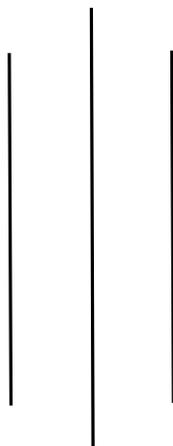


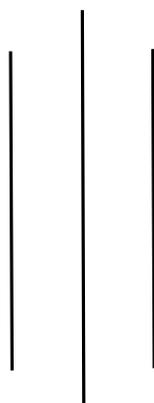
Mid-Term Review Report of the Istanbul Program of Action



Government of Nepal

National Planning Commission

Singha Durbar, Kathmandu



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Acronyms

FY	Fiscal Year
NPC	National Planning Commission
IPOA	Istanbul Program of Action
LDC	Least Developed Countries
SEZ	Special Economic Zone
MDGs	Millennium Development Goals
SDGS	Sustainable Development Goals
USD	United States Dollar
GDP	Gross Domestic Product
PPP	Purchasing Power Parity
PPP	Public Private Partnership
ODS	Ozone Depleting Substances
NER	Net Enrollment Rate
UNDESA	United National Department of Economic and Social Affairs
SASEC	South Asia Sub regional Economic Cooperation
NTIS	Nepal Trade Integration Strategy
WTOs	World Trade Organizations
RTAs	Regional Trade Agreements
SAFTA	South Asian Free Trade Area
FTA	Free Trade Agreement
BIMSTEC	Bengal Initiative for Multi-sectoral Technical and Economic Cooperation
MoCS	Ministry of Commerce and Supplies
GoN	Government of Nepal
GSP	Generalized System of Preferences
EBA	Everything but Arms
TIFA	Trade and Investment Framework Agreement
UNDP	United Nation Development Programme

SSDP	School Sector Development Plan
FCHVs	Female Community Health Volunteers
SHP	Sub Health Post
HP	Health Post
PHC	Public Health Center
VDC	Village Development Committee
PHCC	Primary Health Care Center
MAF	MDGs Acceleration Framework
RCIW	Rural Community Infrastructure Works
TRIPS	Trade Related Intellectual Property Rights

I. Introduction

Nepal is a beautiful, mountainous, land locked and least developed country surrounded by India to the south, east, and west and China to the north. The country is located between the latitudes 26.22° and 30.27° N and the longitudes between 80.4° and 88.12° E. It occupies a total land area of $147,181 \text{ km}^2$. From east to west the average length is 885 km and north-south width varies from 145 to 241 km with a mean of 193 km. About 83% of its total land area is occupied by high mountains and rolling hills, and the remaining 17% by the flat lands of the Tarai. In altitude, it ranges from 60 m. above sea level in the south-eastern Tarai to 8,848 m. at the summit of Mount Everest, the highest peak of the world. Wide altitudinal variation and diverse climatic conditions within a small area make the physiography of the country unique in the world. It is divided into three physiographic zones from south to north: The Tarai region, a flat land, is a part of alluvial Gangetic plain extended east to west in the south up to 600 m. above the mean sea level. This region occupy about 17% of total land area of the country. The Mid-hill region has undulating hills and spools and extend east to west just north of the Terai region. It occupy about 68% land area of Nepal and extend up to 2500 meter above the mean sea level. The mountain region lies in the north at an altitude of >2500 to 8848 meter above the mean sea level. It occupy about 15% total land area of the country.

Nepal has a great deal of variation in climate. Subtropical climate exists in the Terai districts. Outside the Terai, however, the climate is completely different. The remarkable differences in climatic conditions are primarily related to the enormous change of altitude within a short north-south distance. The presence of the east-west-trending Himalayan massifs to the north and the monsoonal alteration of wet and dry seasons also greatly contribute to local variations in climate. Normally five climatic zones are found in Nepal based on altitude: the subtropical zone below 1,200 meters; the cool temperate zone between 1,200 to 2,400 meters; the cold zone between 2,400 to 3,600 meters and the subarctic climatic zone between 3,600 to 4,400 meters; and the arctic zone above 4,400 meters in altitude.

Water and forest are first and second largest natural resources in Nepal. Forest cover is constant over last two decades in Nepal. About 39 percent of the total land area of Nepal is covered by forest. The forestry sector in Nepal plays a crucial role in maintaining the

substance economic, development and social life of people. It is estimated that Nepal's forestry sector contributes about 4% to the GDP of the country.

Total size of Nepalese population is 26.41 million (2011 census). It is growing by 1.35 percent per annum during the inter census period 2001-2011. Around half of the total population is concentrated in lowland Terai which occupy only of 17 percent of the total land area of Nepal. While the Mid-hill comprising 68 percent land area of Nepal constitutes 43 percent population and the mountain area has only 6.73 percent population. Population density at the national level is 180 persons per square kilometer of land. While the sex ratio (number of males per 100 female) is skewed towards the female which is 94.2. In abstract, there are 0.8 million more females than males in the country. Overall Nepalese population is dominated by young people. Population aged 0-14 years comprises 31.91 percent of the total population, adolescent and youth 10-24 years comprises 33.72 percent population, working age 15-59 years population comprises 57 percent and 60 years above comprises 7.65 percent of the total population. This is called a demographic dividend but Nepal has not been able to utilize this demographic dividend due to limited employment opportunity in off farm sector in the country. Overall literacy rate of people (5 years and above) is increasing significantly from 54.1 percent in 2001 to 65.9 percent in 2011.

Nepal has 125 caste/ethnic groups spread throughout the 75 districts of the country. There is no district in Nepal with a single caste/ethnic group. Most of the caste/ethnic groups are spread throughout the 75 districts of the country. There are 116 caste/ethnic groups in Kathmandu district which is the largest concentration, while Humla district has only 17 ethnic/groups. In this sense, all the 75 districts are inhabited by multi-caste/ethnic groups.

The working age population (aged 15-59 years) has increased in Nepal from 54 percent (12.3 million) in 2001 to 57 percent (15.1 million) in 2011. This shows the population structure is shifting for enjoying demographic dividend in the country. However, 25.42 percent households (1.38 million) have at least one household member outside the country. 2011 census indicated 1.9 million young people normally below 30 years migrated in Gulf and other Asian countries in search of employment opportunity. 2015 estimate reveals that about 4 million young people of Nepal are working outside the country sent remittance in the country.

In this context, Nepal has lost its opportunity to utilize young people in national development and enjoy the demographic dividend of young people.

Nepal is overwhelmingly patrilineal. Arranged marriages are the norm in the mainstream culture. Because marriages forge important social bonds between families, when a child reaches marriageable age, the family elders are responsible for finding a suitable mate of the appropriate caste, education level, and social stratum. The bride's family generally provides welcome, food and gifts to the groom's family, while the groom's family furnishes smaller gift of clothing, jewelry, and personal items to the bride. Both families are expected to host a feast during the wedding festivities. The cost of a wedding, especially to the bride's family, is high and often puts families into debt.

Among landholding families, a high value is placed on joint family arrangements in which the sons of a household, along with their parents, wives, and children, live together, sharing resources and expenses. Within the household, the old have authority over the young and men over women. Typically, new daughters-in-law occupy the lowest position. Until a new bride has produced children, she is subject to the hardest work in her husband's house. Older women, often wield a great deal of influence within the household. However, there is growing tendency among young couple to live in a nuclear family due to growing educational status and connection to outside world. Infants are carried on the mothers' back, held by a shawl tied tightly across her chest. Babies are breast-fed on demand, and sleep with their mothers until they are displaced by a new baby or are old enough to share a bed with siblings. Infants and small children often wear amulets and bracelets to protect them from supernatural forces. Mothers are the primary providers of child care, but children also are cared for and socialized by older siblings, cousins, and grandparents. Often children as young as five or six take care of younger children. Neighbors are entitled to cuddle, instruct, and discipline children, who are in turn expected to obey and defer to senior members of the family and community. Children address their elders by using the honorific form of Nepali, while adults speak to children using more familiar mother language. Because authority in households depends on seniority, the relative ages of siblings are important and children are often addressed by birth order in the Region.

Nepal has great cultural, ethnic, linguistic and religious diversity. Majority of people in this country believe in Hinduism followed by Buddhism, Islam and Christianity. Majority of people

in the northern mountain districts follow Buddhism. People in the middle mountain districts have a mix of Hinduism and Buddhism while southern Terai districts have Hinduism and Islam. Christianity is in the Middle mountain and Terai districts in a scattered form. Though there is a good social harmony among these religious beliefs and faiths in this country.

The population has a high level of social, cultural, and ethnic diversity. The 2011 census recorded 125 ethnic groups and 123 languages spoken as mother tongue of which more than a dozen are in active use by more than 100,000 people in Nepal. Nepali is spoken by 44.6 percent people followed by Maithali 11.7 percent; Bhojpuri by 6.0 percent; Tharu by 5.8 percent; Tamang by 5.1 percent; Newari by 3.2 percent; Bajjika, Magar and Doteli by 3.0 percent each and Urdu by 2.6 percent.

After a long political transition, recently, Nepal has promulgated a new constitution which is a corner stone for future development. Now the country is in the way of implementing this constitution. The government has the obligation to fulfil the people's aspiration and expectations. Similarly, international commitments and obligations are also the major development agendas of the Government. Istanbul Program of Action (2011-2020) is one of the major agendas which has been incorporated in the country's planning process since its 12th development plan. Long term vision of the current 13th periodic plan (2013-2016) has been set as to graduate the country from the LDC to developing country by 2022. The Development Cooperation Policy, 2014 has also internalized many of IPOA as government's priority and policy in regard to mobilization of foreign aid. Now, the country is at the end of the 13th periodic plan and also five year has been passed after approving the IPOA. This report is just a mid-term review report of this IPOA.

II. The National Development Planning Process, Including Key Economic, Social, Political and Environmental Trends

A. Planning and National Development Process

Nepal has adopted a planned development process since 1956. Till now Nepal completed implementation cycle of 12 national development plans and is executing its 13th development plan. National Planning Commission, an apex body for setting national policies, plans and programs has contributed significantly for socioeconomic development in Nepal. In general, NPC examines the

current status of socioeconomic situation of Nepal and based on this it designs plans, policies and programs. Current 13th plan is designed on the basis of new political movement in Nepal. The plan has a vision of graduating Nepal from LDC status to developing country status by 2022. Main objective of this plan is making people to feel the change by reducing economic and human poverty. To fulfil this objective, the plan has set six strategies e.g. to achieve inclusive, broad based and sustainable economic growth by increasing contribution of private, public and cooperative sector in development process; to develop physical infrastructure; to increase access, utilization and quality in social service sectors; to improve the good governance in public and other sectors; to increase economic and social empowerment of targeted classes, sectors and groups and to operate development programs so that climate change issues are adequately addressed. Major priority areas of this plan are to develop hydroelectricity and other energy sectors; diversify professionalization and increase in productivity of agriculture sector; develop tourism, industry and trade; develop basic health and education, drinking water and sanitation; promote good governance at all sector and develop roads and other allied infrastructures.

B. Political Transition

In 1990, the country was transformed from a unitary absolute monarchy system to a multiparty democracy within the framework of a constitutional monarchy. A decade-long conflict between insurgents and government broke out in 1996, culminating in a peace accord and the promulgation of the Interim Constitution. The monarchy was abolished soon after and the Interim Constitution declared Nepal to be a federal democratic republic. Nepal's new federal constitution was promulgated on 20 September 2015. Now Nepal is transforming from multiparty constitutional monarchy to federal democratic republic. Currently Nepal is at transition for implementation from centralized system to decentralized federal system.

C. Economy and GDP Trend

Nepalese economy is characterized by slow growth, socioeconomic underdevelopment, backwardness and low level of human capital. Average economic growth rate over the last decade is averaged 4 percent. Such low economic growth is contributed by power outage, weak infrastructures, inadequate skilled human resources for industrial sector, low capital formation for investment, political instability, and out migration of young people in search of job opportunity. Nepal has one of the lowest GNI per capita in South Asia Region. The GNI per

capita in absolute term increased marginally over last decade from USD 352 in 2005/06 to 772 in 2014/15. Similarly, gross national saving is minimal which constraints in speeding the economic growth in the country (Table 1).

Table 1: Key economic indicators of Nepal

Key Economic Indicators	Fiscal Year					
	2005/06	2007/08	2009/10	2011/12	2013/14	2014/15
Gross Domestic Product at current price (10 million in USD)	904.4	1254.5	1600.2	1885.1	2022.3	2088.1
GDP Growth Rate	3.36	6.10	4.82	4.78	5.38	3.36
Share of Agriculture Sector in GDP (%)	33.6	31.7	35.4	35.2	32.5	31.7
Share of Industrial Sector in GDP (%)	16.7	16.9	15.1	15.0	15.1	15.1
Share of Service Sector in GDP (%)	49.7	51.4	49.5	49.8	52.7	53.2
Per capita GDP (USD)	349.7	464.0	610.0	702.0	716.8	761.6
Per capita GNI in (USD)	352.3	468.6	614.0	707.7	728.9	772.0
Per capita GNDI (USD)	419.8	572.6	759.0	902.0	962.0	1014.0
Gross domestic saving as % of GDP	9.0	9.8	11.5	11.0	10.9	11.4
Gross national saving as percentage of GDP	29.0	33.2	35.9	39.5	45.1	44.6
Gross Fixed Capital Formation as percentage of GDP	20.7	21.9	22.2	20.8	23.8	-

Source: MoF 2015, Economic Survey 2015

However, Nepalese economy is expected to grow rapidly in coming years. Implementation newly promulgated constitution is expected to stabilize the political transition and open new avenues for economic growth.

D. Poverty Reduction

Chronic income and human poverty is a major development challenge of Nepal. However, Nepal has made commendable progress in respect of reducing extreme poverty and hunger which has been down to its adoption of pro-poor and inclusive growth strategy, establishment of the Ministry of Poverty Alleviation and Cooperatives, establishment of Poverty Alleviation Fund, heavy sectoral emphasis on poverty alleviation. The poverty gap ratio for 2015 is estimated to be 5.60, which means that on average poor people are closer to rising above the poverty line. Another noteworthy achievement over the MDG period is halving the proportion of hunger. Nepal has made an exemplary achievement in MDG target of halving the proportion of hunger. The country has almost met the target of reducing the proportion of underweight children age 6-59 months to half in 2014. Country has also made exemplary performance in halving the proportion of population below minimum level of dietary energy

consumption. Nepal has set ambitious targets for poverty reduction during SDGs implementation period 2016-2030 are explained in Table 2.

Table 2: Poverty reduction targets during SDG period 2016-2030

Targets and Indicators	2014	2017	2020	2022	2025	2030
Population below US\$ 1.25 per day (ppp value) (%)	24.8	21.1	17.4	14.9	11.2	5
Poverty gap ratio at US\$ 1.25 per day (%)	5.6	5.1	4.6	4.2	3.7	2.8
Per capita gross national income (GNI) (US\$)	772	1026	1363	1647	2029	2500
Population below national poverty line (%)	23.8	20.3	16.8	14.4	10.9	5
Social protection expenditure in total budget (%)	11.3	12.0	12.7	13.2	13.8	15
Employment to population ratio	78.3	77.7	77.1	76.7	76.0	75
Employed people living below US\$ 1.25 per day (%)	22	17.9	13.8	11.0	6.9	0
Own account and contributing family workers in total employment (%)	81.9	80.6	79.3	78.5	77.2	75
Share of bottom quintile in national consumption (%)	5	6.3	7.6	8.5	9.8	12

Source: NPC 2015, SDGs National Preliminary Report, 2015

E. Social Development: Health and Education

Substantial progress has been made on net enrolment rate (NER) and completion rate in primary education. The gender gap in school enrolment has narrowed over the years. The adult female literacy rate had tripled by 2011 from 1990. In spite of these progress, the ratios of women to men in tertiary education need to be further improved.

On the health sector, impressive progress has been made in child and maternal health. The MDG targets on infant mortality and under-five mortality being already met and rates of malnutrition substantially decreased. The target for reducing maternal mortality rate is also on track.

F. Environmental Trend

On the environmental side, total as well as per capita emissions of CO₂ in the country is quite negligible compared with other countries. As per the provision of Montreal Protocol, Nepal consumes far less ozone-depleting substance (ODS) than most other countries. The total land area covered by forest is 39.6 percent and In proportion to total land area, the protected terrestrial area is 23.35 percent. Community forestry is one of the successful movement in the halt of forest degradation, deforestation and biodiversity protection. Carbon sequestration in forest area is in increasing trend. Despite, these efforts, Nepal is at the verge of climate change effects as the temperature is raising, Himalayas are

melting, rainfall pattern is altered, spring are drying in the hills and mountain and ground water level is lowering. These climate change effects will impact on the livelihood of people.

III. Assessment of Progress and Challenges in the Implementation of the Istanbul Program of Action for the Decade 2011-2020

In order to implement the IPOA, government of Nepal prepared "An Approach to the graduation from the Least Developed country by 2022" (http://www.npc.gov.np/images/download/LDC_Final_draft.pdf) and tried to streamline all the agendas in its development policies and programs. MDG acceleration framework was introduced in order to speed up the implementation of weak MDG targets. NPC has published the result framework of 13th plan which is a corner stone in the implementation of result based monitoring and evaluation. Nepal has recently published the Sustainable Development Goals (2016-2030) National Preliminary Report and also in the process of finalizing the MDG terminal report. Similarly, mid-term review of 13th periodic plan is ongoing. Looking at the global side, UNDESA has published new report in 2015 which is also a valuable document to review the progress of the country.

A. Productive Capacity

Policy environment: Government has tried its best to mainstreaming the IPoA into periodic plan, policies, annual budget and development programs along with a special focus on expanding productive capacities in a sustainable manner. Industrial Policy, 2011 emphasized in investment in physical infrastructures, inclusive and sustainable development through reintegration, employment-oriented, pro-poor and broad-based economic growth. Similarly, this policy has focused on good governance, effective service delivery and social development. Industrial Enterprises Act, 1992 and Foreign Investment and Technology Transfer Act, 1992 are in the review process. Similarly, Company Act, Competition Promotion and Market Regulation Act are also in the process of review. Newly approved Foreign Investment Policy, 2015 is also a corner stone towards the increase in productive capacity. Likewise, Special Economic Zone Act is in the preparation phase as well as special economic zone established in Bhairahawa has been commenced.

Renewable Energy: More emphasis is given to use of renewal energy especially solar energy. Biogas plants are being promoted. Electricity Act and regulation are in the process of amendment. The Mega hydro projects e.g. Upper Karnali (900 MW) is on the process of financial management after accomplishing PDA with the Indian company GMR. It has targeted to complete the project by 2021. Likewise PDA was signed with Indian company Satlaj to start Arun III (900MW). One of the most awaited hydro project Upper Tamakoshi (456 MW) is expected to be completed by next year. Electricity transmission line is being constructed to allow energy trade and exchange between India and Nepal. Overall Nepal has potential to produce 83,000 MW of hydro power whereas Nepal has been able to produce only 818 MW at present. Thus, the government of Nepal has set a target to produce 10,000 MW by 2030 (Table 3). Similarly, the government is planning to increase the share of renewable energy from 12 percent at present to 50 percent by 2030.

Table 3: Energy production during SDG period 2016-2030

Targets and Indicators	2014	2017	2020	2022	2025	2030
Per capita energy (final) consumption (in GL)	16	17.5	19	20	21.5	24
Households using solid fuels as the primary source of energy for cooking (%)	74.7	62.6	50.4	42.4	30.2	10
Proportion of people using liquid petroleum gas (LPG) for cooking and heating (%)	28.7	30.8	32.9	34.4	36.5	40
Proportion of population with access to electricity (%)	74	78.69	83.38	86.5	91.19	99
Electricity consumption (kWh per capita)	80	183.1	286.3	355	458.1	630
Installed capacity of hydropower (MW)	818	1000	3400	5000	6875	10,000
Grid connected to solar PV (MW)	0.1	38	75	100	138	200
Share of renewable energy in total energy (final) consumption (%)	11.9	19.0	26.2	31	38.1	50
Commercial energy use per unit of GDP (ToE/mRs)	3.2	3.19	3.18	3.17	3.15	3.14
Energy intensity (%) per annum	0.8	0.95	1.1	1.2	1.35	1.6
Use of efficient lighting systems— CFL (residential and commercial) (%)	20.0	25	58	80	50	0
Use of efficient lighting systems— LED (residential and commercial) (%)	0.1	7.6	15	20 ^f	50	100
Use of higher efficiency appliances (residential and commercial) (%)	10	25	40	50 ^f	68.8	100
Use of higher efficiency thermal and motive power technologies in industry (%)	2	8.8	15.5	20	23.8	30
Electric vehicles in public transport systems (%)	1	19.4	37.8	50	68.8	100

Source: NPC, 2015, SDGs Preliminary National Report, 2016

Infrastructure: Similarly, infrastructure sector is also in the top priority. Construction and maintenance of strategic roads within the country are earmarked while allocating national budget. A 1,776 km. long track of the Mid Hill highway has been opened. Similarly, North - South corridor roads along with Koshi, Gandaki and Karnali rivers are being constructed. Five check posts along Nepal India boarder being constructed. One multimodal infrastructure facility along Nepal India boarder established and now in operation. Likewise, SASEC road connectivity project is in operation to develop some important strategic roads in the country.

Communication: Nepal has made significant improvement in communication sector over last one decade in Nepal. Government has introduced the Information Technology Policy, 2010 which is a powerful tool to enhance the productivity. This policy has the following objectives: to make IT accessible to general public and increase employment and to build knowledge based society. One of the strategies of IT policy is to give higher priority to research, development and extension of information with participation with private sector. Currently mobile coverage has been almost universal and use of email and internet is growing rapidly.

Environmental Protection: Establishment of the Ministry of Population and Environment is a strong institutional commitment of the government which has the major responsibility in implementing laws, bylaws, international conventions, agreements guidelines related to environmental protection. Government has prepared and approved forest policy and bio-diversity conservation strategy which are the strong foundation of environment protection.

B. Agriculture, Food Security and Rural Development

Nepalese Agriculture is characterized by low inputs and low outputs (yield) as a result of heavy dependent on monsoonal rain for cropping. Nearly two third of the population is engaged in agriculture, productivity and competitiveness of this sector are low, adoption of improved technology is limited and even though most cultivated area is devoted to cereals, there is a growing food trade deficit and malnutrition is high. Some subsectors such as dairy processing, poultry, tea, vegetable seed and fisheries show dynamism, but overall, these positive signs are not yet sufficient to lift a large number of people engaged in agriculture out of poverty and make a dramatic dent in reducing malnutrition and assure food security of the nation. Overall agricultural growth during last decade was only 3 percent. Despite such low growth, Nepalese agriculture contributes about one third share in total GDP.

Nepal has adopted 20 years Agriculture Development Strategy (2015-2035) which aims to achieve a self-reliant, sustainable, competitive, and inclusive agricultural sector that drives economic growth and contributes to improved livelihoods and food and nutrition security. Various indicators and targets have been set to monitor progress of these noble goals during the Strategy period (2015-2035) including, to develop self-reliant in agriculture and attain self-sufficiency in food grains from 5 percent trade deficit in food grains at present to 5 percent trade surplus; to increase year round irrigation facility in farm land from 18 percent to 80 percent; to increase soil organic matters content in the soil from 1 percent to 4 percent; to reduce degraded land from 3.2 million hectare to 1.6 million hectare; to increase agricultural productivity of land from US\$ 1804/ha to 4787; to increase agri-business as % GDP from 10 percent to 20 percent; to reverse agricultural trade balance from US\$ 350 million deficit to US\$ 690 million surplus; to increase agricultural exports from US\$ 248 million to US\$ 2000 million; to increase agricultural growth (AGDP) from 3 percent to 6 percent; and to improve nutritional status by reducing stunting, underweight, and wasting and women with low BMI from 18 percent to 5 percent.

To achieve the above mentioned targets, the government of Nepal aims to accelerate agricultural sector growth through four strategic components related to governance, productivity; profitable commercialization; and competitiveness while promoting inclusiveness; sustainability; development of private sector and cooperative sector; connectivity to market; information infrastructure and ICT, and power infrastructure. The acceleration of inclusive, sustainable, multi-sector, and connectivity-based growth is expected to result in increased food and nutrition security, poverty reduction, agricultural trade competitiveness, higher and more equitable income of rural households, and strengthened farmers' rights in Nepal.

Nepal has made significant progress on reducing the malnutrition and hunger in the country. Table 4 indicates that this country has made excellent progress in hunger and malnutrition.

Table 4: Situation of nutrition and hunger in Nepal

Indicators	1990	2000	2005	2010	2014
Prevalence of underweight children aged 6-59 months	57	43	39	29	30.1
Proportion of population below minimum level of dietary energy consumption	49	47	40	22.5	22.8
Proportion of stunted children aged 6-59 months	60	57	49	41	37.4

Source: NPC 2016, MDG Draft Terminal Report, 2016

C. Trade and Commodities

Trade Policy Environment: The government introduced a Trade Policy in 2009 with the objective of reducing the trade deficit by promoting exports and boosting income and employment opportunities in trade related activities. The major features of the Trade Policy 2009 includes (i) assigning the lead role for export promotion to the private sector, limiting the role of the state as facilitator, and regulator; (ii) reducing transaction costs through the development of infrastructure and trade facilitation measures; (iii) enhancing regional and global competitiveness through legal and regulatory reforms; (iv) enhancing linkages between the export sector and other sectors of the economy; (v) providing incentives to export-oriented industries, including simplified import procedures for raw materials, export trading houses, exemption from custom duties and domestic taxes, and a product development fund; (vi) establishing export processing zones and special economic zones; (vii) identifying products with comparative advantage and export promotion programs for these products; and, (viii) developing required skills and technology for export development. Based on this policy national trade integration strategy (NTIS), 2010 was introduced which focused 19 export potential goods and services.

The government has recently formulated new Trade Policy 2015. New Trade policy intends to be comprehensive linking vision to strategy and action intervention. Transaction cost of trade is intended to reduce through trade facilitation measures and institutional enhancement. External markets are intended to capitalize for Nepalese products creating opportunity through existing bilateral, regional, and multi-lateral instruments. Export promotion is expected attracting Foreign Direct Investment establishing Special Economic Zone. Trade development is expected to be more inclusive creating skill and entrepreneurship for employment among poorer section of the population. Service trade and Intellectual Property

Rights are intended to be a major contributor in Nepalese trade development. Based on this new policy NTIS, 2010 is in the process of review.

Commodity: Major Export and Import Items: Trade statistics shows that major export items are: pulses, Cardamom (Large), Medicinal Herbs, Catechu, Woolen Goods, Nepalese Paper & Paper Products, Hides & Skins, Carpets (Hand Knotted Woolen), Readymade Garments, Handicrafts, Ornaments and Pashmina whereas major import items are Catechu, Jute Goods, Cardamom, Tooth Paste, Polyester Yarn, Copper wire, Rod, Zinc Sheet, G.I. Pipe, Textiles and Juice. Similarly, iron and steel, garments, machinery and equipment, cement, construction materials, food grain and other utility goods are other import items.

Commodity Ranking Policy: As stated above GoN is in the process of reviewing the current NTIS 2010. To foster the export led economic growth, and meet the goal of poverty reduction, export potential sectors have been identified by ranking multiple parameters reflecting their export performance and potential impact for inclusive and sustainable development. Parameters reflecting their export performance include: (i) export size, (ii) growth, (iii) export potential index, (iv) current state of export geographical concentration and potential for geographical diversification, and (v) potential for value addition. Similarly, parameters reflecting the potential impact for inclusive and sustainable development include: (i) importance of sectors for development regions, (ii) environmental impact, (iii) employment generation, (iv) gender impact, and (v) skills and earning intensity. Ranking were done separately for goods and services sectors. Ranking thus given to multiple parameters were then aggregated based on the weights decided by the Ministry of Commerce (MoC.) The weights decided by MoC were 80 percent for the parameters reflecting export performances and 20 percent for the parameters reflecting inclusive and sustainable development.

Based on the procedure discussed above, altogether 12 high priority export potential sectors (goods and services) and other export potential sectors are identified for further consideration in new NTIS. Detailed information of these commodities is given below:

- Agro-Food Goods: Cardamom, Ginger, Tea, Medicinal and Aromatic Plants.
- Craft and Manufacturing Goods: All Fabrics, Textile, Yarn and Rope, Leather, Footwear, Pashmina, Carpets

- Services: Semi-skilled and skilled human resources, IT and BPO and IT Engineering, Tourism (leisure, business, education medicals)
- Other Export Potential Sectors: Fruit and Vegetables, Ready-Made Garments, Coffee, Semi-Precious Stones, Fabricated Steel and Iron Products, Instant Noodles, Handmade Paper, Woolen Products, Silver Jewelry, Honey, Lentils and Hydro Electricity.

Market Access: Nepal's market access environment has been improved through the various bilateral, regional, and multilateral trade agreements. Nepal was the first Least Developed Country (LDC) to become a member of the World Trade Organization (WTO) through accession process. Nepal is also a member of two regional trade agreements (RTAs), namely the Agreement on South Asian Free Trade Area (SAFTA) and the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Agreement (FTA). Similarly, Nepal has signed on FTA, which is reviewed and renewed every seven years, with India. China also provides zero-tariff access for Nepal's more than 8000 export items to its market under the letter of exchange. Nepal's exports are also getting preferential access to developed countries' markets under Generalized System of Preferences (GSP). Furthermore, the European Union has offered duty-free, quota-free access to all export items under its Everything but Arms (EBA) initiative. Nepal signed a Trade and Investment Framework Agreement (TIFA) with the United States in 2011.

Table 5: Direction of foreign in Nepal

Description	Trade trend in Nepal				
	2005/06	2007/08	2009/10	2011/12	2013/14
Export F.O.B.	83.29	91.15	81.60	91.66	95.81
India	56.30	59.30	53.65	61.24	62.09
Other countries	26.99	31.85	27.95	30.42	33.72
Import C.I.F.	240.29	341.34	502.19	569.82	744.05
India	148.15	218.97	291.27	369.53	497.81
Other countries	92.14	122.36	210.92	200.29	246.24
Trade Balance	-157.01	-250.19	-420.59	-478.16	-648.24
India	-91.85	-159.68	-237.62	-308.29	-435.72
Other countries	-65.15	-90.51	-182.98	-169.88	-212.52
Total volume of Trade	323.58	432.49	583.79	661.48	839.87
India	204.45	278.27	344.93	430.77	559.90
Other countries	119.13	154.22	238.87	230.71	279.97
Share in Total Trade %	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	100.00	100.00

India	63.18	64.34	59.08	65.10	66.70
Other countries	36.82	35.66	40.92	34.90	33.30
Trade Deficit (% of GDP)	-17.36	-18.59	-19.94	-21.93	-26.28
Total volume of Trade (% of GDP)	35.78	34.91	34.48	35.63	36.48
Exchange Rate (NRS per \$)	72.32	65.02	74.54	81.02	96.01

Source : Economic Survey, 2014/15, Ministry of Finance

The above table shows that Nepal's merchandise export performance has remained bleak, with the export growth lagging far behind the import growth. Nepal's foreign trade is suffering from India centric, i.e., out of total international trade, 63.18 percent was covered with India in 2005/06 whereas this ratio was increased and reached at 66.70 percent in 2013/14. As volume of export is quite low comparing to the import Nepal has huge trade deficit with India, i.e., the deficit was recorded as 918.5 million US Dollar in 2005/06 whereas it increased and reached at 4 billion and 357.2 million in 2013/14 (Table 5). Trade deficit GDP ratio was 17.36 in 2005/06 while it has been increased and reached 26.28 percent in 2013/14. But the total volume of trade to GDP ratio has not been increased, viz, it was 35.78 percent in 2005/06 whereas it reached at 36.48 percent in 2013/14. To address this skewed trade towards India, government of Nepal has initiated trade diversification policy.

D. Private Sector Development

Private sector development is the main thrust of current constitution of Nepal. Various laws, bylaws and guidelines have been prepared to materialize this policy. PPP Policy has become operational and enabling PPP Act is being drafted. Service contract already introduced in some sectors. The legal provision of PPP policy, 2015 and the establishment of PPP cell in national level has provided an enabling environment to attract the private investment. Office of the company registrar established and online registration and monitoring mechanism is in place. Nepal Business Forum established and operationalized to provide a platform for a regular dialogue between the government and the private sector.

E. Human and Social Development

1. Human Development: The human development situation is gradually improving in Nepal. Out of 188 countries listed in UNDP Human Development Report 2015, Nepal is ranked 145th country with HDI Index 0.54, life expectancy at birth 69.6 years, expected years of schooling 12 years, mean year of schooling 3.3, and gross national income (GNI Per Capita) based on

2011 PPP US\$ 2311. Compared with other South Asian countries, position of Nepal is slightly high compared with Afghanistan and Pakistan and slightly low compared to India, Sri Lanka, Maldives and Bangladesh.

2. Education and Training: Education System: Nepal's education system comprises school education and higher education. School education includes early childhood development classes (ECDC)/pre-primary education, primary education and secondary education including lower secondary and higher secondary education. However, the new School Sector Reform Programme (SSRP) proposes basic education in Grades 1 to 8 and secondary education in Grades 9 to 12 amounting to 12 years of formal school education.

Currently, the ECDC/pre-primary classes have one to two years duration to prepare three to four year old children for primary education. Primary schools provide five years of education (Grades 1 to 5) with the prescribed age for entry into Grade 1 being five years completers. Lower secondary education consists of three years (Grades 6 to 8), secondary education is Grades 9 to 10 while higher secondary education is Grades 11 to 12. The intermediate level, which is equivalent to higher secondary level, is also being offered under the system of university education.

Higher education consists of bachelor's degrees of three to four years duration (depending upon the subject) and two year-long masters' degrees. Some universities also offer postgraduate diploma and Master of Philosophy (M Phil) courses. The Doctorate of Philosophy (PhD) is the highest degree offered. A technical stream of education has developed to produce basic and mid-level human resources. The proposed SSDP intends to strengthen vocational education from Grade 9. The technical schools and centers that are spread across the country, provide short and long-term training courses on different subjects. Some courses are offered to Grade 10 students while other courses are for students who have already passed the School Leaving Certificate (SLC).

Progress on Education: Education system in Nepal has made significant progress during last 25 years. Net enrolment rate in primary education increased significantly from 64 in 1990 to 96.2 in 2015; proportion of pupils enrolled in grade 1 reached to grade 5 reached from 38 in 1990 to 89.4 in 2015; literacy rate of 15-24 years people increased from 49.6 in 1990 to 88.6

in 2013; ratio of boys to girls in primary level increased significantly from 0.56 in 1990 to 1.02 in 2015 and ratio of men to women in tertiary education increased from 0.32 to 1.05 in 2015 (Table 6). These improvements are rare among the least developed countries.

Table 6: Improvement in vital education indicators in Nepal

Indicators	1990	2000	2005	2010	2013	2015
Net enrollment rate in primary education	64	81.0	84.2	93.7	95.3	96.2
Proportion of pupils enrolled in grade 1 that reach grade 5	38	63	79.1	77.9	84.2	89.4
Literacy rate of 15-24 years	49.6	70.1	79.4	86.5	88.6	NA
Ratio of boys to girls in primary education	0.56	0.79	0.90	1.0	1.02	1.09
Ratio of girls to boy in secondary education (9-10)	0.43	0.70	0.84	0.93	0.99	1.0
Ratio of men to women in tertiary education	0.32	0.28	0.50	0.63	0.71	1.05
Ratio of literate women aged 15-24 years to literate men aged 15-24	0.48	NA	0.73	0.83	0.85	0.89

Source: NPC, 2016: Draft MDG Terminal Report 2016

Future Education Target: The new School Sector Development Plan (SSDP) 2016/17-2022/23 has set Vision 2022 for education which aims to prepare human resources that protect and promote democracy and human rights; are committed towards continuous education; have a positive perception of manual labour and vocational trades; are oriented towards commercial agro-business, self-employment and to an extent industrialization; have the agency and ability to be active and healthy citizens of their communities and the country; and contribute to solving the emerging challenges faced by people, society and the nation in the twenty-first century. On a more specific level the objectives of the education sector are related to equity, quality, efficiency, relevance and governance. Equity aims to ensure that the education system is inclusive and equitable in terms of access, participation and learning outcomes, with a special focus on reducing disparities among and between groups that have been identified as having the lowest level of access, participation and learning outcomes. Access aims to identify and mitigate existing barriers for groups with the lowest level of access by applying need based strategies to reach these children and identifying and tracking these children through a strengthened Education Management Information System. Participation wants to ensure the school sector has mechanisms in place with regards to tracking the retention of marginalized children throughout the school system, as well as preventative and rapid response strategies for when children from at risk groups are irregular attending or have dropped out. Quality aspect aims to increase students' learning through enhancement of the relevance and quality of education. Efficiency wants to strengthen and reorient governance

and management systems in the education sector to make them robust and accountable to local government while assuring agreed overall minimum standards in teaching and learning processes and the learning environment. And governance & Management aims to accommodate the political and administrative restructuring of the education sector in line with the identified needs and the federal context, develop a disaster resilient system and ensure sustainable financing and strong financial management by introducing a cost-sharing modality between central, provincial, and local governments. Furthermore the SDGs 2016-2030 of Nepal has set ambitious target as mentioned in Table 7.

Table 7: SDG education target 2016-2030 to improve education system in Nepal

Targets and Indicators	2014	2017	2020	2022	2025	2030
Net enrolment rate in primary education (%)	96.2	97.6	99	99.1	99.3	99.5
Primary cycle completion rate (%)	86.8	89.2	91.6	93.2	95.5	99.5
Pupils enrolled in grade 1 who reach grade 8 (%)	74.6	78.43	82.25	84.8	88.6	95
Ratio of girls enrolment in grade 1 who reach grade 8	1.04	1.033	1.025	1.018	1.01	1
If Ratio of girls enrolment in grade 1 who reach grade 12	1.05	1.041	1.031	1.022	1.013	1
Ratio of students and teacher for basic education (up to grade 8)	26	25.81	25.63	25.5	25.31	25
Ratio of students and teacher for secondary education (up to grade 12)	23	22.44	21.88	21.5	20.94	20
Trained teachers in total number of teachers for primary and secondary education (%)	93	94.3	95.6	96.5	97.8	100
Learning score (maths, Nepali and English) for Class 5	55.6	63.0	70.4	75.3	82.7	95
Child grants for pre-primary education (number) (,000) (%)	537	905	1273	1519	1887	2500
Attendance at early childhood education (%)	50.7	58.1	65.4	70.4	77.7	90
Ratio of girls enrolment in technical and vocational education	0.35	0.378	0.406	0.425	0.453	0.5
Ratio of girls enrolment in tertiary education (graduate level)	1.05	1.041	1.031	1.025	1.016	1.0
Scholarship coverage of total students (%)	21.51	23.73	25.95	27.42	29.6	33.3
Youth and adults having technical and vocation skills (number) (,000)	50	57.3	64.0	68.7	75.8	87.5
Working age population with technical and vocational training (%)	25	35.31	45.63	52.5	62.8	80.0

Source: NPC, 2015, SDG National Preliminary Report, 2015

3. Population and Primary Health

Health System: The health system in Nepal works under the guidance of Ministry of Health and its three Departments e.g. Department of Health Services, Department of Drug

Administration and Department of Ayurveda. It aims to provide equitable access to essential health care package to needy people in the country. The Female Community Health Volunteers (FCHVs) are primary contact point for health information and services to community in the public health system of Nepal. There is at least one FCHV in each ward of rural VDC and one in 1500 population in urban area. The major role of the Female Community Health Volunteers (FCHVs) is to promote safe motherhood, child health, family planning and other community based health services to promote healthy behavior of mothers and community people with support from health workers and health facilities. At present 52,000 FCHVs are actively working all over the country. FCHVs provide counselling on family planning, safe motherhood, safe abortion, immunization and disease control programs. They distribute contraceptives like oral pills and condom, ORS packet, iron tablet to pregnant women and provide treatment on ARI and diarrhea at the doorsteps. In addition, they also refer people from their peripheral area to facilities to utilize the basic health services available in public health facilities.

Primary Health Care Outreach Clinics (PHC/ORCs) are basically the extension of basic health services from health facilities to community particularly in those locations which are relatively far from health institutions in rural area. Such clinics are organized once a month in designated location considering accessibility to people by SHP/HP/PHCC health workers. General health checkup and medicine distribution, family planning counselling and distribution of spacing methods and antenatal checkup and distribution of iron tablets to pregnant women are major services in such periodic clinics. Immunization services are provided in the community through routine immunization clinics in the country. All types of vaccine to children and TT to pregnant women are provided through health institutions and extended immunization clinics (EPI) in the country. The Ministry of Health has established at least a Sub-health Post in each Village Development Committee to provide basic health services to people. Therefore, a Sub-health Post (SHP) is the first institutional contact point for basic health services. The Health Post (HP) is above the SHP and offers the same package of essential health care services as provided by SHP plus birthing center and safe delivery services in the respective VDC and monitors the activities of the SHPs in its geographical area. The Primary Health Care Center (PHCC) is above the HP and has a birthing center for safe delivery and three beds for treatment services. The PHCC offers the same package of essential

health care services as provided by HP plus emergency, sterilization and safe abortion services. The PHCC monitors the activities of the SHPs and HPs in its geographical area. The PHCC distributes 70 medicines free of cost to people provided by the Ministry of Health. Above the PHCC, is a District hospital which is also a referral point from SHP, HP and PHCC. Mostly the hospital provides preventive and curative outpatient and inpatient services, safe abortion, safe delivery, and surgery, postpartum and other curative services. The district hospital distributes 70 types medicine free of cost to targeted clients as specified in free health care guideline provided by the Ministry of Health.

Each level above the SHP is a referral point in a network from SHP to Health Post (HP) to Primary Health Care Centre (PHCC), on to district, zonal and regional hospitals, and finally to tertiary level hospitals in capital city Kathmandu. This referral hierarchy has been designed to ensure that the majority of population receive public health and minor treatment in places accessible to them and at a price they can afford. Inversely, the system works as a supporting mechanism for lower levels by providing logistical, financial, supervisory, and technical support from the center to the periphery.

Health Outcome: Nepal has achieved significant improvement in last 25 years. Vital health indicators including neonatal mortality decreased from 57/1000 in 1991 to 23 in 2014; infant mortality rate decreased from 106/1000 in 1991 to 33 in 2014; under 5 mortality rate decreased from 158/1000 to 38 and maternal mortality rate from 850/100000 to 258 in 2014. Similarly, the contraceptives provenance rate increased from 24 in 1991 to 49.7 in 2014; total fertility rate declined significantly from 5.1 in children in 1991 to 2.3 children in 2014 and life expectancy at birth of both sex increased substantially. Life expectancy of men increase from 55 years in 1991 to 69 years in 2014 and women expectancy increased more rapidly from 53.5 years in 1991 to 72 years in 2014 (Table 8).

Table 8: Health Outcome of Nepal

Major health indicators	1950s	1991	1996	2001	2006	2011	2014
Neonatal mortality rate /1000 live birth	-	57	50	43	33	33	23
Infant mortality rate/1000 live birth	200	106	78	64	48	46	33
Under 5 mortality rate/1000 live birth	-	158	118	91	61	54	38
Maternal Mortality Ratio/100000 live birth	1800	850	539	-	281	-	258
Contraceptives prevalence rate (CPR)	-	24	29	39	48	49.7	49.7
Total Fertility Rate of Women (15-49 years)	7	5.1	4.6	4.1	3.1	2.6	2.3
Life expectancy at birth (years) Men	28	55	-	60.1	-	65.5	69
Life expectancy at birth (years) Women	27	53.5	-	60.7	-	67.9	72

Source: NDHS 1991, 1996, 2001, 2006, 2011, GoN and UNICEF, 2014, Population Census Report 2054, 1991, 2001 and 2011

New Health Targets: New Health Policy of Nepal 2014 (2071) has set ambitious targets to improve vital health indicators of Nepal expanding basic health care services free to cost the poor and marginalized people. The Health Policy recognizes health as a fundamental rights of people to get decent health services. To achieve this basic right, the policy aims to provide universal health care coverage; provide basic preventive and curative health services effectively and efficiently from all health facilities; increase national financing for health services; produce required health services within the country; recruit at least one medical doctor in each VDC and regulate private sector. Health targets set by Nepal for 2016-2030 during SDG implementation period are highlighted in Table 9.

Table 9 Health targets of Nepal in SDGs 2016-2030

Targets and Indicators	2014	2017	2020	2022	2025	2030
Reduce maternal mortality ratio (per 100,000 live births)	258	151	127	116	99	70
Reduce neonatal mortality rate (per 1,000 live births)	23	17	14	11.3	8.5	1
Reduce under-five mortality rate (per 1,000 live births)	38	28	23	18.4	13.8	1
Increase contraceptive prevalence rate (modern methods) (%)	49.6	54.4	59.1	62.3	67.1	75
Increase proportion of births attended by SBA (%)	55.6	62.1	68.5	72.8	79.3	90
Reduce adolescent fertility rate/1,000 women age 15-19 years)	71	63.3	55.6	50.5	42.81	30
Increase antenatal care (ANC) coverage (at least four visits) (%)	59.5	65.2	70.9	74.75	80.5	90
Increase institutional delivery (%)	55.2	61.73	70 ^b	74.35	80.88	90
Reduce total fertility rate (TFR) (births per women)	2.3	2.30	2.20 ^b	2.16	2.106	2

Source: NPC, 2015, SDG National Preliminary Report, 2015

There is a gradual increment in health sector budget compared to the preceding years. Some measures to enhance the capacity of health personnel, to build the necessary infrastructures and to strengthen the health information system taken.

National Health Policy 2014 has been endorsed by the government and subsequent program activities executed. A strategic plan on health human resource prepared and being implemented. Health personnel trained through National Health Training Centre and Regional Health Training centers. Opportunities of career development through higher education provided to in-service personnel. Special allowance for the health personnel working in remote areas provided to enhance their retention. Directives relating to provide health services to poor citizens implemented and many people getting benefits from this arrangement. Strategy for reaching the unreached being prepared.

Targeted programs such as operation campaigns, mobile outreach clinic, providing free essential drugs to poor and vulnerable segment of the society carried out. Efforts to fix the price of certain drugs to minimize the price variation initiated. The role and capacity of Department of Drug Administration to regulate and monitor the quality and price of drugs and quality and promptness of service delivery by health institutions being strengthened. There are some improvements observed in health related indicators. For instance maternal mortality rate, under five mortality rate and total fertility rate are remained at 258, 38 and 2.3 respectively.

4. Youth Development

Right of the youth has been institutionalized in the constitution as a fundamental right. Government has prepared the Youth Vision 2025 which is perfectly helpful for the youth. Establishment of Youth Council is under consideration and a bill has been drafted. Cottage and Small scale industry development Committee provides employment generating and entrepreneurship building training programs to the youth which ultimately contribute in their income generation. Youth Self Employment fund provides the resources to those youth who have fixed proposals to complete certain projects. One constituency one playground is the special campaign of the government to attract youths towards sports and build sportsmanship.

5. Shelter Water and Sanitation

National Housing Policy, 2012 has been operationalized in order to manage the national housing system of Nepal. Based on this policy national housing plan (2015-2025) has been

initiated. Major focus of this plan is to provide appropriate, safe and environment friendly housing facility for all income level people. Public Shelter Program (Janta Awas Karyakram) is dedicated to build safe and low cost houses to the most vulnerable, endangered, excluded and marginalized group of people like Dalit, Muslim, Chepang, Badi, Kusunda, Raji etc. In the same manner rehabilitation of freed slaves (such as Kamaiya and Halia) program has been given continuation. There were some 500,000 slum dwellers in Nepal in 2010. The Kathmandu Valley is home to Nepal's largest urban population (over 2.5 million). There are over 66 squatter settlements located along the banks of five rivers in the Valley. Government of Nepal is planning to reduce the slum squatters and rehabilitate in appropriate place.

Government of Nepal has an ambitious target to provide universal coverage of water and sanitation by 2017. As at least 15 percent of Nepal's households are yet to be covered by such services and as only about half of all water supply schemes are fully functional, very strong efforts are needed to achieve the universal coverage, maintenance, and monitoring of water supply services.

Nepal has made significant progress in the proportion of the population using an improved drinking-water source from 46 percent in 1990 to 83.6 percent in 2014 indicating the achievement of the related MDG target. The proportion of the population using an improved sanitation facility rose from 6 percent in 1990 to 60.1 percent in 2014. Based on MDG target, 80 percent people should have access in sanitation facility in 2015 whereas Sanitation and hygiene master plan (2012-2017) of GoN has spelled out the target to universal coverage in this facility. Considering this target as one of the off track MDG, GoN has tried to speed up the progress formulating a MDG Acceleration Framework (MAF) 2013.

Table 10: Water and sanitation situation in Nepal

Indicators	1990	2000	2005	2010	2014
Proportion of population using an improved drinking-water source (%)	46	73	81	80.4	83.6
Proportion of population using an improved sanitation facility (%)	6	30	39	43	60.1

Source: NPC, 2016, Draft MDG terminal Report, 2016

The progress is not up to the mark during MDG period 2000-2015 therefore the government of Nepal has set an ambitious target to provide universal access to water, sanitation and

Hygiene 2030. The target and indicators for universal water and sanitation are mentioned in Table 11.

Table 11: Water and sanitation target during SDG implementation period

Targets and Indicators	2014	2017	2020	2022	2025	2030
Households with access to piped water supply (%)	49.5	58.0	66.6	72.3	80.8	95
Basic water supply coverage (%)	83.6	86.5	89.4	91.3	94.2	99
Households with <i>Escherichia coli</i> (E. coli) risk level in household water \geq 1 colony forming unit (cfu)/100ml (%)	82.2	66.8	51.4	41.1	25.7	0
Households with E. coli risk levels in source water \geq 1 cfu/100ml (%)	71.1	57.8	44.4	35.6	22.2	0
Population using safe drinking water (%)	15.0	29.1	43.1	52.5	66.6	90
Households using improved sanitation facilities which are not shared (%)	60.1	66.6	73.1	77.5	84.1	95
Proportion of population using latrines (%)	67.6	73.3	79.0	82.8	88.5	98
Local authority areas that have declared open defecation free (%)	41	51.9	62.8	70.0	80.9	99
Sanitation coverage (%)	70.3	75.7	81.1	84.6	90.0	99
Urban households that have toilets connected to sewer systems (%)	30	43.1	56.3	65	78.1	100

Source: NPC, 2015, SDGs National Preliminary Report, 2015

6. Gender Equality and Empowerment of Women

Before declaring Nepal as a Federal Democratic Republic country, Local Self Governance Act 1999 was in practice which envisioned the politically, economically, administratively competent local bodies. The Constitutional, legal and policy wise provision of affirmative action for women empowerment is been in practice. The Ministry of Women, Children and Social Welfare along with its divisions, departments and district level offices are much responsible to address the problem related to most vulnerable women, child and old age people with different abilities. New constitution has ensured the right to social security and social justice as a fundamental right. Integrated Social Security Bill is under consideration in the parliament. Women (single & aged), children, people with different abilities (disable), people residing in the backward area sand other vulnerable groups, are enlisted to get the social security. The Ministry of Women, Children and Social Welfare is focal point which is directly concerned to improve the status of the above mentioned group. Some of the key

institutional set up made and policy measures adopted by Nepal for gender equality and empowerment of women are as follows:

- Upgrade Women Development Section at the Ministry to Women Development Division
- Establish separate Women, Children and Social Welfare Ministry with special focus on women and children
- Establishment of Women Commission
- Gender Budgeting System across all ministries
- Appointment of Gender Focal Person in all Ministries
- 33 percent seat reservation to women in New Constitution
- 33 percent reservation for women in civil services among 45 percent reservation for women, Dalit, Madhesi, geographically backward area

Currently Rt. Honorable President and Speaker are women and the Chief Justice in the Supreme Court will be also woman within a month. This indicates Nepal has excellent policy environment for gender equality and empowerment of women in Nepal. Similarly, 29.5 percent seat in national parliament are held by women and 14 percent seat in public decision making place are held by women. The government of Nepal has planned to enhance further the gender equality and empowerment of women in next 15 years. Major targets for next 15 years are explained in Table 12.

Table12: Target for gender equality and women empowerment during SDG implementation 2016-2030

Targets and Indicators	2014	2017	2020	2022	2025	2030
Ratio of girls to boys in primary level education	1.03	1	1	1	1	1
Ratio of girls to boys in secondary level education	1.03	1	1	1	1	1
Ratio of literate women (15-24 years) to literate men (15-24 years)	0.85	0.88	0.91	0.93	0.95	1
Share of women in wage employment in the non-agricultural sector (%)	44.8	45.8	46.8	47	48.4	50
Ratio of women to men on wage equality for similar work	0.62	0.69	0.76	0.81	0.88	1
Sex ratio at birth (female to male)	0.96	0.97	0.98	0.98	0.99	1
Ratio of women to men in life expectancy	1.03	1.02	1.02	1.02	1.01	1

Targets and Indicators	2014	2017	2020	2022	2025	2030
Women (15-49 years) who experience physical or- sexual violence (%)	26	21	16	13	8	0
Females (all) who experienced physical or sexual violence (often) in the past 12 months (%)	10.2	8.3	6.4	5.1	3.2	0
Women aged 15-19 years who are married or in union (%)	24.5	20	15	12	8	0
Cases of allegations of witchcraft per annum (number)	29	24	18	15	9	0
Children (1-14 years) who experienced psychological aggression or physical punishment during last 1 month (%)	81.7	66.4	51.1	40.9	25.5	0
Ratio of women to men participation in labour force	0.93	0.94	0.96	0.97	0.98	1
Average hours spent in domestic work by women	14	12.5	11.0	10	8.5	6
Seats held by women in the national parliament (%)	29.5	31.5	33.4	34.8	36.7	40
Seats held by women in local government bodies (%)	33	35.3	37.5	39.0	41.3	45
Women in public service decision making positions (%)	14	16.6	19.3	21.0	23.6	28
Ratio of women to men in professional and technical work	0.24	0.26	0.27	0.29	0.30	0.33

Source: NPC, 2015, SDGs National Preliminary Report, 2015

7. Social Protection

ILO Social Security Criteria mentioned nine branches of social security including sickness, maternity, employment injury, unemployment, invalidity, old age, death and provision of medical care and provision for families with children. Social security program is understood as a social protection program with a cash, service and commodity support for old age, disability, widow, marginalized Dalit people, endangered ethnic groups, people living in remote geographic locations in Nepal.

Nepal is the first country in South Asia Region providing old age allowance to people as a social protection strategy since 1995. The social security program is a non-contributory benefit of an income maintenance type where the government of Nepal provides cash transfer to eligible beneficiaries. The scheme covers whole disabled, widows' aged 60 plus and elderly people who completed 75 years of age. The age threshold was later revised to 60 plus in the case of senior Dalit citizen, and 70 plus for others. Considering the life expectancy of people living in Karnali Zone, the age threshold in the area was also fixed 60 years and above. This program provides cash transfers as allowance to elderly citizen, helpless widows, disabled people and engendered ethnicities. In addition, free maternity services in government hospitals with a transportation cost of Rs 500 in Terai, Rs 1000 in the hills and Rs

1500 in the mountain, scholarship program with commodity support to Dalit and marginalized people are non-contributory scheme (NPC, 2012). Whereas the contributory provident fund and accidental insurance and voluntary deposit in Citizen Investment Trust, pension are other social protection program to government employees.

Since the mid-1990s, the number of Social Protection programs has grown significantly. Several programs were added in the mid-2000s including the senior citizen health care program (2004), safe motherhood program (2005) and the Karnali Employment program (2006). Following the end of the decade long conflict in November 2006, the number of social protection programs grew very rapidly. The cash transfer program swiftly expanded in the following year to cover widows and those with disability. These cash transfers remain the largest social assistance program in terms of coverage and expenditure. Two important programs namely public works programs and Rural Community Infrastructure Works (RCIW) were also begun to address food insecurity in selected districts at the same time.

Many new scholarships targeted to the conflict-affected and newly recognized vulnerable groups were added. A youth self-employment fund was established in 2008 to promote entrepreneurship among the conflict-affected. The government also started a cash relief program for the conflict affected. The post-conflict Maoist government changed the eligibility criteria of old age allowances and introduced two new schemes: cash for endangered ethnicities and child protection grant. The government also significantly increased the benefit amount of these transfers. The 2008 food crisis triggered a Food Crisis Response Program, which took the form of a scaled up RCIW.

The new constitution envisages equal opportunities and reduced inequalities in development outcomes. The new laws that are to be drafted in accordance with the constitution should eliminate discriminatory laws, policies and practices. Most important is to enforce the laws through good governance. The government will have to formulate its fiscal, wage and social protection policies in line with these targets and aim for progressively greater equality. On the whole government-implemented social protection programs and instruments fall under the following groups:

- Social insurance: programs mainly focused on formal sector employees (Employees Provident Fund, Citizen Investment Fund, public sector pension)

- Social assistance: programs such as cash transfers (old age allowance, single woman allowance, etc.), in-kind transfers, school feeding programs and maternity benefits
- Labor market interventions like labour legislations; vocational and skill development trainings

F. Multiple Crises and Other Emerging Challenges

Land slide and flood, forest fire, climate change, internal conflict and earthquake are major natural and manmade crises in Nepal.

Landslide, Flood, Windstorm and Hailstone: Topography of Nepal is composed by Young Mountains with sandy boulder and sand clay soils which are prone to landslide and erosion during summer monsoon season in Nepal. On an average Nepal receives 3000-4000 mm rain per year of which more than 80 percent occurs in summer Monsson months particularly in July and August. As the torrential rain pours on the poorly composed shallow soil, erosion from hill slopes to valley bottom became rampant and landslides became frequent in these months. These floods and landslides are most serious ones. They claim many human lives every year and cause other damages such as destruction and blockages of highways, losses of livestock, crops, and agricultural land. In addition to landslide and flood, windstorms, hailstorms and thunderbolts (lightning strikes) also occur frequently in Nepal and affect many areas of the country on a regular basis. Although not as serious as floods, landslides, these events, nevertheless, cause loss of human lives and damages to properties. Out of 75 districts in Nepal, forty-five districts are affected by hailstorms, windstorms and thunderbolts. These events, particularly the hailstorms, cause considerable damages to the standing crops in the fields. In order to manage such natural calamities, Government of Nepal Promulgated Natural Calamity (Relief) Act 1982, developed National Strategy on Disaster Risk Management (NSDRM) 2009, Ministry of Home Affairs is appointed as a Nodal Agency for relief and disaster risk management, Natural Disaster Relief Committees have also been formed at regional district and local levels.

Forest Fire: Forest fire is another important disaster in Nepal during the dry spring season. It is both natural and man-made in Nepal. Every year forest fires occur in many places of the country and cause heavy loss of property as well as loss of many species of wildlife. Though there are no records, forest fire is mainly caused by ignorance and illiteracy of local people,

or personal interest such as interest of illegal wood cutters, poachers, charcoal traders, or persons encroaching on forest land. There is no record of forest fires caused by natural events like thunderbolts. Nearly half of forest fires with known causes are due to burning for new grass to graze cattle and to smokers. Nearly two thirds of forest fires are set intentionally by local people. The share of accidental cause of forest fire is estimated to be one third. The Department of Forest is the main responsible government organization to control forest fire. But progress on this field is yet to be achieved due because of lack of resources, lack of specific fire control rules and regulations.

Earthquake: Geologically, Nepal lie on a seismic zone which experiences frequent earthquakes. As a result, earthquakes of various magnitudes occur almost every year and have caused heavy losses of lives on several occasions. The Department of Mines and Geology, estimated that the earthquakes of more than or equal to 5.0 on the Richter scale have occurred at least once every year in Nepal since 1987. Frequent earthquakes in Nepal to the disturbances occurring due to the continuous encroachment of the Indian subcontinental plate into the main Asian plate. At the same time, two major parallel fault systems called the Main Boundary Thrust (MBT) and Central Boundary Thrust (CBT) cross Nepal longitudinally. Constant adjustments and readjustments taking place in these fault systems are known to trigger earthquakes in the country as well. A number of significant seismic events hit the country in the last 100 years. These include earthquakes in 1934, 1964, 1988 and the most recent, on April 25, 2015. The magnitude of April 25 earthquake was 7.8 on Richter scale. It had Peak Ground Accelerations of approximately 0.35 g at the epicenter located 77 Km northwest of Kathmandu and approximately 0.15 g in Kathmandu. The death toll in this event was about 9000, 23,000 people were injured, 0.9 million houses in 14 hard hit districts were damaged, and 8 million people were affected. Total estimated economic loss of this event was Rs 700 billion. Government of Nepal has constituted a high level authority body "National Reconstruction Authority" for reconstruction of earthquake damage infrastructure, house of individual people and cultural heritage. In addition, GoN also revised National Building Code for building seismic resistant houses in the country.

Climate Change: Climate change is another important risk factor in Nepal. Climate Change is effecting Nepal over last two decades. The glacial are retreating at an average of more than

30 m/year), rapid rise in temperature ($>0.06^{\circ}\text{C}$) per year, erratic rainfalls and increase in frequency of extreme events such as floods and drought like situation are some of the effects Nepal is facing since last two decades. Most of the big rivers of Nepal are glacier-fed and its main resources of water and hydroelectricity will be seriously affected due to the ongoing changes in glacier reserves, snowfall and natural hazards. Nepal has to prepare itself to try and mitigate these effects if possible and if not adapt to them to reduce their impacts on our lives and livelihoods. Such alarming trends not only make Nepal's major sectors of economy such as agriculture, tourism and energy more vulnerable but also endanger the health, safety and wellbeing of Nepali people. Biodiversity - the other important resources of Nepal is also being affected as invasive species will spread fast and useful medicinal, food and nutrition related plants may disappear. Climate change is threatening in harmonious survival of people with nature. Nepal adopted the globally accepted strategy -Adaptation. Nepal prepared National Action Plan on Adaptation (NAPA) and Local Action Plan for Adaptation (LAPA) which are very comprehensive. Serious implementation of NAPA will be extremely important to mitigate and adapt to the growing impacts of climate change in Nepal. In this endeavor, Nepal adopted climate change budget code system in order to ensure sufficient resources for climate change adaptation and mitigation. Besides, Nepal initiated the new green industries that emphasize environmentally sustainable growth to foster socially inclusive and environment friendly development. Nepal also using the flexibilities provided in the TRIPS Agreement to facilitate the adoption of environmentally sound technologies. Nepal also plan to use valuable opportunities for sharing development experiences and best practices among in other developing countries in the area of sustainable production and consumption. Also plan to work more closely on bio-fuels, solar and wind power, waste management, and similar other areas to minimize the climate change effects.

Human Induced Crises: Man-made political instability, economic blockade, strike and internal conflicts are other economic shocks. Nepal experienced these types of shocks many times which experienced widespread scarcity of fuel, commodity and construction materials. This has compromised development initiatives of Nepal. Similarly, Nepal has gone through political conflict, unstable government and frequent strike and demonstration by different groups to include their rights in new constitution in last decade. Now democratic and

inclusive constitution is in place and Nepal is moving from political issue to economic development issue.

Federal Structure and Decentralization based on New Constitution

The new constitution defined the Federal State of Nepal as an “independent, indivisible, sovereign, secular, inclusive, democratic, socialism-oriented federal democratic republican state.” The transformation into a federal democratic republic is building on the decentralization of governance that the country had initiated during the 1990s. Decentralization was adopted as a major government policy in the Third Five Year Plan (1965-70). The aim was to engage people on planning and development-related decision-making in the areas under local bodies. The government established village development committees (VDCs), municipalities and district development committees (DDCs) as the main local administrative units for decentralized governance. Since the beginning of the 1960s, these local bodies have been involved in local planning and development works. After the restoration of multiparty democracy in 1990, and especially since 1999, the local bodies have been responsible for local governance under the Local Self Governance Act (LSGA), 1999 and the Local Self Governance Regulation (LSGR), 1999, Local Body (Financial Administration) Regulations, 2007 and other rules and operational manuals. New constitution of Nepal has allocated power in one of its annex to National Federal Government, Provincial Government and Local Bodies. Implementation of New constitution is expected to decentralize substantially the authority and resources at three tiers of governance.

Major Challenges

Major challenges which Nepal is currently facing are briefed in the following points:

- Implementation of the Constitution to ensure stable system of governance, responsiveness, answerability and accountability,
- Meaningful partnership among the public, private and the cooperative sectors,
- While growth cannot be a sufficient conditions for alleviating poverty, again growth contributes to poverty alleviation hence needed to aiming for higher growth,
- Arresting a situation of unemployment and underemployment through essential skill development for employment, income generation and employment creation also by taking benefits of demographic dividend and human resources,

- Transforming subsistence agriculture towards commercialization and industrial development including development of small and cottage industries,
- Sufficiency or independent in meeting the needs for energy requirements in energy,
- Ensuring and developing quality infrastructures through expansion of roads including , North-South corridors and cross-border connectivity,
- Managing urbanization,
- Mitigation of policy bottlenecks (forest clearance, procurement, land acquisition),
- Ensuring effective delivery through effective devolution,,
- Consolidation of social protection and security, subsidies and other government's grants programs,
- Enhancing project implementation and increasing the spending capacity of the capital budget and foreign aid absorptive capacity, and
- Effective migration of unmet goals of Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs) better consistency and alignment of Nepal's socio-economic development endeavors of Nepal to SDGs.

G. Mobilizing Financial Resources for Development and Capacity Building

Domestic Resource Mobilization: For achieving the long term development target of the nation, huge amount of resources is required. How to manage such huge amount for investment is a primary concern in Nepal. A large portion of such investment needs can be financed from domestic resources and these resources have to be sustainable. There are two major sources for domestic resource mobilization for the government including the taxation and domestic borrowings. Scaling up the mobilization of both domestic resources will have serious macro-economic implications. Raising more revenue from tax or non-tax measures has differentiated implications. For instance, resorting more to indirect taxation and widening the tax base or rate will mean that poor people will have to pay more taxes. Similarly, excessive resort to domestic borrowings might crowd out private sector investment.

Nepal's current revenue generation efforts are satisfactory as the revenue to GDP ratio has stood at more than 17 percent in recent years. There is not much space to raise more revenue without raising the tax base that is the GDP itself. Further, as indirect taxes are by their very nature regressive and widening the tax base to cover basic goods and services would reduce

the access of the poor to such goods and services. Therefore there is not much scope to widen the tax base without affecting poor people's ability to afford such basic goods and services. It is a similar case with fees and charges. Due care needs to be given to ensure that the poor people's access to utilities and services are not compromised by fees and charges.

Revenue system reform is a continuous process. High level commission was formed for suggesting the reform strategy and policies in revenue structure, procedure and administration. Based on the report of this commission reform process are continued. Establishment of Central Revenue Board is in the process. Various Software are in operation in revenue administration e.g. Protax, Asycuda, Rims, Ras etc. E-governance is heavily internalized and reform process has been continued. Formulation of a backup plan in resource management is in the process.

Official Development Assistance: International Economic Cooperation Coordination Division of Ministry of Finance is the focal point for official development assistance in Nepal. Government has released a new Development Cooperation Policy 2014 and has been tried to mobilize the foreign resources based on it. After the devastating earthquake on April, 2015 the country is focusing on reconstruction for coming five years, huge resource should be needed and for this purpose ODA will be highly helpful. After the devastating earthquake on April, 2015 Government organized the International Conference on Nepal's Reconstruction inviting neighbors and donors. This event was able to get over \$4.1 billion pledging which was highly fruitful to mobilize additional resources for post-earthquake reconstruction. Nepal Business Forum, Local donors meeting and Nepal Portfolio Performance Review (NPPR) are the important instruments towards achieving more resources.

FDI and Remittance: Nepal has taken a number of measures to promote private investment in the industrial sector. The Industrial Policy, 2010 emphasizes high-value added production, employment generation, promotion of domestic industries, and facilitation of forward and backward linkages in the industrial sector. The policy specifies the provision of additional facilities and incentives such as customs and excise duty refund on imported raw materials and intermediate goods as used in the production of export items. It also aims to promote Special Economic Zones (SEZs) and institute a "one-window" policy for all industrial activities. Nepal has taken a number of steps to attract FDI. The Foreign Investment and Technology Transfer Act, 1992 allows foreign investment of up to 100 percent equity in all sectors except

for cottage industries, industries producing arms, ammunition and explosive materials, and a few service industries. Repatriation of the sale of FDI, as well as dividends, is permitted in convertible currency, and payment of principal and interest on foreign loans is guaranteed. Foreign investors are granted national treatment with regard to facilities and incentives. All required information and facilities are provided from a single point, a one window system, for FDI. Nepal has joined the Multilateral Investment Guarantee Agency (MIGA), which provides guarantees to foreign investors against non-commercial risks like currency transfer, expropriation, breach of contract, and war and civil disturbance in the host country. Nepal has recently adopted a new FDI policy, which has provisioned various measures in order to mobilize private investment, especially for attracting Foreign Direct Investment in industrial ventures and infrastructures.

Remittance is one of the major source of foreign currency earning in Nepal. It contributes about 29 percent in total GDP of Nepal. It is estimated that about 4 million young people are working in Persian Gulf countries and other South East Asian Countries.

Public Private Partnership: Nepal Investment Board, a responsible institution for attracting foreign aid on mega projects, has been established. Now, NIB has been involved in developing mega projects and attracting foreign direct investment. Similarly, Bilateral Investment Protection and Promotion Agreement (BIPPA) and Double Taxation Avoidance Agreement (DTAA) have been done with different countries and trying to increase the number of the agreement in the future.

H. Good Governance at all levels

Recently promulgated Constitution of Nepal has continued the provision of providing basic requirements by investing in the socio-economic infrastructure like health, education, social security etc. Constitutional, legal and institutional provision to enhance the transparency, accountability and participation are regarded as the basic requirement of development. Fundamental rights, right to information, Public Private Partnership (PPP) policy and participation of Consumers' Group in development are important examples.

Nepal is signatory of international conventions, agreements, and declarations on Human Rights and the constitution has ensured every aspect of human right like right to equality, liberty, expression, religion, social security and justice, health, education etc. Nepal is also a

signatory of UN Convention on Anti-Corruption (UNLAC) and now it has gained exemplary achievement in anti-corruption movement. Prevailing Good Governance Act, Anti-Corruption Act, Right to Information Act, provision of Social Audit, Social Hearing, Public Account Committees of Parliament are some mentionable examples. Independent constitutional body Commission for Investigation of Abuse and Authority (CIAA), Office of the Auditor General, National Invigilation Centre etc. are some institutional arrangements.

Training Policy 2012, Training for All scheme are in practice to enhance the efficiency and effectiveness in service delivery ability for the public service provider. Series of training is conducted on the basis of need assessment by the national training centers involving the private sectors too.

Central Bureau of Statics, line ministries are directly responsible for collection and analysis of data whereas National Planning Commission along with line ministries are responsible for M&E systems. Information Technology Policy, 2011 has clearly mentioned in its strategies to assist the e-governance, promote e-commerce and it shall be applied for rural development. Public Procurement Monitoring Office (PPMO) has initiated the e-bidding for large scale procurement.

Ten years long armed conflict came to its logical end along with the Comprehensive Peace Accord. Longley waited commissions namely Truth and Reconciliation and Investigation on Disappeared Persons are formed for the harmonious settlement of disputes, reconcile and rehabilitate the victim of conflict.

IV. Coherence and Linkages with the Post-2015 Development Agenda and Other Global Processes

Transition of Nepal from MDGs to SDGs

One of major transition in planning that is taking place in Nepal is the transition from MDGs agenda (2000–2015) to contextualizing and adopting the SDGs agenda (2015-2030). Nepal has made very good progress across most of the MDGs. Majority of targets were achieved and some were likely to achieve and some were potentially likely to achieve. Table 5 summarizes the status of MDGs indicators 2000-2015 in Nepal.

Table 12: MDG progress 2000-2015 of Nepal

GOALS	Likelihood of achievement				Status of supportive environment				
	Achieved	Likely	Potentially likely	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
1.Eradicate Extreme Poverty and hunger		✓							
1 (a) Reduce Extreme poverty by half	✓					✓			
1 (b) Full and productive Employment for all			✓					✓	
1 (c) Reduce Extreme Hunger	✓				✓				
2 Achieve universal primary education		✓			✓				
3. Gender Equality and Empowerment of Women	✓						✓		
4 Reduce Child Mortality	✓					✓			
5 Improve Maternal Health		✓				✓			
6 Combat HIV/AIDS, malaria, and TB		✓				✓			
6 (a) Have halted by 2015 and began to reverse the spread of HIV/AIDS		✓				✓			
6 (b) Achieve universal access to treatment for HIV/AIDS for all those who need it by 2015		✓				✓			
6(c) Have halted by 2015 and began to reverse the malaria and other major diseases	✓					✓			
7 Ensure Environmental Sustainability			✓						
7 (a1) Reverse loss of forest		✓					✓		
7 (a2) Climate change and GHG emission					✓				✓
7(b) Reduce Biodiversity Loss		✓					✓		
7 (c) Halve the proportion of the population with sustainable access to an improved water source, and improved Sanitation both rural and urban			✓				✓		
7(d) Improve lives of Slum Dwellers					✓				✓

Source: NPC, 2016, MDG Draft Terminal Report, 2016

Nepal's efforts for the successful implementation of the MDGs have also opened new avenues for the implementation of SDGs planned for 2016-2030. The Government of Nepal has prepared the SDGs preliminary national report. The Report assesses the national situation by each SDG from national perspectives, examines their relevance in the national context and provides inputs for national planning, dialogue, and shows a pathway for implementation. Further, this report is expected to guide Nepal in operationalizing the SDGs at all levels national, regional and local. It contains goal-wise indicators and their quantitative benchmarks. Nepal is also aspiring to graduate from the least developed country (LDC) by 2022; and thus the SDGs indicators set by the Government of Nepal will help in achieve LDC graduation by 2022 and transform Nepal from low income country to middle income country by 2030. Nepal is in the transitional process of implementing the SDGs based on lesson learned from MDGs. In this context, Nepal is in the process of formulating its 14th development plan 2016/17 to 2018/19. Main focus of this plan will be avail Nepal for smooth transition from MDGs to SDGs implementation.

V. Summary Conclusion and Way Forward

Summary: Nepal is progressing well in human development and social sector but it is lagging behind in economic sector. Vital socio-economic and environmental indicators are summarized in Table 13.

Table 13: Summary of vital socio-economic and environmental indicators of Nepal

Vital social-economic and environmental indicators of Nepal	Value	Source year
GDP growth rate	3.36	2014/2015
Share of agriculture in GDP (%)	31.7	2014/2015
Share of industry in GDP (%)	15.1	2014/2015
Share of services in GDP (%)	53.2	2014/2015
Per capita GDP in USD	761.6	2014/2015
Per capita NGI in USD	772.0	2014/2015
% share of total trade with India	66.70	2013/2014
% share of total trade other than India	33.30	2013/2014
Trade deficit as % of GDP	26.28	2013/2014
Total volume of trade as % of GDP	36.28	2013/2014
Gross national saving as % of GDP	11.4	2014/2015
Population (million)	26.41	2011
Population density (person per square KM)	180	2011
Literacy rate 5 years and above	65.9	2011
Literacy rate 15-24 years	88.6	2013
Total Fertility Rate (TFR) of Women (15-49 years)	2.3	2014
Contraceptives prevalence rate (CPR)	49.7	2014
Population below USD 1.25 per day (PPP value) in %	28.8	2014 estimate
Population below national poverty line (%)	23.8	2014 estimate
Poverty gap at USD 1.25 per day %	5.6	2014 estimate
Share of bottom quantile in national consumption (%)	5	2014 estimate
Employed people living below USD 1.25 per day (%)	22	2014 estimate
Prevalence of underweight children 6-59 months	30.1	2014
Proportion of population below minimum level of dilatory consumption	22.8	2014 estimate
Proportion of stunted children	37.4	2014
Under 5 mortality rate 1000/live birth	38	2014
Infant mortality rate 1000/live birth	33	2014
Maternal Mortality Ratio/100000 live birth	258	2014 estimate
Net enrollment rate in primary education	96.2	2015
Ratio of boys to girls in primary education	1.09	2015
Proportion of population using an improved drinking water (%)	83.6	2014
Proportion of population using an improved sanitation (%)	60.1	2014
% share of renewable energy in total energy	11.9	2014
Proportion of population with access to electricity (%)	74	2014
Agricultural productivity of land in USD (per ha.)	1804	2015
Forest cover as % of total land area	39.6	2014
Protected area as % of total land area	23.35	2014

Conclusion: Nepal is on track for LDC graduation by 2022 following the Istanbul Program of Action in human asset and reducing economic vulnerability. However, greater loss was recorded during the April 2015 earthquake and supply side constraints in the southern boarder for 5 months in 2015. These two incidents would affect LDC graduation process to some extent. But Nepal is lagging far behind to achieve the target of NGI per capita during this review period. Nepal is expected to get political stability and then will concentrate its efforts for economic development. National entrepreneurs are expected to invest in productive sector and create employment, foreign direct investment is expected to pour in energy and service sector and government will invest more in infrastructures and social sector. These investments will boost inclusive economic growth, increase GNI per capita and reduce poverty and hunger.

Way forward: Nepal needs to make a smooth transition from MDGs to SDGs implementation. SDGs have comprehensive goals, targets and indicators which need perfect reflection in national periodic plan and other development interventions.

Nepal needs to focus its development efforts to accelerate economic growth through national investment, increase official development assistance from bilateral and multilateral development partners, attracting foreign direct investment in energy and productive sector, mobilizing remittance and other national resources in medium size production units.

Nepal also needs equal attention to improve human capital. In this regards it needs special attention to improve the quality of services in health, education, water and sanitation sectors.

Weak physical infrastructure and connectivity are also constraining in smooth development of Nepal. Improving physical infrastructure and connectivity will be given high priority.

Power outage and short supply of energy is another development constraint in Nepal and it will give special attention to generate hydropower from its streams and rivers in next periodic development plan.

Climate change and its impact in livelihood of people is another problem encountered by Nepal. Thus, it will give due attention to address its adverse effects through national adoption action plan and local adoption action plan across the country.

Governance is another factor affecting overall development of the country. Improving governance at all level of government organs, civil society and private sector will be in high priority.

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