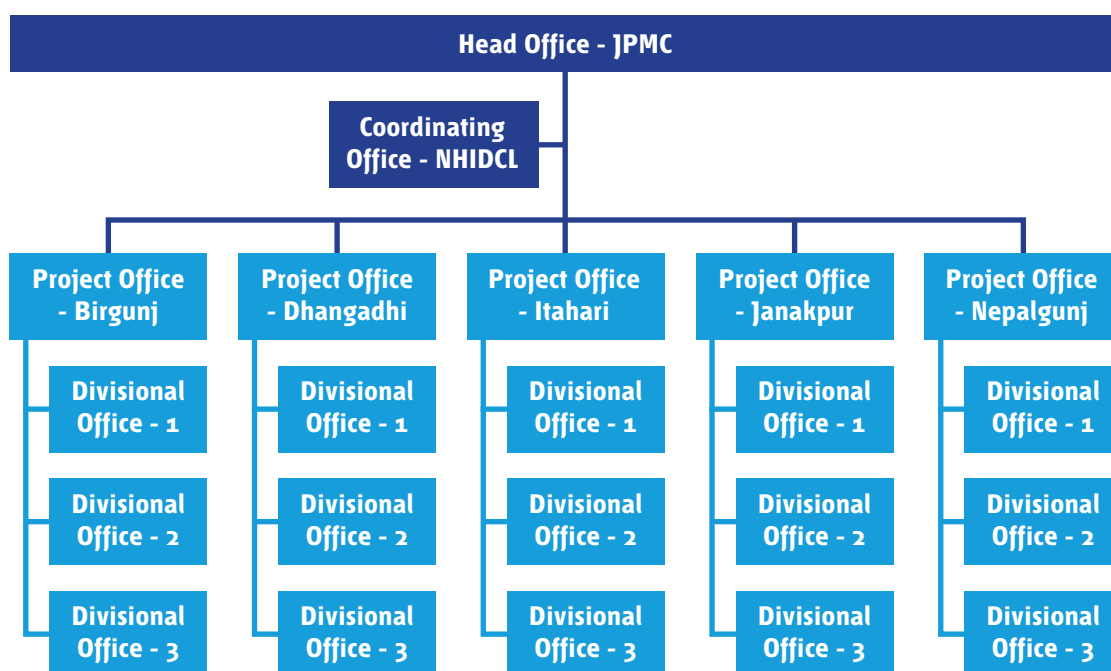
THEME	2010 MOU ON STRENGTHENING TERAI ROADS	2016 MOU ON STRENGTHENING TERAI ROADS
Contractor/ Consultant	<p>The government of India (GOI) shall appoint a consultant and contractor(s) for the implementation and execution of the project as required.</p> <p>The contractor(s) shall be selected by GOI with the assistance of the consultant based on pre-qualification norms for such projects on a competitive basis.</p>	<p><b>The government of Nepal (GON) will appoint an Indian consultant</b>, whose Terms of Reference will be mutually agreed upon by GON and GOI, and the payment for the consultant will be made directly by the GOI. The consultant will work under the Project Directorate.</p> <p><b>GON will appoint contractors [Indian, Nepalese or joint venture Indian/ Nepalese firms]</b> for the execution of the project in consultation with GOI.</p>
Land	<p>GON shall hand over to the consultant and the contractors for the project, the possession of the road construction corridor land, including the right of way of at least 15 metres on each side, free of cost and free from all encroachments and encumbrances and provide them with access to the land</p>	<p>GON will secure the road construction corridor land, including the right of way, for at least 15 metres on each side for the consultant and contractor, free of cost and free from all physical and legal encumbrances.</p> <p>GON will also ensure that <b>at least 90% of the land is available before the tendering for the project is undertaken.</b></p>
Financial	<p>The project shall be implemented with full financial and technical assistance from GOI.</p>	<p>The cost of the project is initially estimated by GON as INR 5000 million. The quantum of grant assistance will be finalized by <b>GOI based on the actual tendered costs, subject to the ceiling of INR 5000 million.</b></p> <p>The payment for the consultant will be made directly by the GOI</p> <p><b>GOI will arrange and make available all finances required for the successful implementation of the project</b> according to the fund flow arrangement specified in Article 4.2.</p> <p>GOI will release 25 percent of the approved, tendered cost, including, mobilization advance of 10 percent, to GON at the earliest after the tender is awarded. The remaining amount will be paid by GOI to GON on the basis of physical progress in three equal instalments.</p>

THEME	2010 MOU ON STRENGTHENING TERAI ROADS	2016 MOU ON STRENGTHENING TERAI ROADS
Financial		<p>GON will be responsible for providing bulk electricity and water supply and other office costs, except office premises, and salary of GON staffs will be borne by the project fund.</p> <p>The project cost will be based on the detailed project report prepared by M/s RITES Ltd. To be updated by Hulaki Rajmarga Project for the remaining works.</p> <p>The actual expenditures incurred and provided through GON treasury will be reimbursed from the imprest account and further replenished by GOI on the imprest account.</p> <p>GOI will depute personnel for imparting training etc., if it is so requested by GoN.</p>
Training	<p>Upon GON's request and in order to further strengthen the capacity building of GON's engineers, a provision shall be made for attachment of a maximum of 9 (nine) trainee engineers from GON on the project, including all contract packages.</p> <p>Such attachment of the Nepalese trainee engineers shall be without any financial and logistical obligations to GOI.</p>	<p>GOI will depute personnel for imparting training etc., if it is so requested by GON.</p> <p>The cost of deputing such personnel will be borne by the GOI.</p>

Subsequent to the 2016 agreement, the National Highways and Infrastructure Development Corporation Ltd (NHIDCL) was appointed as the consultant for implementing the Terai road project.<sup>32</sup> The NHIDCL has reportedly<sup>33</sup> created five field offices to complete the project. The most recent position on the progress made on the Terai road projects can be seen the Annexure 1. The following is the flowchart of the implementing agencies of the Terai Road projects.

32 "NHIDCL to provide consultancy to Nepal for Rs 500-crore project", *Financial Express*, 15 September 2016, available at <https://www.financialexpress.com/economy/nhidcl-to-provide-consultancy-to-nepal-for-rs-500-crore-project/378885/>

33 Based on the interviews conducted.



Members of Joint Project Monitoring Committee (JPMC):

- (i) Secretary, Ministry of Physical Infrastructure and Transport, GON[Chairperson].
- (ii) Joint Secretary, Ministry of Physical Infrastructure and Transport, GON.
- (iii) Joint Secretary, Ministry of External Affairs [MEA], GOI.
- (iv) Two representatives of Department of Roads, GON.
- (v) One representative of Ministry of Finance, GON.
- (vi) One representative of Ministry of Foreign Affairs, GON.
- (vii) Representative of Ministry of Road Transport and Highways, GOI
- (vii) Representative of Finance Division, Ministry of External Affairs, GOI.
- (viii) Head of Wing [Economic Cooperation Wing], Embassy of India, Kathmandu.
- (ix) Second Secretary [Executive Engineer], Embassy of India, Kathmandu.

Joint Secretary, Ministry of Physical infrastructure and Transport, GON will be the Member-Secretary of JPMC

## Bridges

India is also planning to build approximately 50 bridges in the Terai region.<sup>34</sup> Further, India will be collaborating with the Asian Development Bank (ADB) in constructing a bridge on the Mechi River at the Indo-Nepal border at an estimated cost of approximately INR 159-crore.<sup>35</sup> The construction of this bridge will give significant impetus to cross-border movement of people and trade between the two countries.<sup>36</sup> It should be noted that India was also

34 "India to provide assistance to build 50 bridges in Nepal", *Nepal Dispatch*, available at <http://www.nepaldispatch.com/2013/02/india-to-provide-assistance-to-build-50-bridges-in-nepal/>

35 "Cabinet approves MoU between India and Nepal for laying down implementation arrangement for construction of a new Bridge over Mechi River at Indo-Nepal border", *Press Information Bureau, Government of India*, 23 August 2017, available at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=170177>

36 Ibid.



instrumental in building bridges of vital importance even in the high-altitude areas of Nepal. In an interesting development in November 2017, the Indian Ambassador to Nepal, Manjeev Singh Puri inaugurated a bridge on Kaligandaki River, in Mustang district near the Nepal-China border, built at an estimated expense "of 44.5m Nepali rupees."<sup>37</sup> This bridge enables vehicular connectivity to the famous Muktinath temple in the Mustang district of Nepal.<sup>38</sup>

## Other Road Projects

In the recent past, India and Nepal have demonstrated a renewed commitment to developing road connectivity projects. In addition to scaling Indian assistance to Nepal in road building, India has been working to upgrade its road infrastructure along the Nepal border, and this will have positive spin-offs for Nepal as well. In August 2017, Indian Union Minister for Road Transport & Highways, Shipping and Water Resources, Nitin Gadkari, stated that approximately INR 5,253 crore worth of road projects are being implemented, which would benefit India and Nepal.<sup>39</sup> Some of these road projects include: "a 144km road from Rupaidiha to Barabanki (appx. 1,338 crore), a 184km road from Sonauli to Gorakhpur (approximately INR 570 crore), Fobesganj to Jogbani road as well as a road linking Piprakodi to Raxaul (approximately INR 429 crore) and 10 other roads costing around INR 500 crore."<sup>40</sup> It is to be noted that these proposed roadways are not international roads between India and Nepal. However, the roads will strengthen the roadways infrastructure near the Indo-Nepal border and enhance the connectivity between the two neighbours.

## Railways

The railway connectivity between India and Nepal has been less than satisfactory. As a response, in the recent past, there has been a renewed effort to revive old railway lines and establish new railway lines between India and Nepal. It should be noted that the railway networks between India and Nepal were initiated during the colonial period for the transfer of natural resources. For instance, the railway line between Janakpur in Nepal and Jaynagar in Bihar was built in 1937 to carry forest products from Nepal to India.<sup>41</sup>

There are two lines operating between the countries; these are Jaynagar to Janakpur and Raxaul to Birgunj. Jaynagar is an important border town (Madhubani district) in Bihar, India, and Janakpur, Nepal, is an important centre for religious/cultural tourism and is regarded as the birth place of goddess Sita. In the recent past, the Jaynagar to Janakpur railway line remained non-functional because of reconstruction work and broad gauge conversion.<sup>42</sup> There are plans to expand the track to Bardibas of Mahottari district.<sup>43</sup> The improvements to the railway line will have a significant positive impact on the local economy, and increase the number of

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37 "Nepal opens bridge built with India's help near China border", *The Indian Express*, 5 November 2017, available at <http://indianexpress.com/article/world/nepal-opens-bridge-built-with-indias-help-near-china-border-4923937/>

38 Ibid.

39 "Road projects worth Rs 5,253 crore to benefit India and Nepal, says Gadkari", *Hindustan Times*, 24 August 2017, available at <http://www.hindustantimes.com/india-news/road-projects-worth-rs-5-253-crore-to-benefit-india-and-nepal-says-gadkari/story-iV3BjTXNwaCJOxyBrdwHfJ.html>

40 "Rs 5,253 cr road projects to benefit India, Nepal: Gadkari", *The Times of India*, 24 August 2017, available at <https://timesofindia.indiatimes.com/business/india-business/rs-5253-cr-road-projects-to-benefit-india-nepal-gadkari/article-show/60212205.cms>

41 "Nepal's Colonial-Era Rail Link Slowly Chugs Back to Life", *The Wire*, 16 June 2017, available at <https://thewire.in/147940/nepal-colonial-era-rail-link/>

42 "Janakpur-Jaynagar railway service to resume soon", *The Himalayan Times*, 23 July 2017, available at <https://thehimalayan.com/nepal/janakpur-jaynagar-railway-service-resume-soon/>

43 "Railway line connecting India, Nepal to become functional from next year", *Outlook India*, 24 September 2017, available at <https://www.outlookindia.com/newscroll/railway-line-connecting-india-nepal-to-become-functional-from-next-year/1154127>

tourists visiting the temple town as Janakpur is the third largest city in the Terai region and the temporary capital of the Province-2.<sup>44</sup> The other railway line is the Raxaul to Birgunj broad gauge, which connects “Raxaul to the Sirsiya (Birgunj) Inland Container Depot (ICD) that became fully operational in 2005.”<sup>45</sup> Raxaul has substantive railway connectivity to major Indian cities,<sup>46</sup> and, therefore, the Raxaul to Birgunj railway line has the potential to propel both towns into important trading hubs between the two countries.

India-Nepal Railway projects are at varying stages of implementation. It is estimated that the railway lines between Jayanagar (India) to Janakpur (Nepal) and from Jogbani (India) to Biratnagar (Nepal) will be completed by the end of 2018.<sup>47</sup> For three other railway lines – New Jalpaiguri to Kakarbhitta, Nautanwa to Bhairahawa, and Nepalgunj Road to Nepalgunj – field location surveys are being conducted.<sup>48</sup> In order to improve railway connectivity, the two countries signed an MOU in February 2010 to build necessary railway infrastructure at five cross-border points along the India-Nepal border, which are enumerated in the table below.<sup>49</sup> In a positive, the MOU states that the railway networks will be “suitably integrated with the integrated check-posts being separately developed with the assistance of Government of India.”<sup>50</sup>

S. No.	Stations FROM	Stations TO	Approximate Distance	Remarks
1	• Jayanagar (India)	Bijalpura (Nepal)	51.00km	Conversion of existing railway line from narrow gauge to broad gauge
	• Bijalpura (Nepal)	Bardibas (Nepal)	17.00km	Extension of broad gauge line
2	Jogbani (India)	Biratnagar (Nepal)	17.65km	Extension of broad gauge line
3	Nautanwa (India)	Bhairahawa (Nepal)	15.30km	Extension of broad gauge line
4	Nepalgunj Road (India)	Nepalgunj (Nepal)	12.11km	Extension of broad gauge line
5	New Jalpaiguri (India)	Kakarbhitta (Nepal) via Panitanki	70.00km	Extension of broad gauge line
	<b>TOTAL</b>		<b>183.06km</b>	

Source: Compiled from the information received from the Embassy of India, Kathmandu, Nepal.

44 “Places proposed for temporary capitals of all seven provinces”, *Kathmandu Tribune*, 2 January 2018, available at <https://kathmandutribune.com/places-proposed-temporary-capitals-seven-provinces/>

45 Lucy Styles, “2.4 Nepal Railway Assessment”, *Dlca.logcluster.org*, 29 September 2016, available at <http://dlca.logcluster.org/display/public/DLCA/2.4+Nepal+Railway+Assessment;jsessionid=1A5828B9F322512259EB2D0B27E62B0E>

46 Ibid.

47 India-Nepal Joint Statement during the State Visit of Prime Minister of Nepal to India (23-27 August 2017), *Ministry of External Affairs, Government of India*, 24 August 2017, available at <http://www.mea.gov.in/bilateral-documents.htm?dtl/28885/India+Nepal+Joint+Statement+during+the+State+Visit+of+Prime+Minister+of+Nepal+to+India+2327+August+2017>

48 Ibid.

49 “MoU between the Government of India and Nepal regarding Development Of Railway Infrastructure At Five Nepal Border Points Along The Indo- Nepal Border”, *Ministry of External Affairs, Government of India*, 16 February 2010, available at: <http://www.mea.gov.in/TreatyDetail.htm?2679>

50 Ibid.

While there is renewed emphasis on operationalising the railway lines between the two countries, such efforts have had to surmount challenges, such as land acquisition and associated compensation for the landowners. For instance, the railway line between Katahari (Morang) in Nepal and Bathnaha in Bihar is reportedly facing challenges relating to land acquisition.<sup>51</sup>

As some Indian officials note, in terms of building railway lines, India has a few advantages: first, there is already a robust railway infrastructure on the Indian side, specifically in the states of Uttar Pradesh and Bihar. So, India-Nepal railway projects aim to extend existing networks. Second, the geography is relatively friendly between the plains of Uttar Pradesh, Bihar and the Terai region of Nepal. Therefore, policy consistency and provision of adequate financial resources may result in the expeditious implementation of the projects. Finally, there is a substantive movement of people already in place. Therefore, the financial viability of the railway networks may not prove to be challenging. The long-term objective of these railway projects is to establish greater railway connectivity between the high-density population centres of the two countries. The Indian Railways Minister noted that in the near future, there will be a need to operationalize the Delhi-Kathmandu and Kolkata-Kathmandu railway lines.<sup>52</sup>

## Aviation Sector

India played an important role in Nepal's aviation sector. In the early 1950s, the airport in Kathmandu, then called Gauchaur Airport, had a grass runway. The airport was later renamed as Tribhuvan airport and was upgraded with a paved tarmac. The first aircraft (in 1949) reportedly carried the Indian ambassador, and the first charter flight (in 1950) was between Kathmandu and Calcutta.<sup>53</sup> The Indian government assisted Nepal with the construction of an airport hangar.<sup>54</sup> In 1964, India and Nepal reached an agreement on air services. As per the agreement, "the airline designated by His Majesty's Government (HMG) of Nepal shall be authorized to operate up to a total of twenty-four services per week, in each direction, between Nepal and India."<sup>55</sup> The agreement lists three sectors, viz., Nepal to Delhi, Nepal to Calcutta and Nepal to Patna, in which air services were to be operated.<sup>56</sup> In the recent past, the Chinese have also made their presence felt in Nepal's aviation sector by offering "soft loans and expertise for three international airports in places including Pokhara and Janakpur."<sup>57</sup>

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51 Lila Ballav Ghimire and Dev Narayan Sah, "Nepal-India railway project goes off track", *The Kathmandu Post*, 9 August 2017, available at <http://kathmandupost.ekantipur.com/news/2017-08-09/nepal-india-railway-project-goes-off-track.html>

52 Dipanjan Roy Chaudhury, "India proposes direct rail link to Kathmandu from Delhi & Kolkata; mulls cargo train to Bangladesh", *The Economic Times*, 24 February 2017, available at <https://economictimes.indiatimes.com/industry/transportation/railways/india-proposes-direct-rail-link-to-kathmandu-from-delhi-kolkata-mulls-cargo-train-to-bangladesh/articleshow/57323387.cms>

53 "Tribhuvan International Airport", *VK.com*, 5 November 2014, available at [https://vk.com/topic-72391033\\_31005991](https://vk.com/topic-72391033_31005991)

54 Information based on interactions.

55 Agreement Between The Government Of India And His Majesty's Government Of Nepal Relating To Air Services, *Ministry of External Affairs*, 26 November 1964, <http://mea.gov.in/bilateral-documents.htm?dtl/6430/Air+Agreement>

56 Agreement Between The Government Of India And His Majesty's Government Of Nepal Relating To Air Services," *Ministry of External Affairs*, 26 November 1964, <http://mea.gov.in/bilateral-documents.htm?dtl/6430/Air+Agreement>

57 Mihir Mishra, India to discuss aviation assistance with Nepal to help build three airports," *Economic Times*, 10 January 2017, available at <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/india-to-discuss-aviation-assistance-with-nepal-to-help-build-three-airports/articleshow/56429373.cms>

### Small Development Projects and Connectivity

In 2003, India and Nepal reached an agreement on implementing Small Development Projects (SDP) in Nepal. The governing philosophy of the SDPs is to reduce unwarranted overhead costs, ensure greater stakeholder participation and implement projects that communities can handle in shorter gestation periods by keeping processes simple and flexible. The SDPs celebrate the principles of decentralisation by giving greater role to “local bodies of the government of Nepal viz. District Development Committee (DDC), Municipality, Divisional office of Department of Urban Development and Building Construction (DUDBC).”<sup>58</sup> The projects under the scheme are implemented through a District Development Committee (DDC), which has a representation from local officials of the departments concerned, local governments and local community organisations. In 2004, the total number of SDP projects amounted to 26 and this number expanded to about 510 in 2015.<sup>59</sup> In the recent past, in Nepal, there have been concerns regarding the continuation of Small Development projects. Some argued that because of the emergence of the new institutional structures and the probability that other countries might seek similar mechanisms, there is the need to re-examine the SDPs.<sup>60</sup> As some have noted, if the SDP scheme is re-examined, there is a need to ensure that it abides by the principles of local ‘community partnership,’ ‘community initiative,’ and ‘community ownership’. It is interesting to note that the SDP scheme has been scaled up not only in Nepal but has been extended to other countries in the region. In 2006, India initiated approximately 50 SDPs in Afghanistan.<sup>61</sup> Similarly, SDPs are also being implemented in Sri Lanka as part of its development assistance.<sup>62</sup>

58 “About Development Partnership”, *Embassy of India, Kathmandu, Nepal*, available at [http://www.indianembassy.org.np/index1.php?option=Xgc4cACnML2T1\\_DC21jA58Ttm2KiX8IXemmj5VvU8ug&id=9kpHNgadAY6klNn5u0WaLVF\\_-7VxUlnLrYqFZplq1aw](http://www.indianembassy.org.np/index1.php?option=Xgc4cACnML2T1_DC21jA58Ttm2KiX8IXemmj5VvU8ug&id=9kpHNgadAY6klNn5u0WaLVF_-7VxUlnLrYqFZplq1aw)

59 “About Development Partnership”, *Embassy of India, Kathmandu, Nepal*, available at [http://www.indianembassy.org.np/index1.php?option=Xgc4cACnML2T1\\_DC21jA58Ttm2KiX8IXemmj5VvU8ug&id=9kpHNgadAY6klNn5u0WaLVF\\_-7VxUlnLrYqFZplq1aw](http://www.indianembassy.org.np/index1.php?option=Xgc4cACnML2T1_DC21jA58Ttm2KiX8IXemmj5VvU8ug&id=9kpHNgadAY6klNn5u0WaLVF_-7VxUlnLrYqFZplq1aw)

60 “Govt in fix over extending India’s ‘umbrella agreement’”, *The Kathmandu Post*, 3 August 2017, available at <http://kathmandupost.ekantipur.com/news/2017-08-03/govt-in-fix-over-extending-indias-umbrella-agreement.html>

61 “Third Phase of Small Development Projects (SDP-III) in Afghanistan”, *Press Information Bureau, Government of India*, 8 November 2012, available at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=88917>

62 “Visit of External Affairs Minister to Sri Lanka (February 5-6, 2016)”, *Ministry of External Affairs, Government of India*, 6 February 2016, available at <http://www.mea.gov.in/press-releases.htm?dtl/26330/Visit+of+External+Affairs+Minister+to+Sri+Lanka+February+56+2016>



### Nepal: Roads and Bridges under SDP scheme

			<b>Cost (NRs)</b>
1	Gandhi Manmohan Marg Phase I	Morang	8,000,000.00
2	Gandhi Manmohan Marg Phase II	Morang	23,586,529.00
3	Upgradation of road from India–Nepal Border to SP Mode, Bhadrapur	Jhapa	4,500,000.00
4	Rehabilitation of Fatehpur–Kunauli Road phase I	Saptari	1,134,228.00
5	Road from Manmohan Chowk to Manmohan Memorial Polytechnic, Hattimudha	Morang	19,362,734.00
6	Inaruwa Bazaar Road	Sunsari	29,975,087.00
7	Bridge on Bagmati River	Rautahat	27,184,941.00
8	Road from Jaladh Bridge to Ram Temple in Janakpurdham	Dhanusha	29,840,242.00
9	Approach road to Purwanchal University	Morang	31,966,474.00
10	11, Mahendranagar Municipality Roads	Kanchanpur	29,751,286.00
11	Construction of a 4.3km blacktop road from BP Chowk to Bhanu Chowk in Bhadrapur Municipality Area in District Jhapa	Jhapa	30,871,630.00

## Trade and Transit

As noted earlier, this report focuses substantially on connectivity projects and refrains from an elaborate study on trade and related issues. Nonetheless, it should be noted that trade and transit between the two countries are governed by the Nepal-India Transit Treaty of 1991 that is automatically renewed “for a further period of seven years at a time”.<sup>63</sup> The treaty mandates that “traffic in transit shall be exempt from customs duties,” and makes a provision for “warehouses, sheds and open space,” at the Calcutta port to use for transit trade.<sup>64</sup> Many officials in Nepal and some business persons often state that the paperwork in Kolkata port tends to be very time-consuming.<sup>65</sup> More recently, Vishakhapatnam has been added as the second port for traffic-in-transit between India and Nepal.<sup>66</sup> In August 2017, a cargo train to Nepal was flagged off from Visakhapatnam.<sup>67</sup> More recently, India granted rail transit for Nepal through Singhabad to Bangladesh.<sup>68</sup> The increase in the number of ports for trade and third country trade options for Nepal will increase the choice available to Nepalese traders and, more importantly, also bring greater efficiencies. The officials and scholars in Nepal noted that the possibility of accessing other ports in India, including in the South, requires serious consideration.

In order to facilitate easy movement of goods between the two countries, advanced integrated customs ports (ICP) are being operationalized. The Birgunj ICP was operationalized in April 2018.<sup>69</sup> As per the agreement between the two countries, the Nepal government has to acquire the land, and the Indian government will bear other expenses, such as the construction costs.<sup>70</sup> The ICP will have infrastructure facilities such as “warehouse, parking lots, and electronic data interchange building”.<sup>71</sup> It was more than a decade ago in 2005 that India and Nepal have agreed to ICPs in three additional locations, viz., Jogbani–Biratnagar, Sunauli–Bhairahawa, and Nepalganj Road–Nepalganj.<sup>72</sup> The implementation of these integrated check posts will improve trade facilitation and movement of goods between the two countries.



63 “Nepal-India Transit Treaty 1991”, *Nepal-India Chamber of Commerce and Industry (NICCI)*, available at <http://www.nicci.org/resources/nepal-india-transit1991.php>

64 Ibid.

65 This was noted not just during the field visit but also during interactions in various conferences and workshops.

66 “Vizag Port declared as second gateway port for Nepal”, *The Hindu*, 21 June 2016, available at <http://www.thehindu.com/business/Industry/Vizag-Port-declared-as-second-gateway-port-for-Nepal/article14435743.ece>

67 “First container rake to Nepal flagged off from Vizag”, *The Hindu*, 5 August 2017, available at <http://www.thehindu.com/news/national/andhra-pradesh/first-container-rake-to-nepal-flagged-off-from-vizag/article19430651.ece>

68 “Oli visit: India gives Nepal transit to Bangladesh”, *The Statesman*, 20 February 2016, available at <http://www.thestatesman.com/business/oli-visit-india-gives-nepal-transit-to-bangladesh-124923.html>

69 “Operation of much-awaited ICP Birgunj begins”, *The Himalayan Times*, 8 April 2018. available at <https://thehimalayantimes.com/business/operation-of-much-awaited-icp-birgunj-begins/>

70 “Nepal-India joint team inspects ICP Birgunj”, *Madheshvani*, 16 October 2017, available at <http://www.madheshvani.com/en/details/9492/news>

71 “Nepal-India joint team inspects ICP Birgunj”, *The Himalayan Times*, 16 October 2017, available at <https://thehimalayantimes.com/business/nepal-india-joint-team-inspects-icp-birgunj/>

72 “Nepal, India agree to complete work on Integrated Check Post in Birgunj by March”, *Daily News & Analysis (DNA)*, 16 December 2016, available at <http://www.dnaindia.com/india/report-nepal-india-agree-to-complete-work-on-integrated-check-post-in-birgunj-by-march-2283481>

### Regional Dynamic

India's effort to build connectivity networks with Nepal is also happening in larger multilateral frameworks. The South Asian Association for Regional Cooperation (SAARC) framework did not make satisfactory progress. As a consequence, the regional cooperative efforts resulted in the emergence of new platforms, such as the Bangladesh-Bhutan-India-Nepal (BBIN) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). The recently concluded BBIN Motor Vehicles Agreement (MVA) envisages unhindered movement of vehicles between the member countries. There are now proposals to usher in a BIMSTEC MVA as well. These MVAs make it easy for Nepal to access the Bay of Bengal ports. The emergence of these frameworks indicates growing confidence among the member countries on developing not only connectivity projects but also closer regional cooperation.

Given its location, Nepal would seek engagement with all major powers in the neighbourhood. Even during the Cold War, Nepal received assistance from the US and its allies, as well as from the erstwhile Soviet Union. Declassified US intelligence documents pertaining to the 1960s suggest that the then Nepalese Prime Minister, B.P. Koirala, was seeking aid from the US on the pretext that the king, Mahendra Bir Bikram Shah Dev, would lean towards the Soviet Union in case Washington failed to step up assistance. Like India, which sought to use its non-alignment policy to benefit economically from both camps during the Cold War, Nepal also deployed its foreign policy for economic gain from all powers.

Given Nepal's power asymmetry with India and China, it should be no surprise that it seeks to swing between the two big neighbours to maintain autonomy. While China does not have people-to-people interactions on a par with India, it has a long history of deploying overseas assistance to Nepal. In the 1960s and 1970s, it was involved in developing the Kodari-Kathmandu road and Kathmandu-Pokhara road. Unlike the earlier projects, recently proposed Chinese projects, such as a railway line connecting Tibet with Kathmandu,<sup>73</sup> will have significant geopolitical as well as geo-economic implications for India. Similarly, China has also announced scaling up of road networks into Nepal. Further, China has proposed multilateral frameworks, such as the China-Nepal-India corridor and Trans-Himalayan Developmental Cooperative Framework, wherein Nepal assumes a central location. However, the Chinese connectivity projects need to overcome two significant challenges. First, their economic viability is contingent on their ability to access the Indian market. Second, they will have to traverse the Terai region, which enjoys a close socio-cultural relationship with India.

To reaffirm the shared cultural heritage between the two countries, Modi was the first Indian prime minister to visit the Sita temple in Janakpur in the Terai region. He also visited Muktinath (Mustang district) in the northern part of Nepal. The Muktinath temple is revered by both Hindus and Buddhists. By visiting cultural destinations in Nepal's south as well as north, Prime Minister Modi emphasized the depth of cultural linkages between the two nations.

During Modi's recent visit to China, for an informal summit with President Xi Jinping, both leaders agreed that they should collaborate in third countries such as Afghanistan. Will India and China also collaborate to build connectivity projects in Nepal? It is doubtful at the moment. In addition to traversing the Himalayas, such collaboration would also have to overcome a mountain of distrust.

Nonetheless, it should be noted that during Oli's visit to India, a railway line to Kathmandu from India was announced. Once operationalized, it will significantly enhance the already rich people-to-people interactions. Now, if the Chinese build a railway line to Kathmandu and Indians deliver on their promise, then it would become a de facto trilateral project. Given

73 "China, Nepal To Start Technical Works On Cross-Border Railway", *NDTV*, 19 September 2017, available at <https://www.ndtv.com/india-news/china-nepal-to-start-technical-works-on-cross-border-railway-1752014>

the growing trade deficit, the prospect of granting direct and greater market access to China without any reciprocal gestures will raise concerns in India. It is also for Nepal to consider whether its economy has the wherewithal to engage both Indian and Chinese businesses traversing its territory.

In the long run, it is vital that the projects in Nepal be operationalized based on the needs of the local people rather than be guided by geopolitical considerations. The connectivity projects should bring people together by ensuring equitable outcomes. These projects should result in the strengthening of consultative frameworks at the grassroots and democratic practices at the national level.

# Concluding Observations and Recommendations

## Growth-Pole Approach:

India should take note of the rapid socio-economic changes that are taking place in Nepal and tailor its development assistance accordingly. It is interesting to note that the population of Kathmandu district started growing at a fast pace between in 1991 and 2011. As noted earlier, in 1981, the population of Morang district was around 534,692 persons and was higher than that of Kathmandu with 422,237 persons. However, today, Kathmandu is the most populated district in Nepal with a population of approximately 1,744,240 as per the 2011 census. In 1991, the population of Kathmandu district was 675,341, and the population of Morang district was at 674,823. The population difference between Kathmandu district and Morang district was very marginal. By 2001 the population of the Kathmandu district recorded 1,081,845, and the population of the Morang district reached 843,220. However, by 2011, while the population of Morang district was 965,370, the population of Kathmandu district reached 1,744,240. Overall, during 1981-1991, 1991-2001 and 2001-2011 Kathmandu district witnessed a whopping 59.94 percent, 60.19 percent and 61.23 percent increase in the population respectively. The shift in population is indicative of the growing economic importance of Kathmandu in the national economy. Sadly, given the absence of district-wise GDP data pertaining to the past few decades, the increase in population is seen as indicative of growing economic activity, which has severe limitations. Researchers such as Chandan Sapkota estimated in 2014 that Kathmandu district's share of total GDP is around 15.8 percent followed by Morang at 3.9 percent.<sup>74</sup>

How is that some of the districts along the East-West Highway such as Morang which had the highest population in 1981 and geographic advantages failed to emerge as the leading contributor to nation's GDP in the subsequent decades? It is possible that the relative advantages bestowed by the connectivity projects implemented by India started to taper-off for the districts on the East-West Highway after the 1980s and the advantages of being the capital city started accruing with greater intensity for Kathmandu. It is also interesting that as the Indian economy started registering economic growth, the districts in Nepal adjacent to India did not become hubs of economic activity in the first decade of this century. Given the open border, it is possible that there was greater migration from border districts into India. Alternatively, the fact that much of the Indian economic growth story happened in the metropolitan centres, coastal cities, western India and the relative economic backwardness of Uttar Pradesh as well as Bihar may have also contributed to the absence of positive economic impact on the border districts of Nepal. This is not to say that some of the districts in Terai, Nepal, are not economically important. On the contrary, after Kathmandu, some districts in Terai are also important economic centres.

In the light above socio-economic shifts, it is imperative that the Indian government, in consultation with and concurrence of Nepal government, should adopt a growth-pole strategy in the operationalisation of its development assistance. Governments often spread their precious resources across various regions to ensure equitable development. While such an approach has its merits, scholars such as Francois Perroux argued that "growth does not appear everywhere at the same time: it becomes manifest at points or poles of growth, with variable intensity; it spreads through different channels, with variable terminal effects on the whole of the economy."<sup>75</sup> It is possible that some regions in a country tend to have geographic and human resources advantageous to propel economic growth through agglomeration. Recognising and

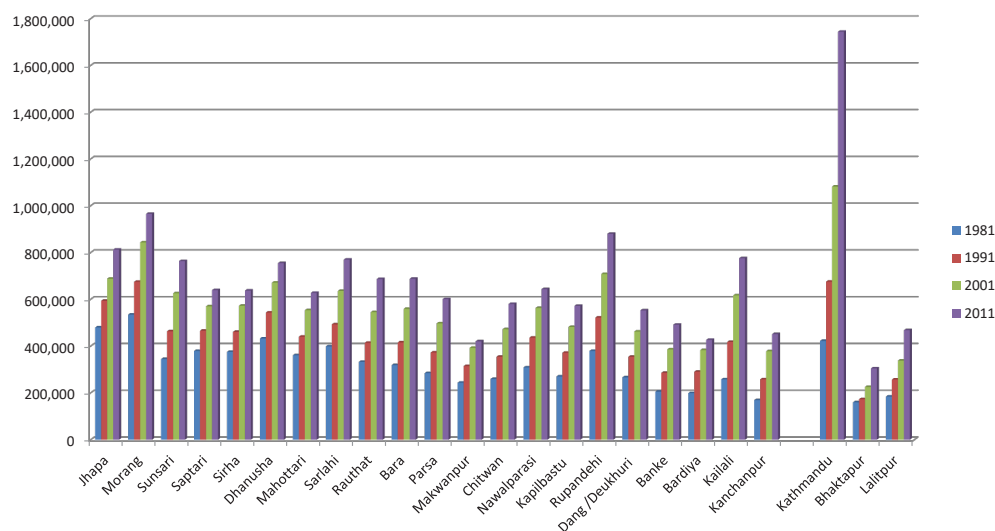
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74 "GDP by district and region in Nepal," Chandan Sapkota's blog: *Macroeconomics, Public Policy and Policy Analysis*, 1 June 2014, available at <http://sapkotac.blogspot.com/2014/06/gdp-by-district-and-region-in-nepal.html>

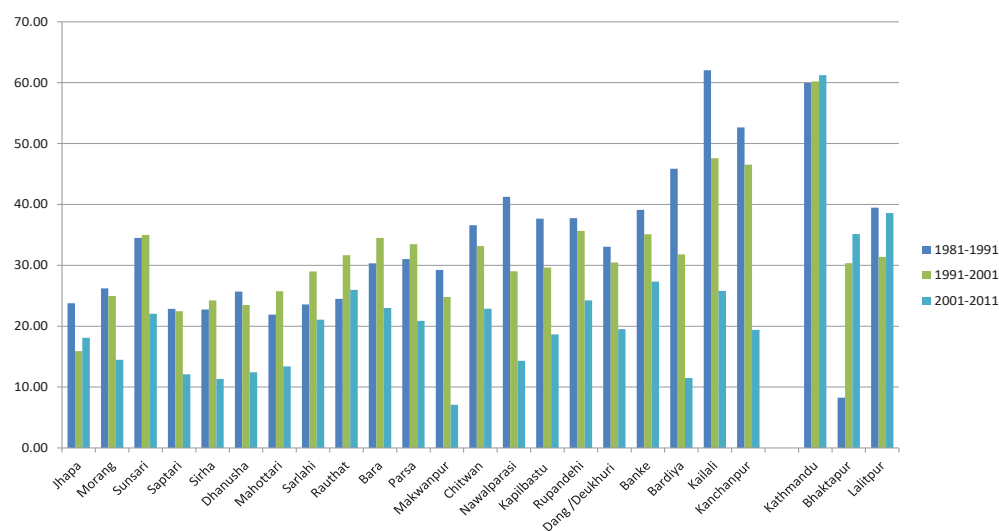
75 Elżbieta Wojnicka-Sycz, "Growth-Pole Theory As A Concept Based On Innovation Activity Development And Knowledge Diffusion," Faculty of Management and Economics, Gdańsk University of Technology, [https://zie.pg.edu.pl/documents/30328766/30681540/REME\\_6\\_%283-2013%29-Art2.pdf](https://zie.pg.edu.pl/documents/30328766/30681540/REME_6_%283-2013%29-Art2.pdf)



**Graph 5: Increase in Population in Select Districts of Nepal, 1981-2001. Based on Reports by Central Bureau of Statistics, Government of Nepal**



**Graph 6: Increase in Population in Select Districts of Nepal (Percentage Increase) 1981-2001. Based on Reports by Central Bureau of Statistics, Government of Nepal**



working on economic agglomeration will result in greater efficiencies in terms of utilisation of infrastructure as well as other resources. It has been argued by various scholars, that such advantages should be leveraged to ensure faster economic growth. Drawing on the literature of growth-pole approaches, Toshihiro Kudo and Satoru Kumagai proposed “a two-polar growth strategy as one that includes both “high” and “balanced” growth [for Myanmar]. The first growth-pole is Yangon, and the second is Mandalay.”<sup>76</sup> It appears that a considerable amount of Japanese overseas development assistance in Myanmar adheres to the growth-pole approach suggested by Kudo and Kumagai. This is evident in the establishment of Thilawa Special Economic Zone near Yangon and improving transportation networks between Yangon and Mandalay. Similarly, the Indian government should also consider the possibility of the growth-pole approach when deploying development assistance in Nepal. After due consultations, two urban centres (ex: Kathmandu and an urban centre in Terai) can be identified to be developed

76 Two-Polar Growth Strategy in Myanmar: Seeking “High” and “Balanced” Development, IDE-JETRO Discussion Paper No. 371, November 2012, available at <http://www.ide.go.jp/English/Publish/Download/Dp/371.html>

as growth-poles, which will also address concerns about regional equality. This would require that the development of connectivity projects, in a given geographic space, should also be supplemented by development efforts aimed at improving human development indicators and a focused industrial/service sector strategy. It is true that the Indian government alone may not be able to take up such large-scale developmental activities in its neighbouring countries. Nonetheless, it should assist Nepal in developing a growth-pole strategy, and its development assistance should be modulated accordingly.

### **Developing Convergences:**

The consultations also suggested the need to explore the possibility of developing convergence between SDPs and other connectivity projects that are being implemented. For instance, if a road or bridge is being built, the possibility of developing a health care centre/school under SDP in the close vicinity of the infrastructure project should be explored. Where possible, these convergences need to be scaled-up to ensure that it will assist in the emergence of a growth-pole.

### **Grassroots Focus:**

In any democratic framework, the voices of various tiers of government should be heard and factored into the decision making processes. The SDP scheme is an attempt to incorporate grass root voices into development assistance. If the SDP scheme is re-examined, as suggested by some, there is a need to ensure that it continues to abide by the principles of local 'community partnership,' 'community initiative,' and 'community ownership'.

### **Joint Ventures:**

Compared to the 1950s or 1980s, there are significant changes in Nepal's economy as well as polity. During the interactions with various stakeholders, it was suggested that the possibility of joint ventures (Indian/Nepalese firms), as identified in the 2016 Terai MOU, should be given greater emphasis. Of course, this will be contingent on the sectors in which both countries propose to work. There is a possibility that in some sectors, a joint venture may be a difficult enterprise. However, wherever possible, joint ventures should be explored.

### **Land Acquisition:**

In many interviews, land acquisition was highlighted as an important challenge in implementing connectivity projects. Not surprisingly, Nepal's challenges in acquiring land in recent times can be traced via the phrasing of the agreements signed between the two neighbours from the 1960s till date. "HMG will provide the necessary land for the Project, free from all encumbrances. The payment of compensation, if any, and the settlement of claims or disputes arising therefrom will be the responsibility of HMG" has been the general wording pertaining to land acquisitions in the agreements signed for the construction of Sonauli Pokhara Road in August 1964, the Eastern Portion of The East-West Highway of Nepal in December 1966, the Butwal-Nepalganj sector of Mahendra Rajmarg in June 1972 and the agreement for the black-topping of the Kathmandu-Godavari road in March 1973. However, in the MOU signed regarding the strengthening of road infrastructure in the Terai area of Nepal in 2010, there are additional details included like providing entry and access to the land to the consultant and contractors involved in the project. Moreover, the MOU signed regarding the Terai road project in 2016 has articles specifying that at least 90 percent of the land must be made available by the Government of Nepal before the tenders of the projects are awarded. The recent MOU signed in August 2017 for the construction of the Mechi Bridge under ADB's South Asia Sub-regional Economic Cooperation (SASEC) Road Connectivity also mentions that both India and Nepal should ensure 90 percent of land availability and Nepal should "ensure completion of the land acquisitions, resettlement & rehabilitation (R&R), utility shifting and environmental/forest clearance process in Nepal's territory" before awarding the projects.<sup>77</sup> Much of this work falls under the purview of the Government of Nepal. Given the growing political stability, probably expeditious and prudent land acquisition policies will be

conceptualized and implemented. Nevertheless, past shortcomings must be factored-in while conceptualising MOUs and other agreements between the two countries. For instance, the 2010 Terai road agreement did not make a reference to the acquisition of 90 percent of the land by the Government of Nepal before issuing of tender. As a consequence, there were considerable delays with blame being passed to different agencies. Therefore, MoUs should specify prerequisites that need to be achieved before grounding a project.

### **Institutional Frameworks:**

There is a need for the Joint Project Monitoring Committee (JPMC), as envisaged in the Terai road MOU, to interact at frequent and regular intervals. While the agreement was signed in February 2016, our interactions with various officials indicated the JPMC did not interact even once prior to December 2017. The subsequent news items suggested that the JPMC had its first meeting in February 2018 in Kathmandu. It is possible that elections and other political developments may have delayed the conduct of meetings of the JPMC. Nonetheless, there is a need to ensure that the JPMC meets more regularly and periodic intervals.<sup>78</sup>

- Some respondents noted that the constitution of joint management committees should be more broad-based. For instance, in many of the joint project monitoring committees [JPMC], the representatives of the Ministry of Environment have not been included. Such inclusion, they opined, would have prevented unwanted delays associated with environmental clearances.

### **Equipment:**

Most of the agreements refer to the handling of equipment that is brought from across the border. These agreements specify that the equipment should either be sent back to the origin donor country or the equipment should be sold in Nepal. However, it was pointed out during the interviews that the agreements remain silent on the timeframe for evacuating them from the place of construction. A mechanism should be ensured for the disposal of equipment. A similar approach should also be adopted for the material that has been left behind near the construction sites.

### **Developing an Online Resource Centre/Database:**

There is a need for developing an online database comprising all the development projects that India has implemented in the past few decades. This online database should include agreements, MOUs and all other relevant documents.

### **Increasing capacities of Indian Mission:**

Interestingly some officials in Nepal suggested that there is a need to increase the workforce and the technical capabilities at the Indian Embassy in Nepal. Specifically, it was suggested that a number of civil engineers should be increased to ensure appropriate monitoring and evaluation as well as to ensure speedy reimbursements if any. Since Nepal has and is receiving significant development assistance from India, there is a need to create adequate workforce at the Indian mission.

*Newspaper articles published by the authors during the course of research on India's development assistance in Nepal have been used in the report.*

77 "Memorandum of Understanding between Government of India Represented by Ministry of Road Transport and Highways and Government of Nepal Represented by Ministry of Physical Infrastructure and Transport for Implementation Arrangement on Cost Sharing, Schedules and Safeguard Issues for Construction of Mechi Bridge under ADB's SASEC Road Connectivity", Ministry of External Affairs, Government of India, 24 August 2017, available at <http://www.mea.gov.in/Portal/LegalTreatiesDoc/NP17B3136.pdf>

78 "Nepal-India JPMC Meeting Of The Terai Roads Project Concludes," *Spotlight Nepal*, 22 February 2018, available at <https://www.spotlightnepal.com/2018/02/22/nepal-india-jpmc-meeting-terai-roads-project-concludes/>

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# Annexure



## Hulaki Rajmarga (Postal Highway East West portion)

S.No.	Name of Road	District	Approximate Length, Km	Remaining Length for Contract	Remarks
	<b>Postal Roads</b>				
1	Mechi Ratuwa	Jhapa	48.00	28.00	Bhadrapur Rajgadh section (20km) under construction by Postal Highway
2	Ratuwa Keshaliya	Morang	48.00	48.00	
3	Keshaliya Chimdi Harinagar Laukahi (Phulchowk)	Sunsari	30.00	0.00	Under Construction by Postal Highway Project
4	Laukahi Koshi Barrage (MRM)	Sunsari	17.00	0.00	Overlap portion of Mahendra Rajmarg
5	Koshi Barrage Bharadaha(MRM)	Saptari	6.00	0.00	Overlap portion of Mahendra Rajmarg
6	Bhardaha Kanchanpur Rajbiraj Balan	Saptari	44.00	0.00	Under Construction by Postal Highway Project
7	Balan Kamala	Siraha	32.00	0.00	Under Construction by Postal Highway Project
8	Kamala Janakpur Basbitti	Dhanusha	38.00	0.00	Under Construction by Postal Highway Project
9	Basbitti Balba Parol Hardi	Mahottari	25.00	0.00	Under Construction by DRO Chandranighapur
10	Hardi Malangawa Chhatauna Bagmati (Badahawa)	Sarlahi	30.00	0.00	Under Construction by DRO Chandranighapur
11	Bagmati(Badaharwa) Phatuwa Mahespur Aruwa	Rautahat	18.00	0.00	Under Construction by Postal Highway Project
12	Aruwa(Kachorwa) Kalaiya Bara District Border (TRP)	Bara	36.00	0.00	Bariyarpur Partewa section (15.6km) under construction by Postal Highway
13	Bara District Border Birgunj (Murti) Amuwa Post	Parsa	59.00	0.00	Under Tender Process by Postal Highway

## Hulaki Rajmarga (Postal Highway East West portion)

S.No.	Name of Road	District	Approximate Length, Km	Remaining Length for Contract	Remarks
14	Amuwa Madi Riu Khola	Chitwan	38.00	38.00	
15	Triveni Baruwā Narayanchowk Parasi Mowa	Nawalparasi	38.00	38.00	
16	Mowa Bhairahawa Lumbini Kothi	Rupandehi	44.00	44.00	
17	Kothi Taulihawa Bahadurgunj Ramnagar Charainaka Kalyankot	Kapilvastu	70.00	70.00	
18	Kalyankot Gobardiha Gadhwa Rajpur Gothuwa	Dang	70.00	70.00	
19	Gothuwa Kumber Betahani Nepalgunj Man Khola	Banke	86.00	86.00	
20	Mankhola Guleriya Kothiyaghat Rajapur Kamali (Sati)	Bardiya	68.00	68.00	
21	Kamali (Sati) Dhangadhi Kanchanpur Border	Kailali	67.00	0.00	Upgradation to single lane completed
22	Kanchanpur Border Kajagau Dodhara	Kanchanpur	63.00	0.00	Under construction by Postal Highway
	<b>TOTAL</b>		<b>975.00</b>	<b>490.00</b>	

## Postal Highway Feeder Roads

S.No.	Name of Road	District	Approximate Length, Km	Remaining Length for Contract	Remarks
	<b>Phase-1 Feeder Roads</b>				
1	Mechi Highway (Charali-Chandragadhi-Kechna)	Jhapa	40.00	0.00	Under construction by Postal Highway
2	MRM (Kanepokhari)-Rangeli	Morang	25.37	0.00	Under construction by Postal Highway
3	MRM (Kalyanpur)-Barsain-Subharanpatti	Saptari	17.29	0.00	Under construction by Postal Highway
4	MRM (Birendrabazar)-Yadukuha-Mahinathur	Dhanusha	32.35	0.00	Under construction by Postal Highway
5	Janakpur-Yadukuha	Dhanusha	17.05	0.00	Under construction by Postal Highway
6	MRM (Maithan)-Gaushalabazar-Samsi	Mahottari	26.90	0.00	Under construction by Postal Highway
7	Jaleshwar-Hardi River*	Mahottari	27.20	0.00	Under construction by Postal Highway
8	Nayaroad-Barathwa-Madhubani	Sarlahi	40.31	0.00	Under construction by Postal Highway
9	MRM (Tamagadhi)-Simraungadh	Bara	39.31	0.00	Under construction by Postal Highway
10	MRM (Manmat)-Kalaiya-Matiyarwa	Bara	27.00	0.00	Under construction by Postal Highway
11	Nepalgunj-Baghauda	Banke	44.50	0.00	Under construction by Postal Highway
12	MRM (Bhurigaun)-Guleria-Murtia	Bardia	36.00	0.00	Under construction by Postal Highway
13	MRM (Lamki) Tikapur Khakraula	Kailali	27.70	0.00	Under construction by Postal Highway

## Postal Highway Feeder Roads

S.No.	Name of Road	District	Approximate Length, Km	Remaining Length for Contract	Remarks
14	Janakpur Jatahi	Dhanusha	12.60	0.00	Under construction by ACQMP, DOR
15	MRM (Nawalpur)-Malangwa	Sarlahi	26.59	0.00	Under construction by Postal Highway
16	MRM (Lamahij)-Koilabas	Dang	34.00	0.00	Under construction by Postal Highway
17	Janakpur-Bhittamod	Dhanusha/ Mahotari	18.75	0.00	Under construction by Postal Highway
	<b>(PR) Sub-total Phase 1</b>		492.92	0.00	
	<b>Feeder Roads</b>				
1	Gandhi Manamohan Marga (Pathari Bazzar-India Border)	Morang	25.00	25.00	
2	Sahid Chowk Bhimpur Devangunj	Sunsari	9.00	0.00	Under Construction by DRO, Biratnagar
3	MRM (Inaruwa) Kaptangunj	Sunsari	24.00	0.00	Under Construction by DRO, Biratnagar
4	MRM (Kathauna)-Pato	Saptari	16.50	0.00	Under Construction by Postal Highway Project
5	Gaighat Baniniya	Saptari	35.00	8.00	Under Construction by DRO, Lahan
6	MRM (Bankey)-Sangrampur	Sarlahi	22.00	0.00	Under Construction by Postal Highway Project
7	MRM (Phuljor)-Bayalbas-Tribhuwamnagar	Sarlahi	24.00	0.00	Under Construction by Postal Highway Project
8	Gadhimai-Bariyarpur-Kawahi	Bara	10.00	0.00	Under Construction by Postal Highway Project

## Postal Highway Feeder Roads

S.No.	Name of Road	District	Approximate Length, Km	Remaining Length for Contract	Remarks
9	Madi Bharatpur	Chitwan	36.00	26.00	Under Construction by DRO, Bharatpur
10	Jagatpur Bahuban	Chitwan/ Nawalparasi	38.00	38.00	
11	MRM (Dumkibas)-Triveni	Nawalparasi	20.00	20.00	
12	Kathawa-Triveni	Nawalparasi	10.00	10.00	
13	MRM (Kharindapur)- Shitalapur-Vilmi	Kapilvastu	18.00	18.00	
14	Rajapur-Daulatpur	Bardia	7.00	0.00	under construction by Dolidar project
15	MRM (Kaluwapur)-Belaure	Kanchanpur	30.00	0.00	under construction by Postal Highway
	<b>(PR) Sub-total Phase 2</b>		<b>324.50</b>	<b>145.00</b>	
	<b>Total length (Postal Highway and Feeder Road)</b>		<b>1792.42</b>	<b>635.00</b>	



# Brief Bios

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