

**Statement by Dr. Teertha Raj Dhakal, Joint Secretary, National Planning Commission Secretariat of Nepal at the Workshop for the National Focal Points of the LDCs on the implementation of the Istanbul Program of Action, Cotonou, Benin, 27 July 2014.**

Mr. Chair,

Excellencies, Ladies and Gentlemen,

First of all, I would take this opportunity to thank the Government of the Republic of Benin for hosting this Conference as well as for their generous hospitality extended to us during our stay in Benin. I would also thank the Office of the High Representative for LDCs, LLDCs and SIDS for organizing this important Workshop.

I have the honour to deliver this statement highlighting key points from the brief report submitted to the Secretariat focusing on the efforts of the Government of Nepal (GON) in mainstreaming the IPoA in national development strategies, progress of the preparation of the graduation strategy, and policy measures enacted to enhance productive capacity building in the country.

Mr. Chair,

The Government of Nepal (GON) has been making substantial efforts to implement the IPoA and is committed to adopt effective measures aiming to achieve the overarching goal of overcoming structural challenges to eradicate poverty and graduating the country from the LDC status. Nepal has taken important measures to mainstream the IPoA into the development plans and programs along with a special focus on expanding productive capacities in a sustainable manner. Although the term 'IPoA' is not explicit in many of these documents, the national policy frameworks consider expansion of productive capacity in all segments of the economy as an integral component of its development strategies. Within the overall framework, strategic actions have also been spelled out to address the constraints and move forward.

In the current Thirteenth Plan (2013/14- 2015/16), Nepal has adopted key strategies including; inclusive, broad-based and sustainable economic growth by enhancing the contribution of government, private and cooperative sectors; develop physical infrastructure; enhance the access, use and quality in social service sectors; enhance good governance and economic and social empowerment of the targeted groups and areas; and implement development programs in line with climate change adaptation. Similarly, the plan has accorded energy, infrastructure, agriculture, tourism, basic education and health, drinking water and sanitation, trade and

governance as priority sectors. These strategies and priorities which are in line with the IPoA have served useful basis for sectoral resources allocation decisions.

Mr. Chair,

The GON formally decided to graduate Nepal from a LDC category to a developing nation by 2022. As per the decision, the government has taken it as a long term vision and set targets of various indicators and also adopted some key measures in the current Thirteenth Plan. A draft approach paper for the graduation strategy has been brought out which has taken stock and identified gaps between the threshold and current status in various indicators, sketched strategic direction and estimated tentative investment requirement for achieving this goal. The government is working to prepare detailed roadmap and further concretize strategic and priority areas of intervention to achieve the outcomes. Recent review found that Nepal has already met Economic Vulnerability Index necessary for graduation and about to meet the Human Assets Index which is estimated to realize by 2015. In regards to GNI per capita, the country is far behind in meeting the threshold which is expected to achieve only by 2021.

It is clear that with augmented investment in the social sector the first two criteria are achievable. However, such a graduation will be fragile if it does not rest in good finance. Thus, in order to sustain the progress of HAI and EVI and achieve GNI target huge investment is required. To meet the projected GNI per capita of \$ 2,094 Nepal needs to invest to the tune of 16.7 trillion Nepali rupees (approximately US\$ 167 billion) in terms of the current prices between 2013/14 and 2021/22 given the fast pace with which the economy needs to grow– 8% annually- for graduation.

Mr. Chair

Limited productive capacities constrain the ability of Nepal to produce efficiently and effectively and diversify its economies resulting in weak growth, low export and economic potentials and limited employment generation and social development. The Nepal Human Development Report 2014 assesses productive abilities at different interrelated levels indicates the trends in spatial inequalities and outlines the prospects of unlocking the human potential and achieving high quality inclusive growth. The report also focused on the spatial dimensions of productive capacities and constructs a regional access to facilities index for each of the nine eco-development regions and analyses the trends over the past two decades. The report also estimates sectoral labour productivity as well as total factor productivity of the manufacturing sector at the regional and industrial levels. This disaggregated analysis guides policy choices since it identifies sectors and regions where productivity is already high and that in principle may serve as engines of growth.

An important concern for policies of Nepal is to bring a qualitative change in the pattern of growth such that it does not remain concentrated in few sectors and regions so that the poor can neither participate in and contribute to nor benefit from growth. In order to strengthen productive capacities needed to accelerate growth, in line with IPoA Nepal has focused on deliverables in all major areas including infrastructure, energy, science technology and innovation, and private sector development.

Strategies have recently adopted to improve national connectivity focusing on strategic road networks; expand road transport in order to extend access to agricultural, industrial, hydropower, tourism, education and health services; accord priority also to repair and maintenance of roads and its quality. Recognizing access to safe, affordable and reliable energy as a pre-requisite for growth and poverty reduction, recent strategies have been formulated to increase hydropower production creating an investment-friendly environment, and expanding electricity transmission and distribution regimes. The government emphasizes research into and the development and technology transfer of renewable energy; mobilize sources including those received through carbon trading, undertake research and development activities; and manage renewable energies in accordance with the concept of energy efficiency. In order to promote private sector participation by creating an investment-friendly environment key strategies include; maintain flexible industrial relations; create an environment for industrial security; increase their involvement in the development of national priority physical infrastructure; and promote corporate social responsibility.

Mr. Chair,

Productive capacity building which is the key priority area of the IPoA and is also crucial for achieving graduation goal requires substantial investment in creating physical infrastructure including roads, energy, in building human capital and also in enhancing agricultural productivity and promote international trade. LDCs can sharpen policies and make efforts to increase domestic resources and mobilize other in-country resources including private investment and remittances. However, increased and better development finances, enhanced technology transfer and increased international assistances are highly required to implement the IPoA and achieve the graduation goal. Thus, Nepal emphasizes the need of fulfilling the ODA commitments of development partners and the Aid for Trade disbursement to LDCs. We also emphasize on the duty-free and quota-free market access for the products of LDCs which is critical for countries like Nepal in reducing alarmingly increased trade deficits.

I thank you all.