



Asia-Pacific Regional Workshop on Graduation Strategies from the  
LDC Category as part of the Implementation of the IPoA for the LDCs



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# Nepal's Status in Graduation from LDC Status

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# Presentation Outline

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2. Rational for Graduation of Nepal from LDC
3. Graduation Criteria and trend analysis
4. Gaps and intervention needed to close gaps
5. Progress in Human Development
6. Current Economic Policies and Priorities
7. Graduation Road Map
8. Conclusion





## Background



- In 1964, the establishment of **LDCs** was advocated in UNCTAD I, Geneva
- **LDCs categories were examined** in detail in UNCTAD II in 1968
- In 1969, **UN General Assembly acknowledged** the need to alleviate problem of underdevelopment in LDCs
- In 1970, the **International Development Strategy** for the second UN Development Decade recognized the existence of a group of countries that required special attention and help.
- **Nepal** joined the LDC category in 1971
- **Starting with 25 countries**, the current LDC list comprises of 49 countries: 34 in Africa, 14 in Asia Pacific & 1 in Latin America
- Since inception of the categorization only three countries graduated out: **Botswana (1994) & Cape Verde (2007) Maldives (2011)**



# UN Conferences on LDCs



- In 1981, UN LDC I held in Paris adopted the ***Substantial New Programme of Action*** (SNPA) for the 1980s
- In 1990, UN LDC II held in Paris adopted the ***Programme of Action for the Least Developed Countries for the 1990s*** (PoA 1990)
- In 2001, UN LDC III held in Brussels adopted ***The Brussels Programme of Action*** (BPoA) for Least Developed Countries
- In 2011, UN LDC IV held ***in Istanbul adopted Istanbul Programme of Action (IPoA)*** :
  - **Goal of IPoA:** *To overcome structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from LDC category.*
  - **Aim of IPoA:** *Enable half number of LDCs to graduate by 2020*



# 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.**



# Rational for Graduation of Nepal from LDC



- To achieve **Internationally Agreed Development Goals** specially on income criterion, human capacities and economic environment.
- **Signal improvement** to private and public partners opening new promising economic prospects.
- Favorable perception of the business environment **conducive to increased private investment**, particularly FDI.
- Open options for **financial and technical assistance** available to non-LDCs.
- Graduation implies **nation's pride** indicating nation's capability .
- Provides **long term alternative policy scenarios** on development.
- Provide **dynamic process of development** based on a long term horizon.
- The graduation brings upon **achieving competency** in several areas.



# LDC Identification



Low income



GNI Per Capita

Severe Structural  
Impediments to sustainable  
Development



Human Assets Index



Economic Vulnerability Index



# Graduation Criteria



- low income as measured by a three-year average of **GNI per capita**; for cases of graduation this average must be 20 percent above the inclusion threshold level set by CDP. (US \$1,190 in 2012);
- weak human assets as measured through a composite **Human Assets Index (HAI)**; with graduation set at 10 percent above the inclusion level, and
- Economic vulnerability as measured through a composite **Economic Vulnerability Index (EVI)**, which is set at 10% below the inclusion threshold to qualify for graduation.

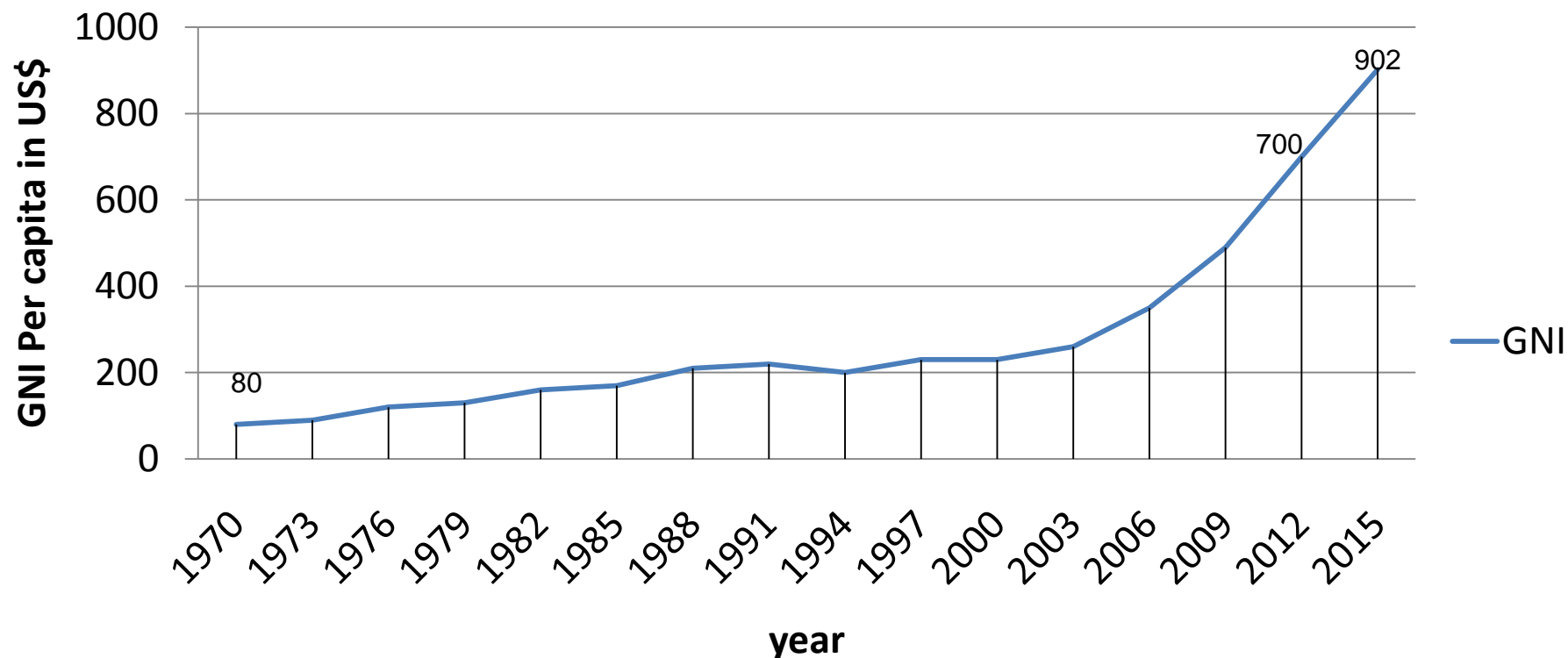




# Trend Analysis of Income Criterion over the years for Nepal



## Gross National Income Per Capita



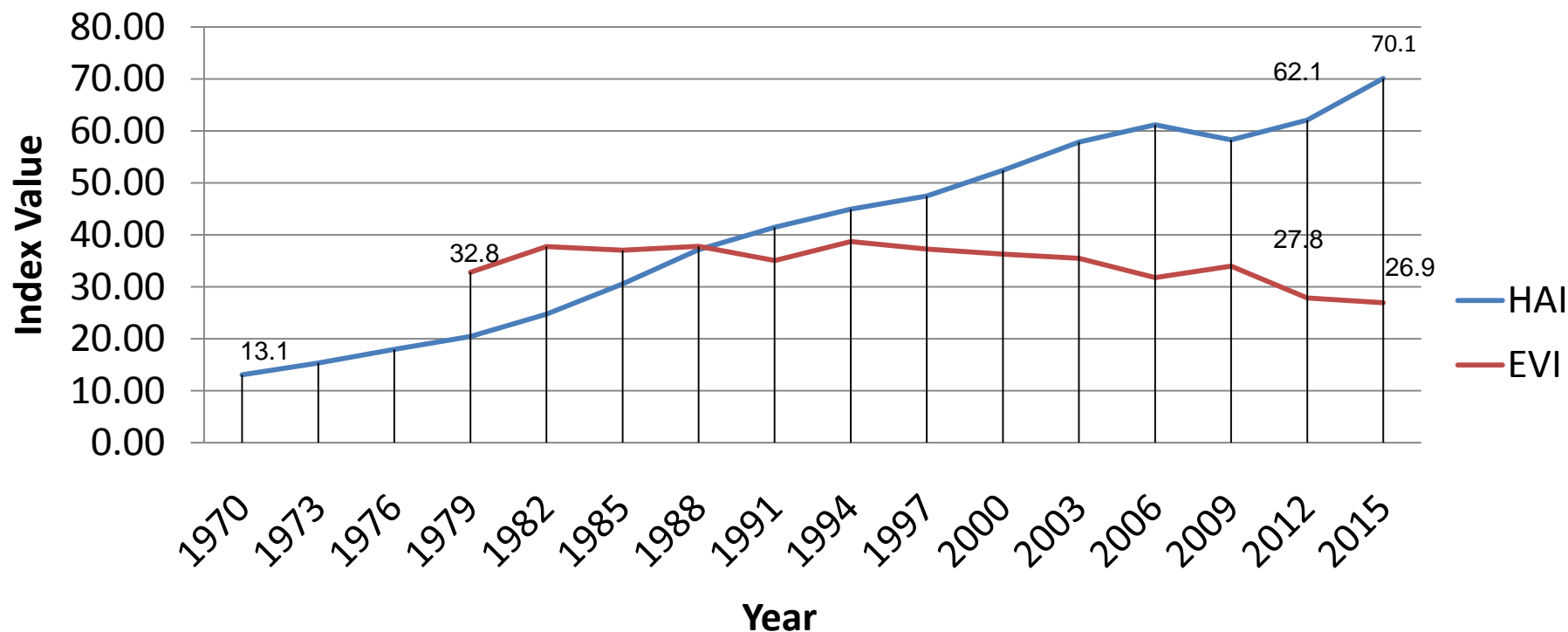
Sources: a. World Bank 2013  
b. NPC 2013  
c. . Economic Survey 2013, MOF, Nepal



# Trend Analysis of Economic Vulnerability Index & Human Assets Index over the year for Nepal



HAI and EVI Trend



Sources: a. [www. http://esango.un.org/sp/ldc\\_data/web/StatPlanet.html](http://esango.un.org/sp/ldc_data/web/StatPlanet.html)  
b. NPC 2013



# HDI trends on new component and new methodology



Year	HDI	Life expectancy at birth (yrs)	Expected Years of Schooling (yrs)	Mean year of Schooling	GNI Per capita (PPP)
2012	0.463	69.1	8.9 <sup>1</sup>	3.2 <sup>1</sup>	1,500
2011	0.460	68.8	8.9 <sup>1</sup>	3.2 <sup>1</sup>	1,102
2010	0.458	68.5	8.9	3.2	1,079
2009	0.453	68.1	8.9	3.1	1,048
2008	0.447	67.6	8.9	3.0	1,021
2007	0.440	67.0	8.9	2.9	980
2006	0.435	66.4	8.9	2.8	966
2005	0.429	65.6	8.9	2.7	954
2000	0.401	61.6	8.8	2.4	903
1990	0.341	54.0	7.4	2.0	709
1980	0.234	48.2	4.5	0.6	567



# Progress in Human capability



- Nepal's impressive progress in health and education can be traced to major public policy efforts;
  - *Free primary education for all children (1971)*
  - *Extended to secondary education (2007)*
- Reduction in infant mortality due to more general and gradual efforts;
  - *Extension of primary healthcare through community participation, local mobilization of resources and decentralization.*
- As a result... ***“the gap between Nepal’s life expectancy and the world average has narrowed by 87 % over the past 40 yrs!”***



# Trend Analysis of Human Asset Improvement as calculated by DESA

Indicators	2006 <sup>a</sup>	2009 <sup>a</sup>	2012 <sup>a</sup>	2012 Revised	2015 <sup>c</sup>
<b>Human Assets Index of Nepal</b>	<b>56</b>	<b>58.3</b>	<b>59.8</b>	<b>62.2</b>	<b>70.5</b>
Percentage of population Undernourished (%)	17	15	17	15.7 <sup>b</sup>	15
Mortality rate for children aged five or under	88.1	88.2	48.7	54 <sup>b</sup>	38
Gross secondary enrolment ratio	45	43.2	43.5	51.7 <sup>b</sup>	54
Adult literacy rate (gross)	48.6	56.5	59.1	60.3 <sup>b</sup>	75
<b>HAI for Inclusion</b>	<b>58</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>63</b>
<b>HAI threshold for graduation</b>	<b>64</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>70</b>

Sources: a. www. [http://esango.un.org/sp/ldc\\_data/web/StatPlanet.html](http://esango.un.org/sp/ldc_data/web/StatPlanet.html)

b. Demographic Health Survey 2011, Nepal

c. Estimated on the basis on outcome indicator of Thirteen Plan (2013-16)



# Trend Analysis of Economic Vulnerability Index (EVI)



Indicators	2006 <sup>a</sup>	2009 <sup>a</sup>	2012 <sup>a</sup>	2012 Revised	2015 <sup>c</sup>
<b>EVI</b>	<b>37.4</b>	<b>33.6</b>	<b>27.8</b>	<b>27.8</b>	<b>26.9</b>
Population (in millions)	25.0	26.0	26.4	26.85 <sup>b</sup>	27.89
Remoteness ( adjusted for LLDC)	53.5	54.3	56.6	56.6	56.6
Merchandises export concentration	0.3	0.15	0.14	0.14	0.14
Share of Agri. , Fisheries & Forestry (%)	38	34	33.2	32.2	31.11
Instability of exports of goods and services	12.2	14.6	11.8	11.80	11.20
Victims of natural disasters	0.6	0.92	0.74	0.74	0.71
Instability of agriculture production	4.0	2.3	2.4	2.40	2.05
<b>EVI for Inclusion</b>	<b>42</b>	<b>42</b>	<b>36</b>	<b>36</b>	<b>36</b>
<b>EVI for graduation</b>	<b>38</b>	<b>38</b>	<b>32</b>	<b>32</b>	<b>32</b>

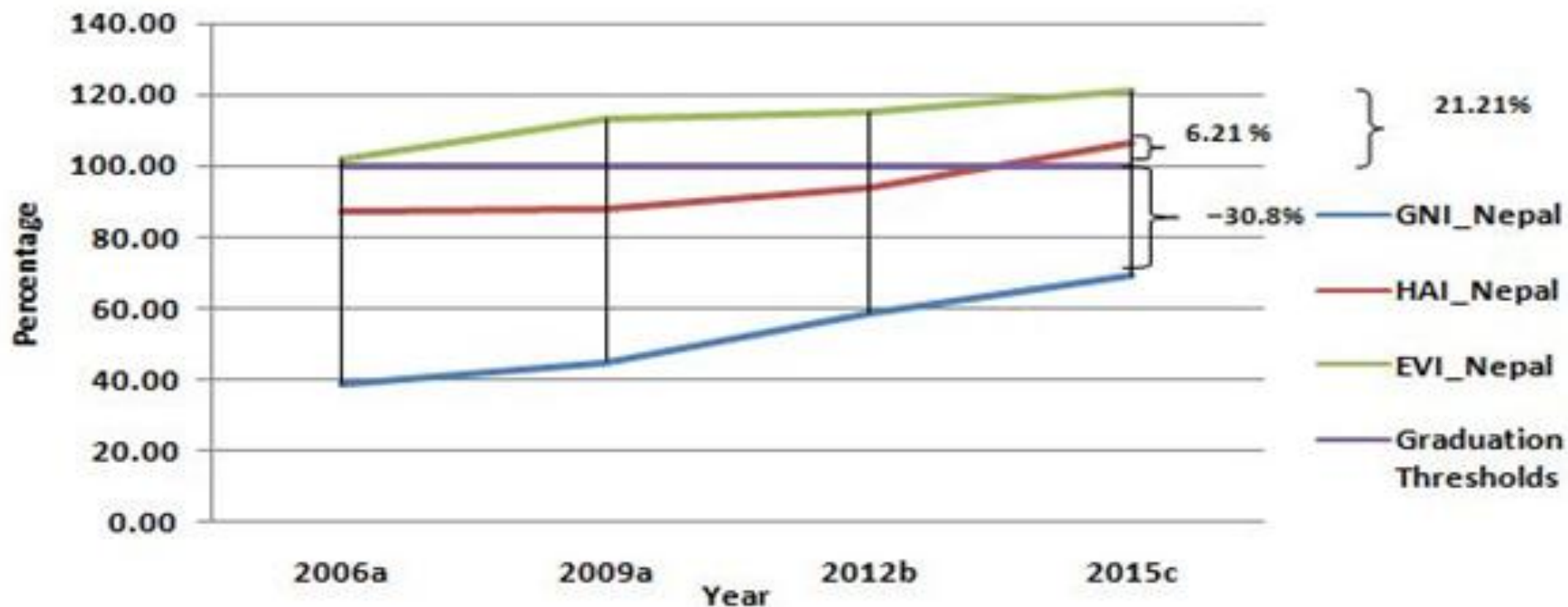
Sources: a. www. [http://esango.un.org/sp/ldc\\_data/web/StatPlanet.html](http://esango.un.org/sp/ldc_data/web/StatPlanet.html)

b. Calculated on the basis of Census 2011

e. Estimated on the basis on outcome indicator of Thirteen Plan (2013-16)



# Gap Percentage with Graduation Thresholds



Sources: a. [www. http://esango.un.org/sp/ldc\\_data/web/StatPlanet.html](http://esango.un.org/sp/ldc_data/web/StatPlanet.html); b. Revised Calculation using recent data; c. Based of outcome indicators of Thirteen Plan (2013-16)



# Gap Analysis

- Income criterion could be the main hurdle in graduation from the LDC status of Nepal.
- Substantial progress has been achieved in this area also besides the decade long arm conflict and political transition in the country.
- The last population census has shown that Nepal in a stage to achieving the population dividend.
- the increase in human capability will helps to enhance the level of income level of the individuals at large.





# Gap Analysis

- Nepal has made remarkable progress in human capability index during last few decade due to its focused on health and education sectors.
- The public and private investment made in these sectors has helped to reduce the gaps with the graduation threshold over the period.
- It is expected that Nepal will achieve the thresholds within the period of current periodic plan.
- the effort needs to be focused on increasing the adult literacy and gross secondary enrollment.
- The dropout rate in secondary level is very high and mean year of schooling is also very low compare to other South Asian countries.



# Gap Analysis

- Nepal has achieved graduation thresholds in economic vulnerability criterion since last three reviewed conducted by DESA.
- But it needs to improve its level in this index also.
- Trade diversification and conversion to land-linked from land locked situation is necessary to improve the situation.
- Agriculture sector is still operating at subsistence level and based on monsoon resulting high instability of the agriculture production.



# Recap of the Gap Analysis



- Nepal need to focus on meeting the income criterion as aggressively as possible developing its productive capacity.
- Nepal need to achieve following targets in human capability criterion 2021 :
  - undernourished share of the population: 13% (from 17% in 2012)
  - mortality rate: 26 per 1000 (rom 48.7 per 1000 in 2012),
  - gross secondary school enrolment: 65% (rom 51.7% in 012)
  - literacy rate: 95 (from 59.1% in 2012)
- It is also necessary to enhance the economic vulnerability indices .
- 2021 can be the earliest by which Nepal can achieve **de facto** graduation and it can achieve **de jure** graduation 2024 from low income to lower middle income country based on GNI per capita



# Intervention needed to close the gaps



## Achieving High Economic Growth

- **High levels of foreign direct investment (FDI)**, particularly in the energy and manufacturing sector, could drive such growth.
- **Provide opportunity, capability, access and security** to all for sustained growth and productive employment in the economy
- **Tap 'demographic dividend'** through provision of higher levels of human development, and productive employment opportunities.
- **Accelerate the pace of job creation** through the manufacturing and service sectors of the economy and enhancing rural non-farm jobs opportunities.
- **Expand investment in infrastructure** based on a combination of public and private investment through various forms of PPP.



# 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.



## Strategies adopted in Current Plan

- increase an inclusive, broad and sustainable economic growth by enhancing the contribution of private, government and cooperative sectors in development sector.
- develop physical infrastructure.
- increase the access, use and standards in areas of social service.
- enhance good governance in public and other sectors.
- increase economic and social empowerment of the targeted classes, sectors and groups.
- implement development programs in a manner compatible to climate change.



# Priorities of current plan

The current plan has laid down the priorities in the following areas:

- Development of hydropower and other energies
- Increase in productivity, diversification and commercialization of the agricultural sector
- Development of basic education and health, drinking water and sanitation sectors
- Development of roads and other physical infrastructure
- Development of tourism, industries and trade sector
- Protection of natural resources and environment



# Road Map of Graduation



Main events	Responsibility	Dates	Remarks
Preparation of the concept for Graduation Strategy	NPC	Sept 2013	
Technical workshop for government officials	NPC/MOF	January 2014	
Preparation of detail Strategy for Graduation	NPC	February 2014	Support from Donors
Integration of indicators into national statistical systems	NPC/CBS	Feb/March 2014	Inputs/resources from Donors
Final Strategy document presented to Parliament	NPC/MOFA	April 2014	
Review of LDC related data/policies	NPC	May 2014	Technical support from UNESCAP
Mid-term review of 13 <sup>th</sup> Plan	NPC	2014/15	Policy/programme adjustments to support LDC graduation
Formulation of 14 <sup>th</sup> Plan	NPC	3 <sup>rd</sup> quarter 2015	Further structural changes aligned with LDC graduation requirements
Mid-term review of 14 <sup>th</sup> Plan	NPC	2018/19	Policy/programme adjustments to support LDC graduation
NHDR 2016	NPC	March 2016	Resources from UNDP





# Road Map of Graduation



Main events	Responsible Party	Dates	Remarks
CDP first review of eligibility for graduation	UN	First quarter 2017	MOFA/NPC
Oral presentation to expert group meeting of CDP on eligibility for graduation	NPC/MOF/MOFA	1 <sup>st</sup> quarter 2021	Subject to prior observation in 2018 of pre-eligibility for graduation
Written submission to CDP for review of eligibility	MOFA	1 <sup>st</sup> quarter 2021	- Same
Preparation of vulnerability profile	UNCTAD	2020/2021	
Preparation of ex-ante Impact Assessment	UNDESA	2020/2021	
NHDR 2019 includes analysis of impact assessment and elements of smooth transition strategy	NPC	2017/2018	- Resources from UNDP
ECOSOC recommends graduation and GA takes note	UN	3 <sup>rd</sup> and 4 <sup>th</sup> quarters 2021	
Preparation of 3 year smooth transition strategy	NPC/MOF	Any time in 2019-2021	Support from UNCTAD and development partners
Deletion from LDC list and status	UN	Last quarter 2021	
Triennial post-deletion monitoring by CDP	UN	Starting 2024	- Short reports from UNDESA



# 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.



## 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.



**Thank You All  
for your kind attention**