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Presented by:
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National Planning Commission Secretariat
Nepal
Presentation Outline

1. Background
2. Nepal’s Long-term Vision
3. Istanbul Programme of Action (IPoA)
4. LDCs Graduation Criteria
5. Nepal’s Strategies, Initiatives and Achievements
6. Constraints and Challenges
7. Way Forward
8. Conclusion
1. Background

Nepal, a landlocked and least developed country situated between two big economies China and India in the South Asia.

It is characterized by:

- low per capita income,
- low economic growth,
- socio-economic underdevelopment,
- low level of human development,
- structurally generated poverty and inequality, and
- deeply entrenched forms of social exclusion.
- Highly depending on remittance for foreign exchange earnings.
Background contd....

• A large disparity in the outcome still exists from the gender, social group and geographical perspectives.
• It has just emerge from a politically and socially fragile post-conflict situation.
• Nepal became as one of the few countries having accomplished an impressive record of human development during the last two decades.
• However, having started with a very low base, Nepal still remains as a country with low human development status.
2. Nepal’s Long-term Vision

• Graduating from LDC to a developing nation by 2022,
• Nepal aspires to emerge as an inclusive, equitable, and prosperous middle-income country by 2030 with the high, broad-based and inclusive development strategy.
• The country aims at sustainable poverty reduction and promotion of human development with low vulnerability and higher human security.
• Secure peace, stability and good governance in all spheres of the nation,
• End all forms of discriminations in the society.
3. Istanbul Program of Action (IPoA)

- Succeeds Brussels Programme of Action (BPoA), 2001-2010.
- The UN LDC 1V Conference adopted the IPoA on 13 May 2011.
- A mutually agreed compact between LDCs and their development partners.
- Goal of IPoA:

  To overcome structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from LDC category.
Objectives of IPoA

- Aim of IPoA is to enable half number of LDCs to graduate by 2020.
- Agreed that the national policies of LDCs and international support measures will focus on following five core objectives.
  - Achieve sustained, equitable and inclusive economic growth in LDCs to at least 7 per cent per annum;
  - Build human capacities;
  - Reduce the vulnerability of LDCs to economic, natural and environmental shocks and disasters, as well as climate change;
  - Enhance financial resources and their effective use for LDCs development;
  - Enhance good governance at all levels.
Principles to guide implementation of IPoA

- Country ownership and leadership.
- An integrated approach.
- Genuine partnership and solidarity.
- Result orientation.
- Peace and security, development and human rights.
- Equity.
- Voice and representation, and
- Balanced role of the state and market considerations.
Priority areas for action of the IPOA

The IPOA contains eight priority areas for action:

- **Productive capacity**: infrastructure; energy; science, technology and innovation, private sector development
- **Agriculture, food security and rural development**:
- **Trade**.
- **Commodities**.
- **Human and social development**: education, training; population and primary health; youth development; shelter; water and sanitation; gender equality, empowerment of women; social protection.
Priority areas for action of the IPOA  Contd..

- **Multiple crises and other emerging challenges:** economic shocks; climate change and environmental sustainability; disaster risk reduction
- **Mobilizing financial resources for development and capacity-building:** domestic resource mobilization, ODA; external debt, FDI; remittances
- **Good governance at all levels.**
To graduate from LDC status a country must meet two of the three criteria.

1. **Gross National Income (GNI):** A country must meet the minimum GNI threshold set every three years.

2. **Human Assets Index:** This focuses on social indicators such as nutrition, child mortality, secondary school enrolment and adult literacy. Countries eligible for graduation must be at least 20% above the threshold set.

3. **Economic Vulnerability Index:** This includes indicators related to the economic structure of a country and its ability to cope with potential ‘economic shocks’, such as natural disasters.

- The UN Committee for Development Policy (CDP) reviews the LDC list every 3 years.
- If a country meets the criteria in two successive reviews then it is eligible for graduation.
## Estimation of Gross National Income (GNI) per capita

*(In US$)*

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<tbody>
<tr>
<td>1. Graduation Threshold</td>
<td>900.0</td>
<td>1086.0</td>
<td>1190.0</td>
<td>1242.0</td>
<td>1398.0</td>
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<td>243.3</td>
<td>320.0</td>
<td>420.0</td>
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<td>3. Estimates of GNI per capita*</td>
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<td>547.0</td>
<td>720.0</td>
<td>948.0</td>
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<td>4. Required GNI per capita for each Year</td>
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<td>700.0</td>
<td>828.0</td>
<td>1261.0</td>
<td>2094.0</td>
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<tr>
<td>5. Gap (2-1)</td>
<td>-656.7</td>
<td>-766.0</td>
<td>-770.0</td>
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<td>6. Gap (3-1)</td>
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<td>-643.0</td>
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<tr>
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<td>66.00</td>
<td>67.00</td>
<td>69.00</td>
<td>70.00</td>
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<td>59.83</td>
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<td>3. Estimates of HAI *</td>
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<td>70.49</td>
<td>74.04</td>
<td>77.22</td>
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<td>4. Gap (2-1)</td>
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<td>-7.66</td>
<td>-6.17</td>
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<td>5. Gap (3-1)</td>
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<td>3.49</td>
<td>5.04</td>
<td>7.22</td>
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## Estimate of Economic Vulnerability Index (EVI)

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<td>38.00</td>
<td>38.00</td>
<td>32.00</td>
<td>31.00</td>
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<td>27.00</td>
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<td>2. UNCDP Review</td>
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<td>33.65</td>
<td>27.77</td>
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<tr>
<td>4. Gap (1-2)</td>
<td>0.57</td>
<td>4.35</td>
<td>4.23</td>
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<td>5. Gap (1-3)</td>
<td></td>
<td></td>
<td>5.90</td>
<td>6.42</td>
<td>5.69</td>
<td>5.10</td>
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</table>
5. Nepal’s Strategies,, Initiatives and Achievements

**Productive Capacity:**

- Increasing productive capacity of the economy is the prime focus of the government policies. It has given emphasis to increase the productivity of labor as well as the capital.

- The current Plan has focused on employment generation and it has emphasized in increasing value addition in agriculture as well as manufacturing products.

- It has allocated more resources in transport and communication sector.

- Public private partnership approach has been adopted in road construction and power generation.
• The construction of roads and density of mobile telecom has increased tremendously.
• Financial sector has been expanded to more rural areas and the government has encouraged to open the financial institutions in rural areas and deprived areas.
• Micro Enterprise Development programme has been implemented in most of the districts.
• This programme has helped to increase the products based on local raw materials, production of improved technology and skills.
• Nepal is a mostly agriculture dependent economy. 64% of the labour force are engaged in agriculture sector and it contributes 33% to the GDP.
• However, agriculture sector has not been well developed despite government commitment.
• Recently, Agriculture Development Strategy for 20 years period has been adopted for implementation
• provided subsidy in fertilizers to the farmers.
• Cooperative and contract farming mechanism has been encouraged.
• Agriculture budget has been increased and access to agriculture loan has been also increased.
• Food security situation has been improved.
• The GoN has been providing transportation subsidy in food supply to 30 remote districts.
• National Nutrition Plan has been formulated targeting to first 1000 days of child.
• Storage capacity of food has been increased.
• Access to rural roads has been improved.
• Community Forest Programme, which is one of the successful programme for rural development, has been continued.
Trade:

- Nepal became the WTO member in 2004 and it is also the member of SAFTA and BIMSTEC.
- However, due to the supply side constraints Nepal could not reap the benefits of globalization and regional integration.
- The trade gap has been widening. The export-import gap ratio is 1:8. The export could not support the one single import items i.e. petroleum products.
- Therefore, to improve the trade balance Nepal has adopted strategy to mainstream the trade. The Nepal Trade Integrated Strategy (NTIS) 2010 has identified 19 exportable products and it is in review process to include more exportable products.
- Initiated to adopt SWAP approach in trade enhancing programs.
Commodities:

- Nepal imports many commodities from the neighboring countries.
- The domestic value additions of the commodities are very low.
- The Nepalese economy has witnessed shortages of some essential commodities like sugar and other commodities and huge price rises in recent years.
- Commodity imports has increased tremendously.
• Commodity trading system has been initiated.
• Competition law has been initiated and hoarding and carteling system in the commodity market has been restricted.
• To ensure sufficient supply of commodities and good quality commodities, the GoN has initiated regulating and monitoring of the market situation.
Human and Social Development:

- Nepal has been emphasizing human and social development in its periodic plans.
- GoN is expanding larger proportion of the budget on education, health and water supply and sanitation sector.
- In the primary education 96.5 % are enrolled.
- The maternal mortality rate has been reduced to 170 per 100000 live births.
- The child mortality rate has been reduced 41 per thousand live birth.
- Around 85% of the population has received piped water supply facilities.
- 62% of the population has been covered by the sanitation facilities.
Human and Social Development:

- Gender parity has been achieved in the primary education.
- Various efforts had been initiated to enhance the access to education to the disadvantaged groups including girl child.
- Scholarship has been provided to girls and children from deprived communities.
- The quality of education in the public schools are relatively poor than that of privately owned schools in Nepal.
- Similarly, quality of drinking water is also poor mostly in rural and in some urban areas as well.
Multiple crises and other emerging challenges:

• As other LDCs, Nepal is also facing the problem of food crises and also the challenges created by the climate change. Nepal is also most vulnerable to climate change.
• The global economic crises has negatively impacted to its major exportable products like garments and carpets.
• Similarly, as Nepal is the net importer of the petroleum products, the volatility of its prices has made the living standard of the poor people more difficult.
• Top priority has been accorded to the problem of climate change and issues of environment protection.
Multiple crises and other emerging challenges:

- **Climate change budget code system** has been introduced in the budgeting system of Nepal. Moreover, climate expenditure has been increased.
- **Poverty environment Initiative** has been incorporated in the periodic plan document.
- **LPG gas price subsidy** has been maintained to protect the living standard of the vulnerable groups.
- The GoN has initiated to issue **poverty cards** to the people living in below poverty line in the 25 districts out of 75 districts.
Mobilizing financial resources of development and capacity building:

• Nepal is financial and human resource poor country.
• Encouraging growth in domestic revenue generation has been seen in the past few years.
• The increase in revenue can be attributed to increase in imports and also incentive system in revenue administration introduced by the government in recent years.
• But the last year the revenue growth was just 9 percent
• However, huge resource is required additionally to achieve the SDGs by 2030.
Multiple crises and other emerging challenges: contd..

- In the total development budget about 60% has been financed through external assistance and about 13% of the budget goes to external debt servicing.
- Although, the grant component of the foreign aid is increasing but the utilization of the aid has not been improving due to problems in reimbursement and cumbersome procedures of the foreign aid mobilization.
- Therefore, there is need of improving the capacity of foreign aid mobilization.
Good governance at all levels:

- The GoN has recognized that the sustainable development goals could not be achieved without improving governance system. Therefore, the government has taken good governance as strategy to reduce poverty and increase the growth rate.
- Various efforts have been made to uphold the rule of law, improve service delivery and efficiently utilize the available resources.
- Adoption of inclusive development strategy, zero tolerance to corruption, improving law and order conditions are the priority of the government.
- Similarly the recent promulgation of federal, inclusive and democratic republic constitution has paved the way for increasing inclusiveness, greater participation and devolution of power to local government.
Some Major Achievements:

- Despite political uncertainty, recent devastating earthquake Nepalese economy has made some progress in macroeconomic sector as well as in social sector.
- In the FY 2014/15, the revised estimate of GDP growth has been lower (3.0 percent) than the FY 2009 (3.9 percent).
- In FY 2014/15, the estimated GNI per capita was US $ 772 and GNDI per capita US $ 1014 which was US $ 614 and 759 in the Fy 2009/10 Respectably.
- Similarly, the revenue growth has increased by only 9.4 percent compared to 27.2 percent growth in the FY 2009/10.
- Nepal has achieved only one of the MDGs i.e. goal 4.
1. Substantial progress has been made in reducing poverty and hunger in the past decade, 
   • However it has been able to reduce poverty only from 25.2 % to 23.8 % during 4 year period. However because of the recent earthquake it has been estimated that poverty has increased by 2.5 percentage, and 
   • Consumption Gini-Coefficient has been declined to 0.33 from 0.41. 
   • It is on track to halve the proportion of people suffering from hunger.

2. Remarkable progresses have been achieved in health and education sectors.
   • On education, net enrolment rate in primary education has reached 96.5 percent in 2015, and 
   • Students who start in grade one reaching grade five have gone up to 86.8 percent.
• Adult female literacy rate tripled in 2011 from that in 1990.
• Gender gap in secondary school enrolment (1-10 class) has been eliminated.
• But the ratios of women to men in tertiary education need further acceleration.

3. On health, substantial progress has been made in child health.
• MDG targets on Infant mortality and Under Five Mortality Rates being met and malnutrition being improved.
• Reducing Maternal Mortality Rate by 2015 is also on track.
• The trend of HIV/AIDS prevalence has been halted, and
• Prevalence and death rates associated with Tuberculosis (TB) have declined markedly.
• Malaria remains under control.
4. The proportion of population with **basic water supply coverage** increased from 46 percent in 1990 to 83.6 percent in 2014 indicating the achievement of MDG target.

- The proportion of population using an improved sanitation facility rose from six percent in 1990 to 70.3 percent in 2014.

- The progress made in the attainment of MDGs is impressive despite long political instability coupled with pro-longed peace process, long absence of elected representatives at the sub-national and local levels, and internal armed conflict for a decade.

- However, poverty, unemployment and under-employment, social disparities, low level of economic growth, vulnerable to external shocks are major problems of the economy that Nepal is facing today.
# Socio-Economic Indicators of Nepal

## A. Economic Indicators

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Descriptions</th>
<th>2009/10</th>
<th>2014/15*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>GDP growth rate (%)</td>
<td>4.3</td>
<td>3.0</td>
</tr>
<tr>
<td>a)</td>
<td>Agriculture (%)</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>b)</td>
<td>Non-agriculture (%)</td>
<td>5.2</td>
<td>3.5</td>
</tr>
<tr>
<td>2</td>
<td>Poverty</td>
<td>25.2</td>
<td>23.8</td>
</tr>
<tr>
<td>3</td>
<td>Inflation Rate</td>
<td>9.6</td>
<td>10.2</td>
</tr>
<tr>
<td>4</td>
<td>Revenue growth Rate</td>
<td>20.0</td>
<td>7.5</td>
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</table>

- Revised estimate
## B. Physical and Social Indicators

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Description</th>
<th>Units</th>
<th>2009/10</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Road Connection to district headquarters</td>
<td>Number</td>
<td>71</td>
<td>73 (out of 75)</td>
</tr>
<tr>
<td>2</td>
<td>Telephone (including mobile)</td>
<td>Per hundred density</td>
<td>58</td>
<td>64.6</td>
</tr>
<tr>
<td>3</td>
<td>People benefited from electricity services</td>
<td>Percent</td>
<td>52</td>
<td>55.0</td>
</tr>
<tr>
<td>4</td>
<td>Adult literacy Rate</td>
<td>Percent</td>
<td>58.5</td>
<td>60.9</td>
</tr>
<tr>
<td>5</td>
<td>Literacy Rate (15-24 years of age)</td>
<td>Percent</td>
<td>76.5</td>
<td>80.0</td>
</tr>
<tr>
<td>6</td>
<td>Primary School, Enrolment Rate</td>
<td>Percent</td>
<td>93.7</td>
<td>96.5</td>
</tr>
<tr>
<td>7</td>
<td>Total Fertility Rate (15-49 years of women)</td>
<td>Percent</td>
<td>2.9</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>Maternal Mortality Rate</td>
<td>(per 100 thousand)</td>
<td>229</td>
<td>170.8</td>
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</tr>
<tr>
<td>9</td>
<td>Infant Mortality Rate</td>
<td>(per thousand live birth)</td>
<td>41.0</td>
<td>46.0</td>
</tr>
<tr>
<td>10</td>
<td>Child Mortality Rate</td>
<td>(per thousand live birth)</td>
<td>50.0</td>
<td>54.0</td>
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<tr>
<td>11</td>
<td>Water Supply facility availed population</td>
<td>%</td>
<td>80.4</td>
<td>85.0</td>
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<tr>
<td>12</td>
<td>Sanitation Facility availed population</td>
<td>%</td>
<td>43</td>
<td>61.8</td>
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</tbody>
</table>
6. Constrains and Challenges in implementing IPoA

- Building productive capacity
  - Nepal require targeted assistance and strategies for the improvement of her productive capacities.
  - A pragmatic strategy is to move towards product diversification.
  - Government and the private sector to coordinate their efforts for new innovation and replicating successful business models.
  - External resources required for expanding productive capacities, promoting FDI and trade, and adapting technological innovations.
Agriculture, food security and rural development

• Investing in agriculture and rural activities need to given a top priority.
• Sustainable productivity increases in agriculture urgently required to meet SDGs related to food security and poverty reduction.
• External resources required in expanding its productive capacities and ensuring food security and implementation of recently adopted Agriculture Development Strategy.
Challenges

- **Trade**
  - Nepal need to manage to diversify manufacturing exports.
  - It need to substantially expand and diversify her production and export supply capacity.
  - Support and assistance from development partners is necessary to enhance its supply-side capacity and trade diversification in terms of country and products.
  - Duty-free and quota-free market access is very crucial for its export growth.
  - Nepal have preferential access to industrial country markets under GSP but benefits of many GSP schemes are, however, limited.
Challenges …..

- **Human and social development**
  - Poverty remains rural phenomenon in Nepal.
  - Identification of people living below poverty line is essential for effective implementation of poverty reduction programs.
  - Coverage of the current social protection programmes need to be expanded.
  - Need further efforts to reduce income and other forms of inequalities.
  - Higher investments in human capital, especially in education and health is necessary with quality improvement.
  - Fostering gender equality, ensuring food security, and reducing income poverty need to be addressed urgently.
Multiple crises and other emerging challenges

- LDCs like Nepal needs to address several major imbalances.
- Food price rises is a major issue of serious concern.
- Natural disasters like recent devastating earthquake has posed serious threat to sustaining development gains. So, there is a big challenge to build earthquake resilient infrastructures.
- Identify new drivers of growth to compensate for the anticipated reduction in demand in traditional export markets.
- Resource requirements for bridging or even narrowing the infrastructure gaps are substantial.
- External resources needed to build economic and social infrastructures.
Mobilizing financial resources for development and capacity-building

- Nepal need increased access to financial resources in achieving sustained, inclusive and equitable growth and sustainable development and make progress towards graduation.
- Domestic resource mobilization efforts constrained by low level of per capita income, domestic savings and investment and a narrow tax base.
- Nepal continue to depend heavily on ODA, FDI and other forms of external resource flows.
- Barriers to financial inclusiveness exist on both demand and supply sides.
- Regulatory environment also needs to encourage diversity in provision of financial services to increase the options available to the poor.
Challenges .......

- Good governance at all levels
  - Good governance and the rule of law is essential for sustained, inclusive and equitable economic growth, sustainable development and the eradication of poverty and hunger.
  - Nepal need further efforts in good governance, the rule of law, the protection and promotion of human rights, and peoples participation in the democratic process.
  - Needs context-specific approaches to address governance in an integrated manner.
  - Targeted policies and assistance and international support measures are required to address challenges in this sector.
  - Holistic approach is required to improve good governance at all levels
7. Way Forward:
The focus of development should be on:

- broad-based and inclusion in development process.
- poverty reduction,
- significant improvement in health outcomes,
- universal access of education for children,
- increased access to higher education
- improved standards of education, including skill development.
- better opportunities for employment,
- improvement in provision of basic facilities like water, electricity, roads, sanitation and housing.
- Particular attention to the needs of the ethnic and socially excluded and marginalized population.
Strategies : For GNI per capita

• Sustained high economic growth to reach the per capita income threshold.
• Creation and sustaining of investment climate.
• Economic reforms through policy improvement.
• High levels of FDI, particularly in the energy and manufacturing sector, could drive such growth.
Strategies: For the HAI

• Progress made so far is close to the graduation threshold relevant to the human assets weakness criterion.
• Further increase in budgetary allocations to the education and health sectors is needed commensurate with output.
• Special efforts need to be pursued in the areas of:
  • nutrition (MDG 1) of children and women of reproductive age
  • child mortality (MDG 4),
  • secondary school enrolment (MDGs 2 and 3), and
  • adult literacy (MDG 2).
Strategies: For the EVI

- Nepal has made significant progress under this criterion.
- Effort to make Nepal a “land-linked” rather than land-locked country.
- Productive capacities need to be expanded in the infrastructure, private sector development, energy, science and technology.
- Reduce the impact of external trade shocks by improving agriculture and food security, and accelerating rural development.
- Increase connectivity with the major trading partner countries via land and air is required to boost the external trade
8. Conclusion

• Nepal need to take **greater ownership, commitment**, and need to **promote inclusive and sustainable growth for reducing poverty and improving the quality of life** of the people.

• Nepal and its development partners need to enhance commitment to a comprehensive, result oriented, quantifiable development results, and

• Better integration of IPoA into aid, trade and development strategies of development partners, is crucial for its successful implementation and also need to integrate with SDGs (2016-2030).
Conclusion cont..

We need:

• policy consistency and stability,
• improved investment climate,
• good industrial relation,
• lasting peace and security and
• prudent macroeconomic and other sectoral policies.
• Support from the development partners and neighboring countries in this endeavor of its sustainable economic development.
Thank You All for your kind attention