



Regional Meeting on Financing Graduation Gaps of Asia-Pacific LDCs  
Jointly organized by  
The Government of Bangladesh  
UNESCAP and NDESA



## Session 4: Financing graduation gaps Case study of Nepal

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## Presentation Outline



1. Socio Economic Indicator
2. Nepal vision Graduate from LDC status
3. Scenarios for investment
4. Interventions
5. Conclusions





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## Socio Economic Indicator

- Population : 27 million**
  - **Urban : 17%, Rural : 83%**
- Population Below Poverty Line : 23.8% (2013)**
  - **42% in 1996, 31% in 2003**
  - **Rural Areas: 27.4%; Urban Areas: 15.5%**
- Multiethnic, Multilingual, Multi-culture, Multi-religious Society**
- HDI : 0.540 (145<sup>th</sup> Position)**
  - **GNI Per Capita : US \$717 (2013/14)**
  - **Literacy Rate, 5+yrs : 66%, (M-75%, F-57%)**
  - **Life Expectancy : 68 Yrs**

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## Socio Economic Indicators

- Per Capita GDP : US\$ 703**
- GDP Growth : 5.2%**
  - **5 yrs.' average: 4.2%**
- GDP Composition:**
  - **Agriculture – 33%**
  - **Industry - 15%**
  - **Service - 52%**
- Inflation Rate : 9.9%**
- International Trade:**
  - **Total Foreign Trade/GDP Ratio= 41%**
  - **Trade Deficit/GDP Ratio= 32%**
  - **X:M = 1:7.8**
- Remittance : A major Source of Foreign Earnings**
  - **Remittance/GDP Ratio = 28%**

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## Nepal's Vision to Graduate from LDC

- The 12<sup>th</sup> Plan (2010/11- 2012/13) adopted vision to create a prosperous, peaceful and just Nepal by **transforming her from a LDC status** into a developing nation within a two-decade period.
- The UN LDC 1V held in Istanbul in May 2011 adopted the Istanbul Programme of Action (IPoA) for LDCs which has aim to **enable half number of LDCs to graduate by 2020**
- In line with the aim of the IPoA, Government of Nepal **decided to graduate from LDCs by 2022** in May 2013
- The current Thirteenth Plan (2070/71-2072/73) has specifically indicated a vision to graduate from LDC status by 2022 and adopted broad based and inclusive development approach to overcome the structural challenges in order **enable graduation from the LDC category**.

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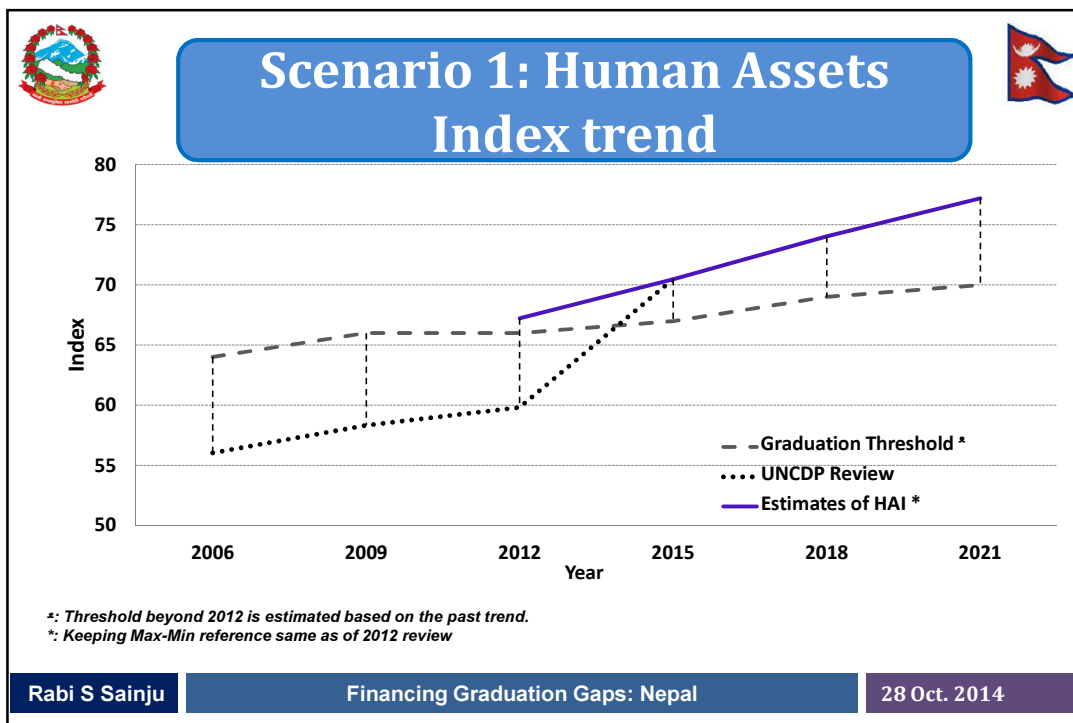
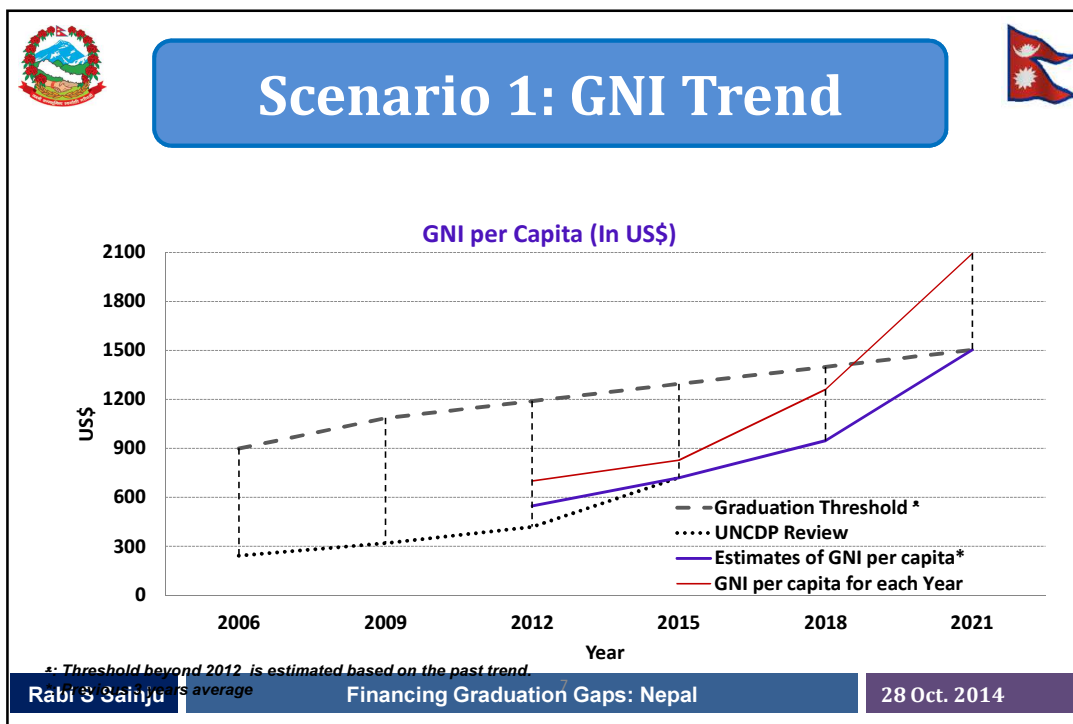


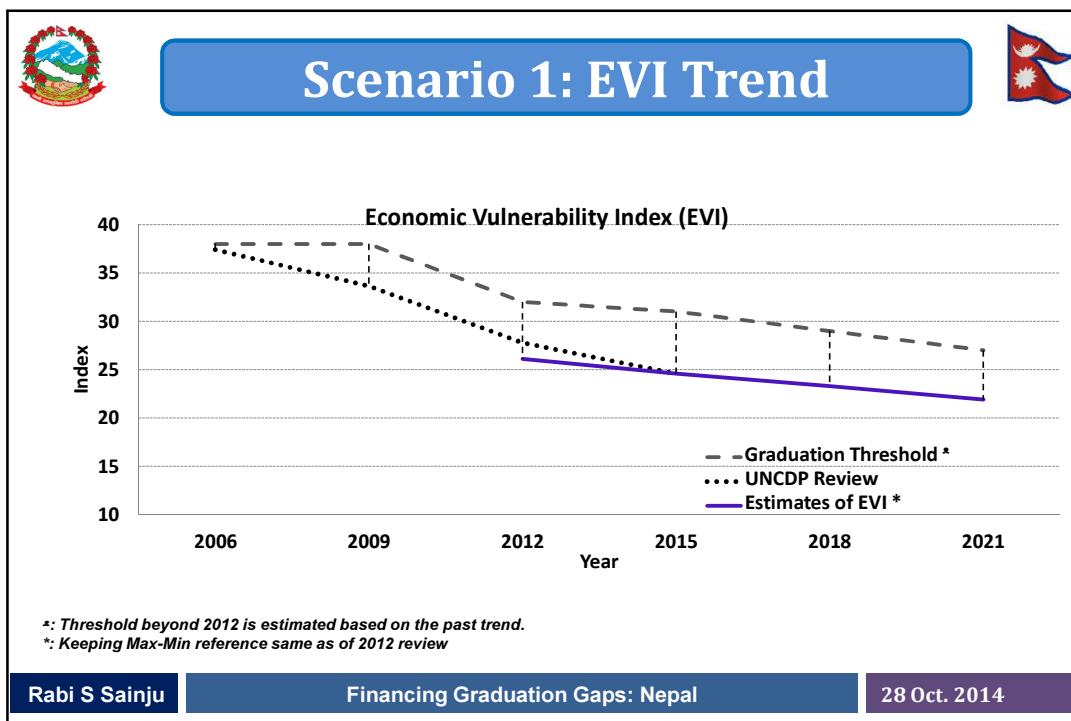
## Estimation for Investment Requirement

Scenario 1 :  
Aggressive Growth Approach (Average 9.6 % Growth)

Scenario 2:  
Optimum Growth Approach ( Average 7 % Growth)

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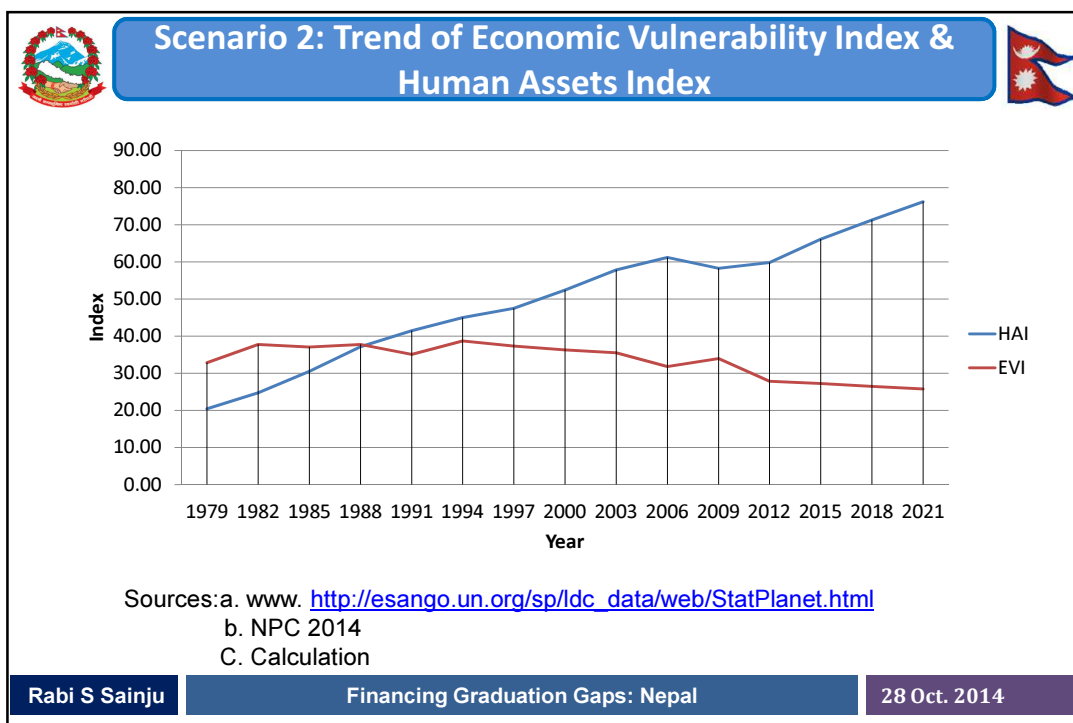
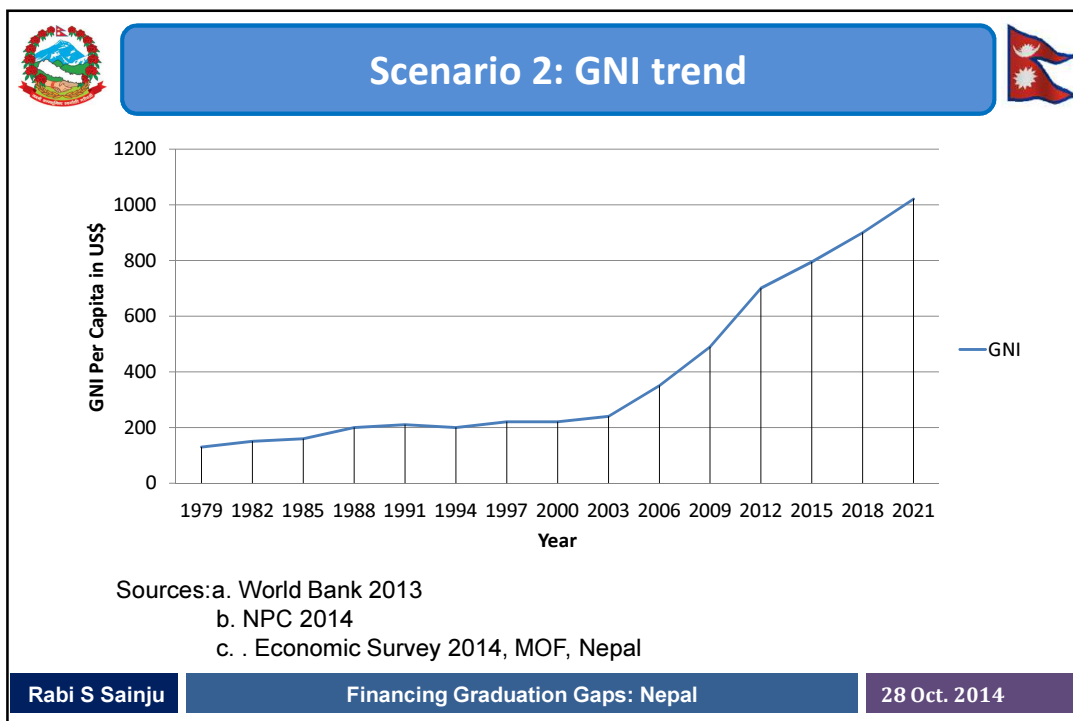


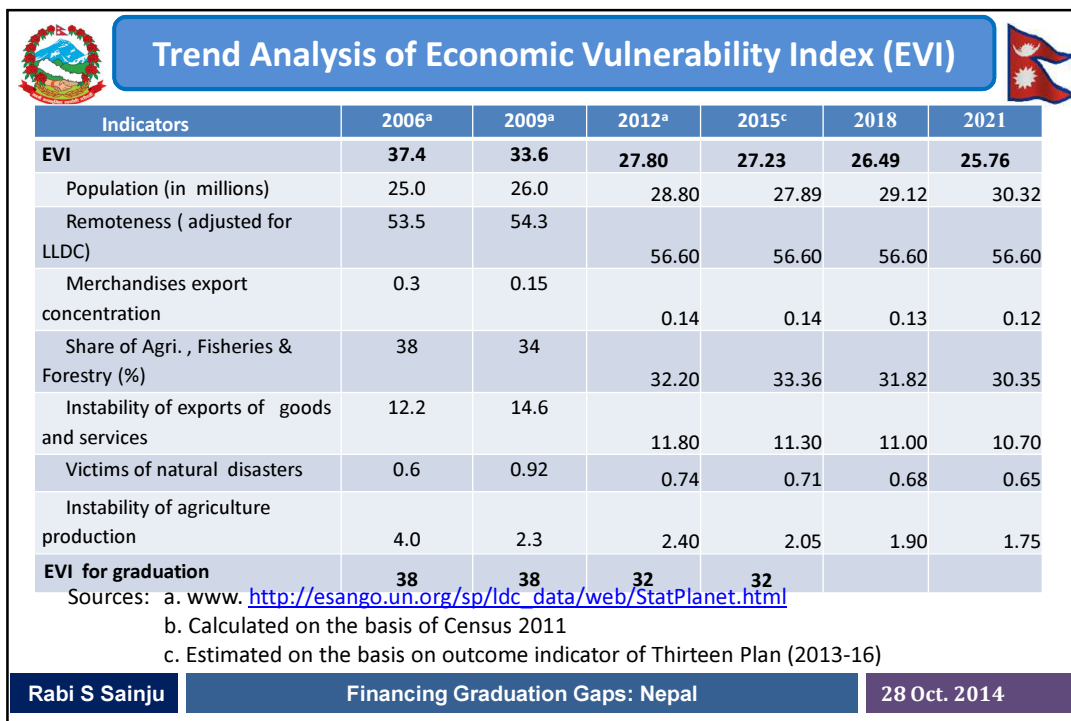
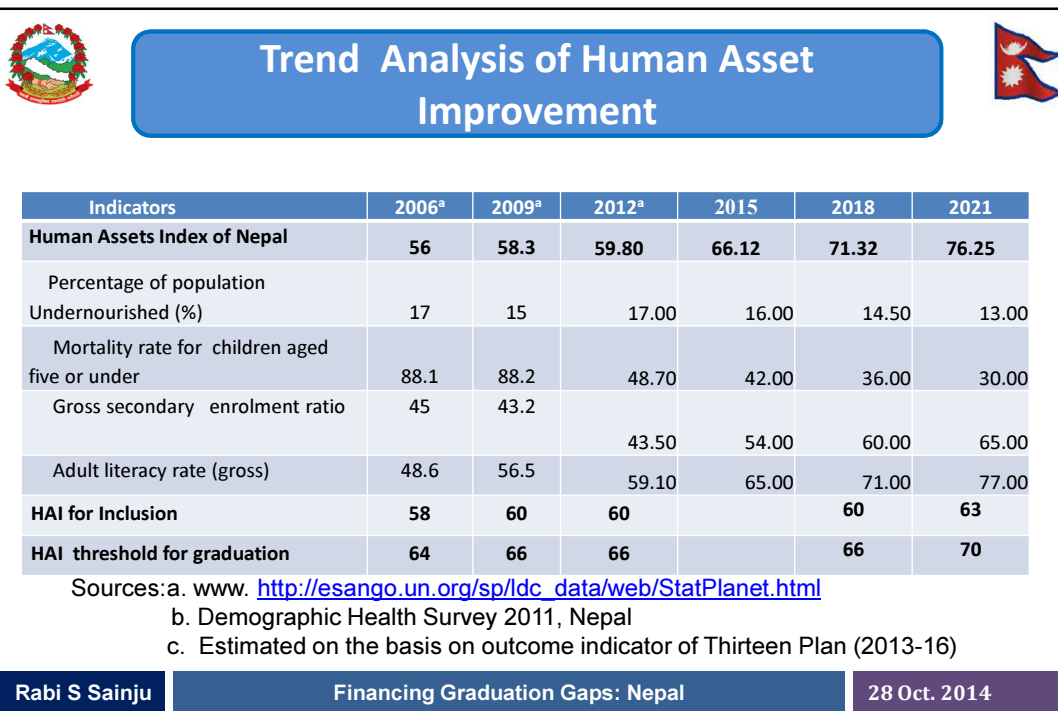
**Total Investment Requirements** (NRs)  
in billion



Sector	Annual Additional Investment (at Constant Price of 2012/13)									Total
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
Agriculture and forestry	72.5	82.5	99.1	106.5	113.5	121.2	129.4	130.4	137.6	992.7
Fishing	1.4	1.5	1.8	2.1	2.4	2.6	2.9	3.1	3.4	21.2
<b>Agriculture</b>	<b>73.9</b>	<b>84.0</b>	<b>100.9</b>	<b>108.5</b>	<b>115.9</b>	<b>123.8</b>	<b>132.3</b>	<b>133.5</b>	<b>141.0</b>	<b>1,013.9</b>
Mining and Quarrying	2.5	2.7	2.8	4.1	4.8	5.7	6.6	7.2	7.9	44.3
Manufacturing	21.2	27.8	35.3	52.0	62.4	75.4	87.8	97.8	109.0	568.6
Electricity gas and water	34.4	42.8	46.6	71.3	88.2	110.3	133.4	154.6	179.1	860.5
Construction	10.8	15.1	19.3	29.3	35.7	44.1	52.4	59.8	68.1	334.5
<b>Industrial Sector</b>	<b>68.9</b>	<b>88.3</b>	<b>103.9</b>	<b>156.6</b>	<b>191.1</b>	<b>235.5</b>	<b>280.1</b>	<b>319.3</b>	<b>364.1</b>	<b>1,807.9</b>
Wholesale and retail trade	32.3	46.1	56.5	78.8	104.1	128.4	145.6	163.3	168.1	923.3
Hotels and restaurants	15.3	19.5	27.5	39.9	55.1	71.5	85.7	93.3	109.0	517.0
Transport, storage and communications	101.1	121.6	153.3	198.7	267.1	336.1	389.4	446.5	428.2	2,442.1
Financial intermediation	25.9	30.1	34.9	50.7	67.5	84.0	96.2	109.1	89.4	587.6
Real estate, renting and business activities	37.3	55.6	66.2	81.4	97.6	112.6	124.3	135.9	148.4	859.3
Public Administration and defense	6.7	8.1	9.7	12.4	14.8	17.0	18.6	20.2	22.0	129.3
Education	24.1	28.3	34.7	46.7	57.5	68.3	77.8	87.7	98.7	523.9
Health and social work	14.7	17.7	21.0	31.2	38.6	46.1	52.7	59.7	67.6	349.3
Other community, social and personal service activities	27.6	33.5	42.2	62.1	77.9	64.2	71.3	78.3	86.0	543.2
<b>Service Sector</b>	<b>284.9</b>	<b>360.4</b>	<b>445.9</b>	<b>601.9</b>	<b>780.2</b>	<b>928.3</b>	<b>1,061.6</b>	<b>1,194.2</b>	<b>1,217.5</b>	<b>6,875.0</b>
<b>Total Requirements</b>	<b>427.7</b>	<b>532.7</b>	<b>650.7</b>	<b>867.1</b>	<b>1,087.2</b>	<b>1,287.7</b>	<b>1,474.0</b>	<b>1,647.0</b>	<b>1,722.5</b>	<b>9,696.8</b>

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 <b>Scenario: Total Investment</b> (in billion NRs.) 									
Sector	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Agriculture and forestry	83	98	103	109	114	120	119	124	868
Fishing	1	2	2	2	2	3	3	3	19
<b>Agriculture</b>	<b>84</b>	<b>100</b>	<b>105</b>	<b>111</b>	<b>116</b>	<b>122</b>	<b>122</b>	<b>127</b>	<b>887</b>
Mining and Quarrying	3	3	4	5	5	6	6	7	38
Manufacturing	28	35	51	59	69	76	81	87	485
Electricity, gas and water	43	47	69	82	97	110	120	130	697
Construction	15	19	28	33	39	44	47	51	278
<b>Industrial Sector</b>	<b>88</b>	<b>104</b>	<b>153</b>	<b>180</b>	<b>212</b>	<b>239</b>	<b>259</b>	<b>280</b>	<b>1514</b>
Wholesale and retail trade	46	56	77	98	115	124	132	131	781
Hotels and restaurants	20	27	38	48	58	64	65	70	389
Transport, storage and communications	122	153	196	253	303	334	365	341	2067
Financial intermediation	30	35	49	63	74	80	86	69	486
Real estate, renting and business activities	56	66	81	95	107	115	123	132	775
Public Administration and defense	8	10	12	14	16	17	18	19	115
Education	28	34	45	53	61	66	72	77	438
Health and social work	18	21	31	37	42	46	51	55	301
Other community, social and personal service activities	34	42	60	72	59	66	72	79	484
<b>Service Sector</b>	<b>360</b>	<b>446</b>	<b>590</b>	<b>738</b>	<b>842</b>	<b>923</b>	<b>996</b>	<b>986</b>	<b>5879</b>
<b>Total Requirements</b>	<b>533</b>	<b>649</b>	<b>848</b>	<b>1031</b>	<b>1178</b>	<b>1298</b>	<b>1397</b>	<b>1415</b>	<b>8348</b>
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 <b>Intervention needed to close the gaps</b> 		
<p><b><u>Achieving High Economic Growth</u></b></p> <ul style="list-style-type: none"> <li>• <b>High levels of foreign direct investment (FDI)</b>, particularly in the energy and manufacturing sector, could drive such growth.</li> <li>• <b>Provide opportunity, capability, access and security</b> to all for sustained growth and productive employment in the economy</li> <li>• <b>Tap ‘demographic dividend’</b> through provision of higher levels of human development, and productive employment opportunities.</li> <li>• <b>Accelerate the pace of job creation</b> through the manufacturing and service sectors of the economy and enhancing rural non-farm jobs opportunities.</li> <li>• <b>Expand investment in infrastructure</b> based on a combination of public and private investment through various forms of PPP.</li> </ul>		
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## Intervention needed to close the gaps

### Investment in Human Assets Development.

- Further **increase in budgetary allocations** to the education and health sectors is needed commensurate with output
- Special efforts need to be pursued in the areas of:
  - **nutrition** (MDG 1) of children and women of reproductive age
  - **child mortality** (MDG 4),
  - **secondary school enrolment** (MDGs 2 and 3), and
  - **adult literacy** (MDG 2).
- Proper **management of health professionals** at all levels and improvement in capacities in health sector.
- **Improve** teacher training, upgrading curriculum and enforcing accountability for improving the quality of school education
- **Private initiatives** in higher education, including viable and innovative PPP-models, need be actively promoted.

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## Intervention needed to close the gaps

### Sustaining Economic Vulnerability Level

- Effort to make Nepal a “**land-linked**” rather than land-locked country.
- Reduce the impact of **external trade shocks** by improving agriculture and food security, and accelerating rural development.
- **Improve PFM** and related macroeconomic policies in order to reduce dependence on ODA and diversify the origin of resource inflows.
- Policies to **mobilize domestic resources** and remittances to reduce infrastructure gaps.
- **Improve environmental management** to address the effects of climate change, and to strengthen resilience through improved DRR/DRM.
- Develop long term **focus on urban planning** to address heavy demand for better quality infrastructure in urban areas.

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## Conclusion

- Improvement in the productive capacity is the major challenges and requires targeted assistance and strategies.
- The government, the private sector, NGOs, CSOs and others need to coordinate for steering innovation and replicating it.
- The external resources necessary to play a pivotal role in expanding its productive capacities, promoting FDI and trade, and adapting technological innovations.
- Investing in Agriculture sector need to be a priority area for Nepal as it related to food security and poverty reduction.
- In trade sector, the country has to go far labour-intensive manufacturing exports including expansion of production and export supply capacity.

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## Conclusion

- The support from development partners to enhance its supply-side capacity and trade diversification, is very crucial.
- A series of targeted programmes is needed to address the issue of pervasive poverty.
- The economy needs increased access to financial resources in achieving sustained, inclusive and equitable growth.
- The regulatory environment also needs to be streamlined to provide increasing access to financial services to poor
- Nepal needs further efforts in good governance, the rule of law, the protection of human rights, and democratic participation.
- It needs context-specific approaches to address poverty, security and governance in an integrated manner.

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