Out Line of Presentation

• Nepal’s LDC Graduation Status
• Impact of Graduation
• Smooth Transition Strategy
• Status of DPOA Program of action
• International Support Measure
Nepal as LDC: Background

• LDC Member since 1971 i.e., official establishment of LDC category
• Eligible for graduation in 2015, 2018 and 2021 by meeting HAI and EVI criteria but not GNI per capita
• Graduating in 2026 with 5-year transition;
• Implemented IPoA from 2011 to 2021
• Significant progress in Poverty, and social indicator but still have to do more in economic, infrastructure, climate change and governance.
• Need to focus on to overcome structural challenges of the economy, to increase productive capacity and competitiveness
• DPOA provide the opportunity for this.
LDC Status (2021 Triennial Review)

- **Economic and environmental vulnerability index (EVI)**
  - Nepal: 74.9
  - LDCs: 57.6
  - Developing countries: 78.1

- **Human assets index (HAI)**
  - Nepal: 1,027
  - LDCs: 1,274
  - Developing countries: 6,666

- **Gross national income (GNI) per capita**
  - Graduation threshold
  - Income-only
Nepal’s Preparation on Graduation

• National Planning Commission – Focal agency

• High-level Steering Committee under the chairmanship of NPC Vice-Chair

• Consultative Mechanism: On boarded other ministries, subnational government, private sector, development partners

• Peer exchange of experience with other graduating countries

• UNSDCF aligned with Graduation strategy

• Preparation of Smooth Transition Strategy (STS)
Impact of LDC graduation

A) Impacts on trade related support measures

• Change in Rule of Origin provisions - EU, Turkey, and UK
• Primary impact on Nepal’s carpet, apparel exports to EU, UK, and Canada
  • 2.48 - 4% reduction in total export of 2026
• No fundamental change in exports to India
• Impact on exports to SAFTA countries will be marginal
• Insignificant change on service trade
• Worker in carpet, garment and yarn industry may lose their job
• Removal of subsidy on agricultural products
• Intellectual Property Rights- TRIPS and TRIMS
Impact of LDC graduation

B) Impacts on Development Cooperation and LDCs specific instruments

- ODA priorities are not determined by LDC status
- Could affect due to the rise of income status
- Could be negative impact on access to support from UN agencies such as UNDP and UNICEF have targeted to spend 60 percent of core resources to LDCs
- Have impact of LDC specific instruments like LDCF and UNCDF and LDC Technology Bank
- Graduation from LDCs can transmit the positive massage to global community which may foster the FDI
- Could affect in fellowships and international travel support provided by DPs
Structural Aspect of the Nepali Economy

- Economic shift: primary to tertiary sector.
- Hydroelectricity, tourism, trade, transport and other service sectors: the leading
- High consumption leading to low saving & investment
- Low labor productivity: wage and skill mismatch
- Low domestic production: high dependency in import
- Labor shift: primary occupation (agriculture) to service sector
- Import-based revenue mobilization: custom duty, VAT and excise in custom points.
- Increasing outstanding debt.
- Agriculture production vulnerable to climate and disaster
Sectoral Composition of GDP:

Significant transformation from primary and secondary to tertiary sector.
Strategies for Structural Transformation

• The Constitution of Nepal: directive principles and policies

• Periodic plans (private sectors contribution and liberalized economic system introduced from 8th plan)

• Ongoing 15th Plan - three pillars of the economy

• MDGs and SDGs

• Sectoral Policies and strategies (ADS, PEFM, Revenue policy, trade policy, monetary policy, foreign employment, FDI policy, etc.)

• Plans, policies and strategies of provincial and local governments
Pathways to Structural Transformation

- **Agriculture**: commercial agricultural practices
- **Domestic resource mobilization**: revenue and expenditure policies
- **Hydroelectricity**: Export-oriented generation and transmission
- **Infrastructure**: Balanced/inclusive and quality infrastructures
- **Tourism**: Diversified quality tourism
- **Transportation**: Safe and mass-based transportation system
- **ICT and wider network**: Implementation of Digital Nepal Framework
- **Foreign employment and remittance inflow**: Productive use
- **Service sector modernization**: quality and modernized education and health system.
- **Urbanization and safe settlement**: Safe and modern cities, resilient settlement practices
- **Demographic dividend**: optimum use of economically active population
- **Climate resilient production activities and climate finance.**
Smooth Transition Strategy

Major Focused area of STS

- Fiscal System
- Monetary Policy
- Trade and Industrial Policy
- Diplomatic Capital
- Private Sector Development and Investment Climate
- Productive and Decent Employment
- Reducing Vulnerabilities and Enhancing Resilience
Smooth Transition Strategy

Post Graduation Measure

- Expanding productive capacity at a faster pace.
- Enhancing entrepreneurial capabilities and strengthening institutions.
- Structural transformation of the economy progressively.
- Reorienting macroeconomic policies for inclusive, broad based and sustainable high growth.
- Addressing vulnerabilities and strengthening resilience.
- Expediting internalization of GRID approach in development adding equity dimension as well.
Progress on implementation of DPOA

Mainstreaming DoPA in Plan and Policies

• 15\textsuperscript{th} plan cover major aspects of DPOA
• 16\textsuperscript{th} plan, subnational plans will be aligned with it
• Capacity development of Sub-national government
• LDC graduation strategy is being prepared
• SDGs implementation

Institutional Set Up

• LDC steering Committee/Thematic committees
• Concerned Ministries and sub-national governments

Partnership and Cooperation

• Close collaboration with UN and other DPs
• Collaboration with sub-national government, private sector, CSOs and other stockholders
Required ISMs for Sustainable Graduation

- Extension of LDC specific trade preference status or reducing them in a phased manner
- Provide targeted support throughout the entire graduation process including LDC fund and technology bank
- Capacity development and technical assistance in formulating new policies
- Support to strengthen IT and telecommunication, transport and structural changes
- Continued ODA support to financing gaps for SDGs and national priorities
- International support on foreign investment during and beyond graduation
- Mobilization of international facilities to promote export diversification
- Advocate for support to recently graduated countries
Thank you!