



Enhancing Productive Capacity and Achieving Sustainable Growth: A Case of Nepal

Meeting of the National Focal Points of Least Developed Countries (LDCs)

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Presentation Outline

- Nepal: Country Profile
- LDC Graduation- Background and status
- Sectoral Productive Capacity Scenario
 - : Industry, Energy, Agriculture, Infrastructure, Trade etc
- 15th plan: National Goals and Growth Projections
- SDGs Financing Requirement
- Conclusion



Nepal : Country Profile



- Area: 1,47,181 sq. km
- Population: 30 million
- GDP (at producer's prices, 2019): NRs. 3,464.32 billion
- GDP Growth rate (at constant prices) : 6.81%
- Inflation: 4.6%
- Export Import Ratio: 1:14.6
- Population below Poverty line (Absolute) :18.7% (2019)
- Literacy rate (15-24): 85% (2019)
- Human Development Index : 0.583 (2019)





LDC Graduation Status of Nepal



Nepal met the **LDC Graduation Criteria** by achieving the Economic Vulnerability Index (EVI) and Human Assets Index (HAI) respectively in last two triennial review.

Indicators	2008/09	2011/12	2014/15	2017/18
GNI per capita (US\$)	502	708	778	1047 (2018/19)
GNDI per capita (US\$)	628	902	1033	1364 (2018/19)
GNI per capita (US\$) using CDP Atlas Method	320	420	659	745
Graduation threshold (US\$)	905	992	1025	1230
Human Assets Index (HAI)	58.3	59.8	68.7	71.2
Graduation threshold	64	66	66	66
Economic Vulnerability Index (EVI)	33.6	27.8	26.8	28.4
Graduation threshold	38	38	32	32

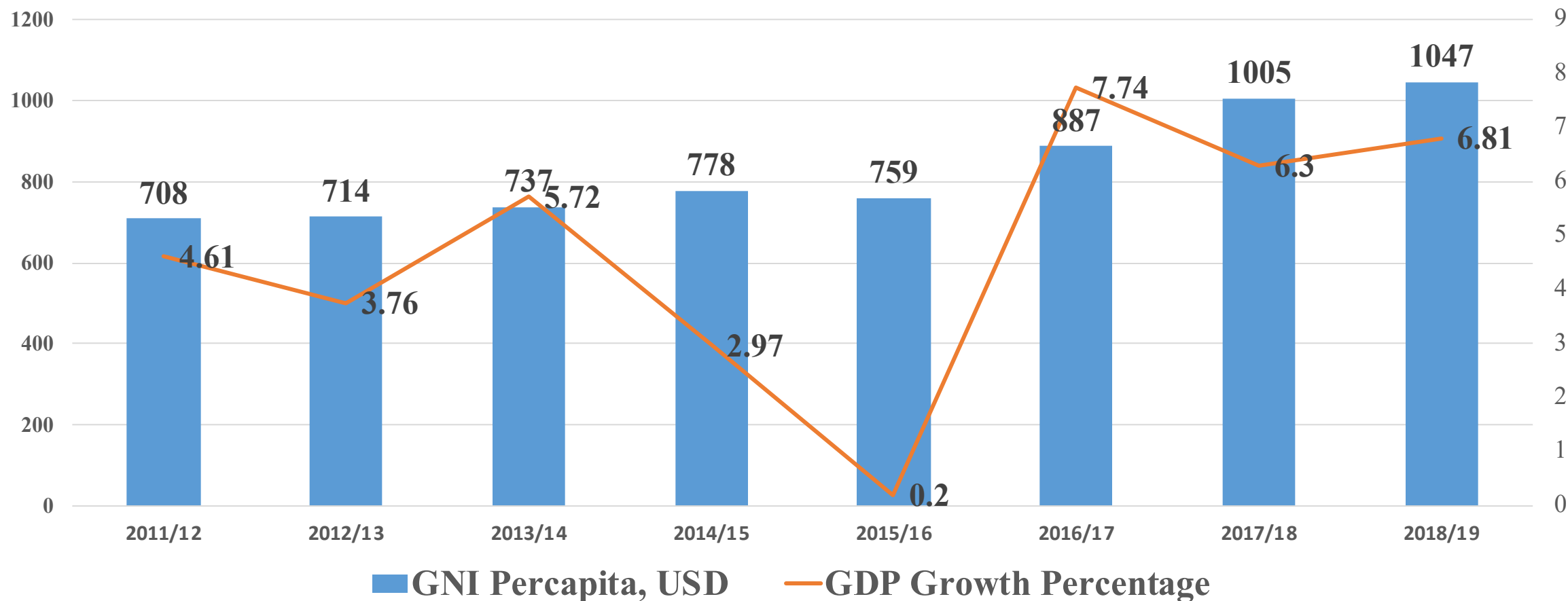
Source: CBS and CDP Triennial Review 2018



Growth Performance



GDP Growth and GNI Per Capita





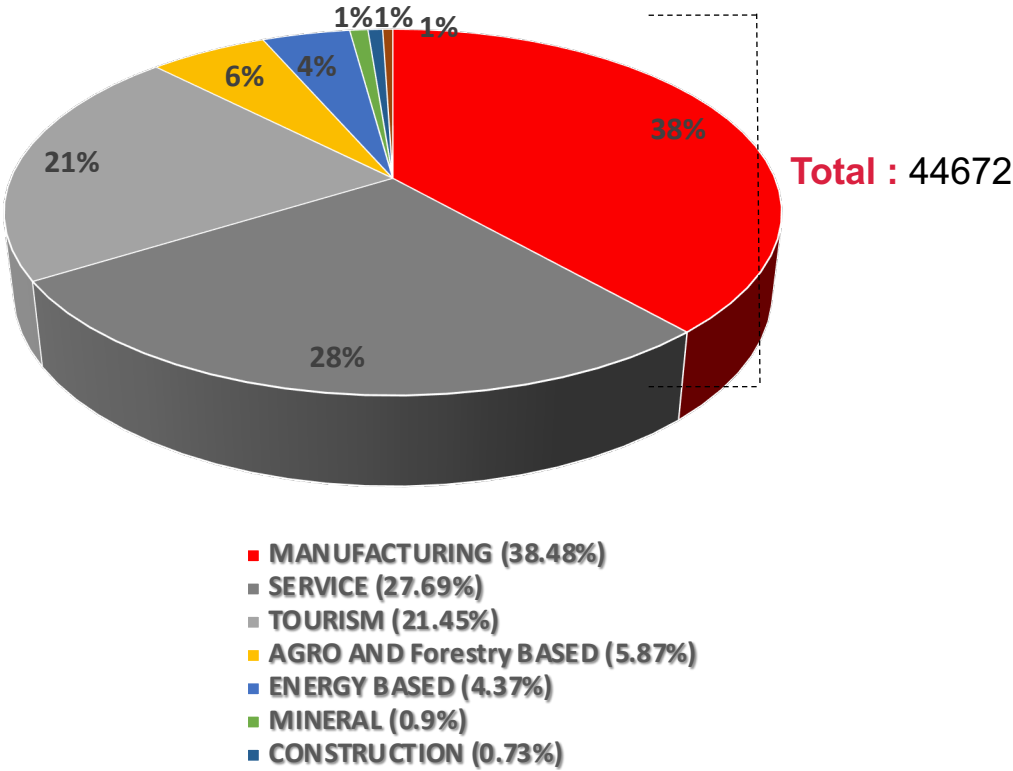
Sectoral Productive Capacity



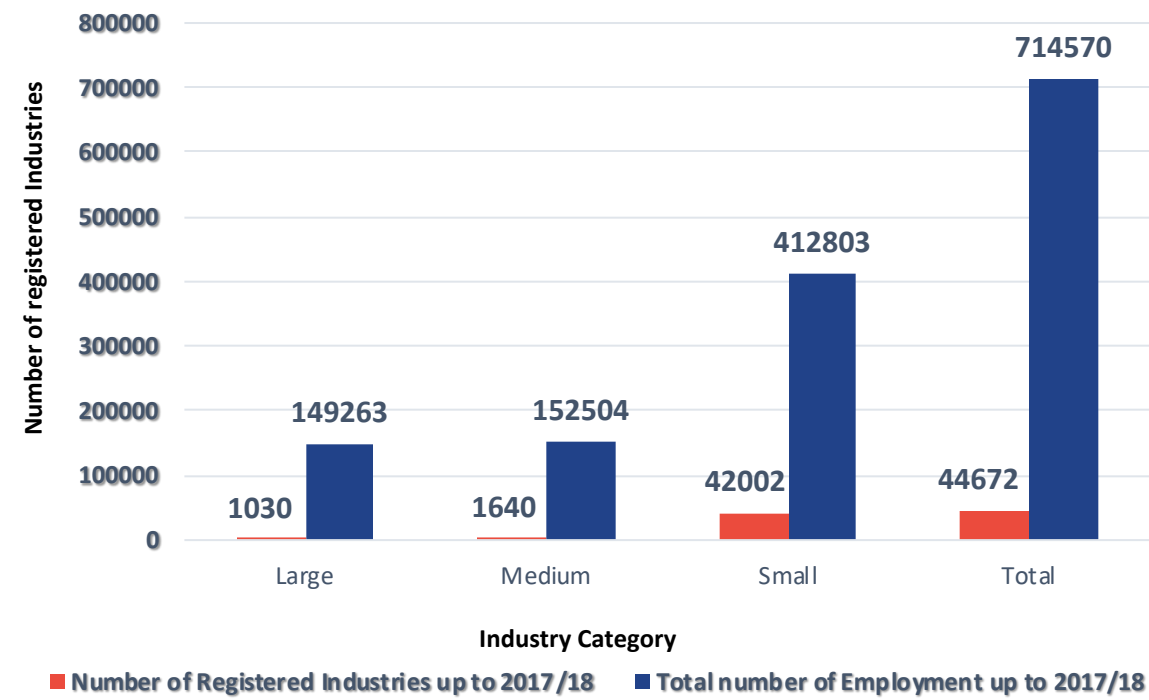
Industrial Statistics



Percentage of Registered Industries in various sectors up to 2018/19



Total Registered Industries and Employment up to 2018/19



Source: Department of Industry, GoN



Industrial Productivity



Indicators	2011	2012	2013	2014	2015	2016	2017	2018
Industrial Productivity								
Average Capacity Utilization (%)	54	57.79	57.83	59.72	52.67	48.2	57.3	59.7
Industrial Credit (Rs. Million)	194.8	236.6	315.8	395.1	478.4	529.3	637.2	803.4
Gross Value Addition of Major Sectors to the GDP								
Agriculture, Forestry and Fishing (%)	33.58	33.53	32.55	32.11	31.42	31.3	30.43	29.33
Manufacturing (%)	6.55	6.48	6.46	6.47	6.29	5.75	5.83	5.97

Source: Economic Survey, MOF and Macroeconomic and Financial Situation, NRB



DOMESTIC ENVIRONMENT (Actions)



24.1% of total industrial investment has been in the manufacturing industries in the first eight months of FY 2017/18.

Regular power supply and creation of favorable industrial environment is supporting the sector's expansion

The production of manufacturing sector was estimated to grow by 6.0 percent in the FY 2018/19

Private sector's Associations like FNCCI, CNI, NCC are actively involved on policy advocacy

Competitive provincial government providing incentives to attract FDI

Source: Economic Survey 2017/18, GoN



Industrial Sector (Actions)



- The government gave high importance for industrial infrastructures,
- Smooth supply of electricity helped to increase average capacity utilization,
- Attracting foreign investment in areas of Comparative advantage- Investment summit,
- Institutional mechanisms for FDI inflow- One stop Service Centre
- Prioritization of the Industrial sector in all tiers of government



Energy Sector



Indicators	2011	2012	2013	2014	2015	2016	2017	2018
Energy								
Energy Consumption Total (000, TOE*)	10155	8820	10037	11233	11727.6	11767.7	12866	13483.9
Electricity Production (MW)	706	746	746	829.19	855.89	972.49	1074.14	1044.59
Peak Demand (MW)	946	1094	1201	1291.1	1385	1444.06	1508.16	1508.16
Transmission Line (KM)			1987.4	1987.36	2848.86	3006	3483	3538

Source: Economic Survey, MOF



Energy Sector (Actions)



- Hydropower is identified as the **drivers transformation** in Nepal
- Over 90 % population have access to clean energy (hydro-electricity)
- Smooth supply of **electricity** to industries (no scheduled power cuts)
- Transmission line has been doubled in last decade
- However, high dependency of **fossil fuels**
- Low per capita energy consumption (198 kwh in 2018)



Agriculture Productivity (MT/Hector)



Indicators	2011	2012	2013	2014	2015	2016	2017	2018
Major Cereal Crops	2.48	2.72	2.61	2.75	2.74	2.61	2.78	2.92
Major Cash Crops	11.51	11.98	12.29	12.11	11.56	7.95	8.24	5.53
Vegetables	4.65	4.41	4.70	4.41	4.21	3.05	2.96	1.90
Fruits and Spices	7.41	8.21	7.79	7.25	7.62	7.38	7.07	7.33

Source: Economic Survey, MOF and Macroeconomic and Financial Situation, NRB



Agriculture Sector (Actions)



- Contribution of agriculture sector has been reducing
- Shift from subsistence cereals to commercial crops and livestock
- Priority is given to irrigation and smooth supply of Agri-inputs
- Agriculture credits has been increased by five folds in a decade
- However, productivity of agriculture sector is not increasing
- Agriculture sector is highly vulnerable to climate change induced natural disasters



Infrastructure Sector



Indicators	2011	2012	2013	2014	2015	2016	2017	2018
Infrastructure (Road Network in KM)								
Total Road	23209	24389	25265	26446	27496	28308	29117	30088
Black-topped	9902	10192	10659	11197	11798	12173	12803	13707
Gravelled	5670	5787	5940	6086	6287	6460	6822	7231
	7637	8410	8666	9163	9411	9675	9492	9150
Muddy								
Total Rural Roads				51428	52977	53310	57939	58398
Infra. Quality Index	2.45	2.67	2.9	2.87	2.93	2.74	2.58	2.87

Source: Economic Survey, MOF



Infrastructures Sector (Actions)



- Increased budget allocation to the infrastructure sector
- High priority to the new strategic road corridors
- Quality improvement and upgradation of existing road networks
- Development/upgrading of airports
- Strengthening regional connectivity through Strategic roads, railways and waterways



International Trade



Indicators	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Goods and Services Trade (Ratio to GDP)								
Net Exports	-23.51	-26.77	-29.25	-29.85	-29.81	-33.39	-37.36	-41.79
Imports	33.58	37.46	40.75	41.47	39.28	42.38	46.30	50.84
Goods (G)	29.77	32.29	35.45	35.76	33.57	36.57	40.51	44.92
Services (S)	3.82	5.17	5.30	5.71	5.71	5.81	5.79	5.92
Exports	10.07	10.69	11.51	11.62	9.47	8.99	8.93	9.05
Goods (G)	5.34	5.07	5.14	4.61	3.32	3.07	3.08	3.15
Services (S)	4.74	5.62	6.37	7.01	6.15	5.92	5.86	5.90

Source: Economic Survey, MOF



Trade Performance (Actions)



- Nepal's export competitiveness is relatively low reasons being higher transportation cost, economies of scale, wage & the technology.
- Implementation of Trade Policy, Nepal Trade integrated Strategy and other policies
- The utilization of concession, as a LDC, is most for the recovery of badly affected by the earthquake- 2015 and the trade barrier in Southern part in the same year.
- LDC graduation entails the major exportable goods will require payment of 2-3 times cost more customs lessening the export competitiveness further.
- The optimal utilization of the trade concessions and facilities provided LDCs needs to enhanced.



Progress on Human Development Index



Year	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1990	54.3	7.5	2	1,168	0.378
1995	58.5	8.1	2.2	1,322	0.41
2000	62.4	9	2.4	1,526	0.446
2005	65.5	9.6	2.8	1,689	0.475
2010	67.9	12	3.3	2,001	0.529
2015	69.9	12.2	4.7	2,353	0.566
2016	70.3	12.2	4.9	2,334	0.569
2017	70.6	12.2	4.9	2,471	0.574

Source: Human Development Indices and Indicators: 2018 Statistical Update, UNDP

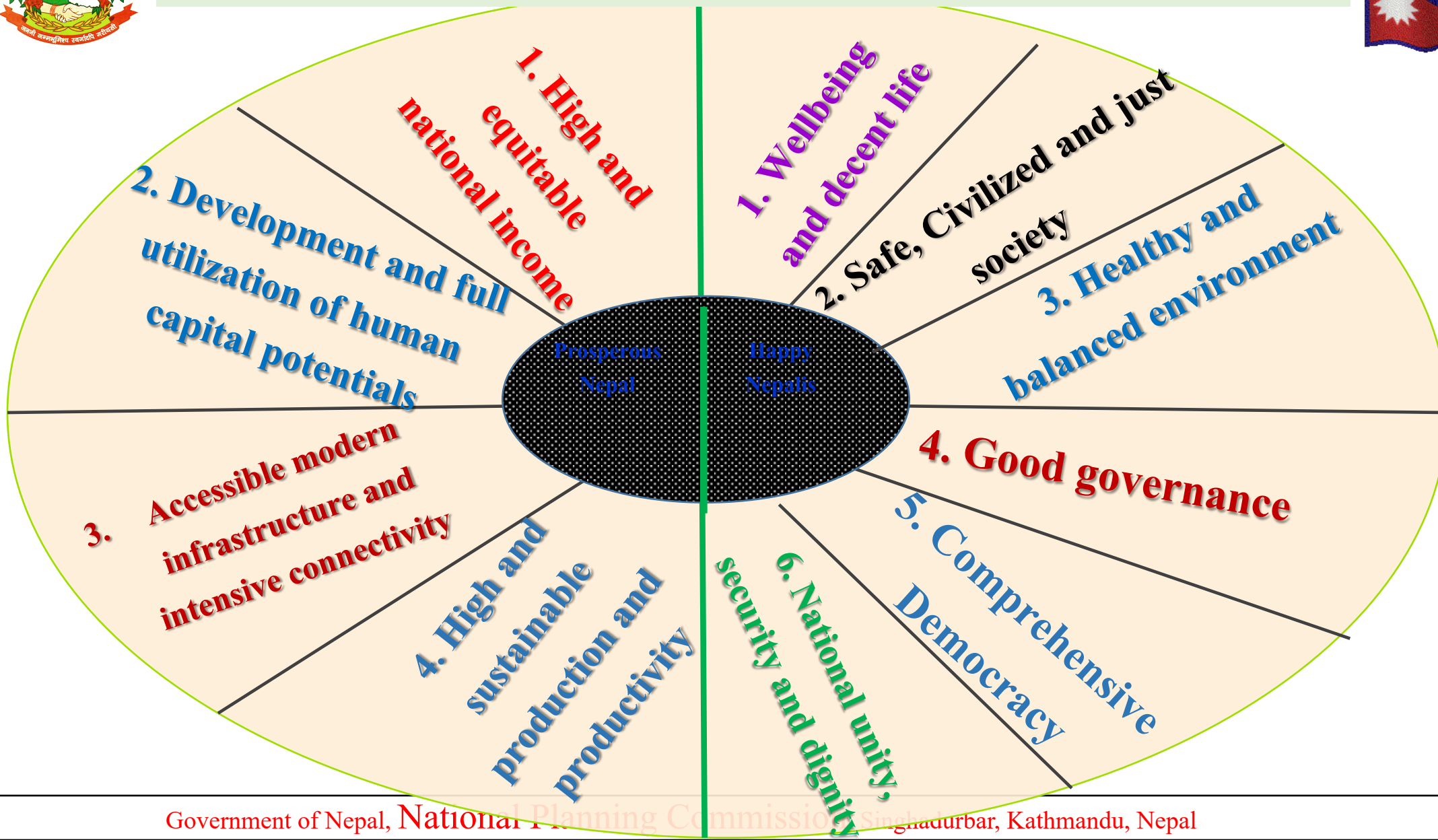


15th Periodic Plan (Five years) and LDC Graduation



National Goal: Prosperous Nepal, Happy Nepali

Align with LDC Graduation by 2022





Economic Growth Rate and Investment Estimation (15th Periodic Plan)



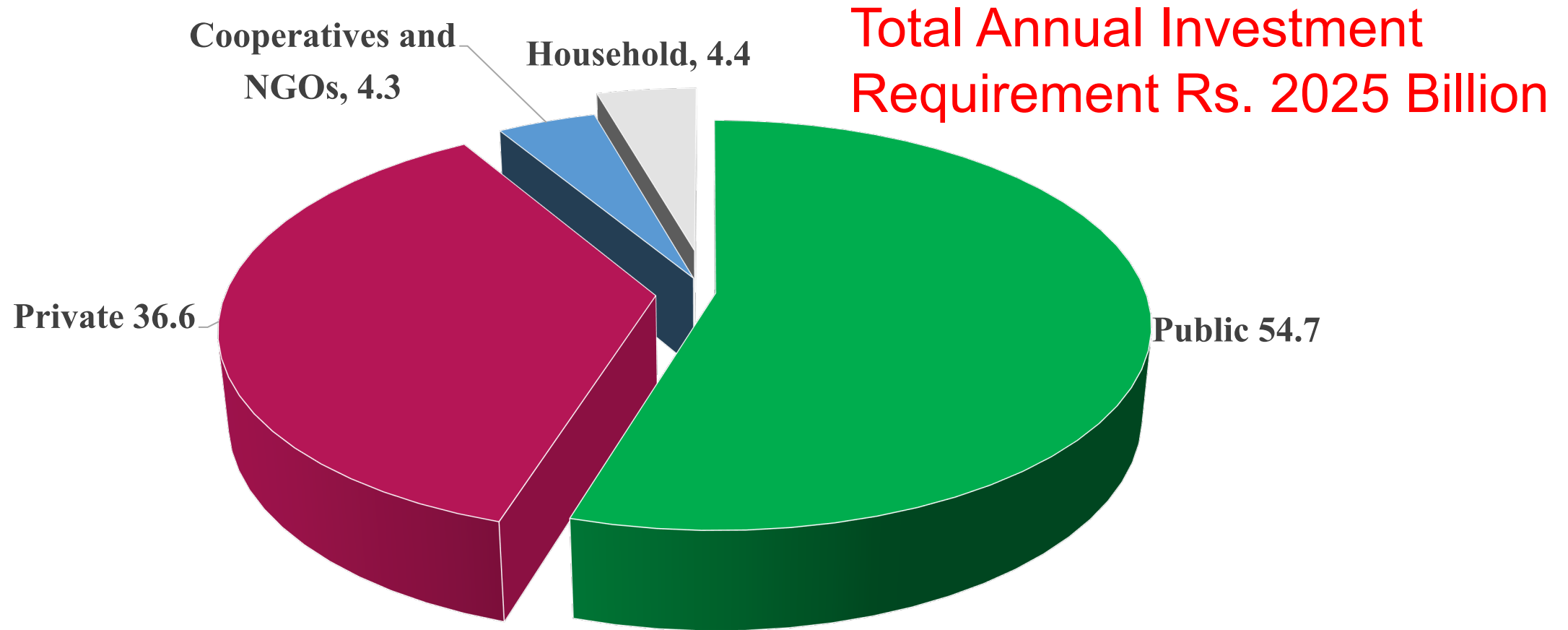
Sector	Average growth rate	Investment Rs. Crore (Percent)
Agriculture	5.4 (4.7- 5.8)	8,09,68 (8.8)
Industry	14.6 (13.2 - 15.6)	32,44,81 (35.2)
Services	9.9 (8.7 – 10.7)	51,74,80 (56)
Total	9.6 (8.5 - 10.3)	92,29,29

Incremental Capital Output Ratio (ICOR)

4.9

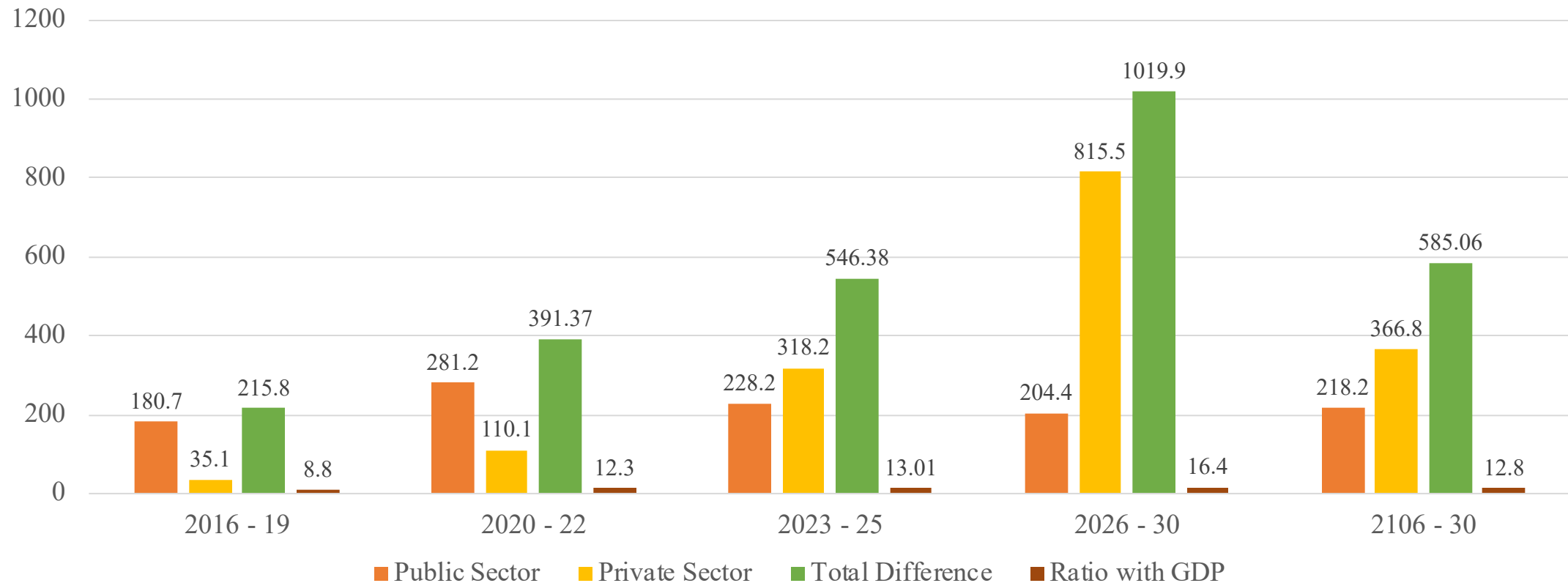


Investment Requirement for SDG Financing (Percentage)





Investment Gap (Yearly Average, Rs. billion)





Lessons Ahead: Towards the LDC Agenda



- Strengthen commitments/consensus and broader partnership with all stakeholders.
- Addressing vulnerability to external shocks, exposure to climate change and capacity constraints.
- Adequate preparation to reduce vulnerabilities, build productive capacity and transform the structure of economy- needs enhancing the investment.
- Smooth transition strategy with adequate grace periods.
- Customized and localized planning and programming of 15th plan and long term development vision - Double digit growth with human face.
- Joining hands with DPs and all stakeholders to augment the inclusive development initiatives.



In Sum,



- Graduation - an integral part of Nepal's 15th Periodic Plan and long-term development Vision to become a vibrant middle-income country by 2030 and high income country by 2043.
- It entails up-front costs and back-end benefits,
- High Growth Trajectory with inclusive development needs to be enhanced,
- We are still far below the GNI Per capita threshold, and only country graduating without income criterion,
- The Human Assets Index, reflects “first generation” and does not reflect the quality service
- The HAI and EVI the indices provide an imperfect fit to the country situation,
- The overall policy of the country is to graduate meaningfully, smoothly, sustainably and irreversibly.



Thank you!

