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Nepal's Graduation Strategy from LDC Status by 2022

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Nepal

The views and opinions expressed in this paper are those of the author and do not necessary reflect the views of UNESCAP.

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1. Introduction:

It is growing realization in Nepal that the development policies and strategies need to adequately respond to changing market and technological conditions in the regional and world economy as much as to the changes taking place in the domestic socio-economic conditions.

In response, beginning in 1990s, the Government of Nepal adopted socio-economic reforms which continue to be implemented to date. However, it has increasingly become apparent to the Government and its people that these socio-economic reforms are inadequately captured by a national long-term development philosophy and direction. It has been realized that these reforms had to be underpinned by a long-term development philosophy, if they are to be owned and sustained by the people that the idea of formulating a national vision emerged. Moreover, the Government has recognized the importance of re-kindling the hopes and expectations of the people as well as their patriotism and nationalistic aspirations thus reinforcing the need for a national vision.

In this context, the 12th Plan (2010/11- 2012/13) adopted a vision to create a prosperous, peaceful and just Nepal by transforming it from a least developed country (LDC) into a developing nation within a two-decade period. The plan expected that the people living below the poverty line would be at minimum level through the achievement of high economic growth which would transform Nepal into a prosperous modern nation. There would be peace and good governance in all spheres of the country. All Nepalese people would avail equal opportunities to ensure their future. All forms of discriminations and inequalities such as legal, social, cultural, linguistic, religious, economic, ethnic, physical, gender and regional would end. Hence, this vision would guide the government to make deliberate efforts to improve the quality of life of Nepalese people to the level of their counterparts in developed world.

The outcome of the Rio+20 Conference, The Future We Want, in June 2012 recognizes the serious constraints that the LDCs face in achieving sustainable development. The Fourth UN Conference on the Least Developed Countries (LDCs), held in Istanbul from 9-13 May 2011, adopted the Istanbul Declaration and Istanbul Programme of Action (IPoA) for the LDCs for the Decade 2011-2020. The overarching goal of the IPoA is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the LDC category. The IPoA also sets an ambitious goal of “enabling half the number of LDCs to meet the criteria for graduation by 2020.” The IPoA is the first global programme of action for LDCs containing a full-fledged chapter on graduation and smooth transition, recognizing the need to do more in this area if the overarching goal is to be achieved.

The Istanbul Declaration recognizes "that the graduation process of LDCs should be coupled with an appropriate package of incentives and support measures so that the development process of the graduated country will not be jeopardized". Member States agreed "to work on the development and implementation of smooth transition strategies for graduating and graduated LDCs."

Building on General Assembly resolution 59/209, the IPoA states that "the measures and benefits associated with the LDC membership status need to be phased out consistent with their smooth transition strategy, taking into account each country's particular development situation." It further elaborates that "it is crucial for graduating countries to take the lead in the development of smooth transition strategies with the support of their development and trading partners. Development and trading partners, including the United Nations system, should continue to support the implementation of the transition strategy and avoid any abrupt reductions in financial and technical assistance and should consider extending trade preferences to the graduated country, on a bilateral basis."

In line with the aim of the IPoA, the Government of Nepal has decided to graduate Nepal from LDCs by 2022. The current Thirteen Plan (2070/71-2072/73) has adopted this time bound and ambitious vision. This plan is very much focused on achieving the MDGs by 2015 while also driving forward structural transformation that will lead to graduation. This plan has adopted broad based and inclusive development approach to overcome structural challenges in order to eradicate poverty, achieve internationally agreed development goals, and enable graduation from the LDC category. With its long-term vision of graduation and the integration it into national development plan to reach graduation thresholds, Nepal is committed to ensure that every effort is made to meet the thresholds, and to avoid also any potential negative impacts emerging from graduation

2. Rational for Graduation:

The over-riding objective of the perspective vision of Nepal is to achieve graduation from LDC status by 2022. Indeed graduation from LDC status is achievable and desirable, it reflects Nepal's success in achieving a major breakthrough in achieving development goals, such as increased per capita income, strengthened human capacities and reduced economic vulnerability. However, unfortunately graduation is often viewed primarily from the point of view of a loss of benefits. It is important to bear in mind that graduation brings with it a variety of new opportunities and potentials. It signals to private and public partners that durable improvement has occurred thereby opening new promising economic prospects. Graduation points to a reduced level of risk for investors and higher creditworthiness, which could lead to better access to private development finance. Not being an LDC any longer is often also associated with a more favorable perception of the business environment conducive to increased private investment, particularly FDI. That may also open others options for financial and technical assistance available to non-LDCs. In addition, the graduation implies nation's pride indicating that it has the capability to achieve what few other LDCs have achieved over the past few years.

Hence, the vision to graduate Nepal from LDC provides long term alternative policy scenarios on the future course of development. The dynamic process of development has to be one based on a long term time horizon. This perspective vision seeks to be particularly

relevant for the short and medium term implementation of long term planning targets. This will guide the country's future development endeavors. Long-term perspective plans are also useful for anticipating changes and for understanding events that are likely to happen.

The graduation of Nepal from LDC category brings upon improving competency in several areas, including, but not limited to the following:

1. Energy and Infrastructure development
2. Education, Science and Technology
3. Health and Development
4. Commercialization of the Agriculture and Food Security and Nutrition
5. Peace and Social Justice
6. Gender Equality and Social Inclusion
7. Utilization of Water Resources
8. Good governance
9. Management of Climate Changes

3. Recent macroeconomic/sectoral performance:

This section will cover the trends of socioeconomic performance in the country in the past decade and the targets of the current midterm plan

Nepalese economy, despite the country showing some signs of improvement in the attainment of MDGs, has not really been successful in making substantive changes in income and growth terms. Poverty has declined but income inequality is growing. During the period of 1990-2012, Nepal recorded annual average growth rate of 4.3 per cent, which is well below the target. The Nepal Living Standard Survey (CBS 2011) indicated that poverty in the country has declined to about 25.2 per cent of the population from 42 per cent in 1996. However, income inequality has been a serious issue with Gini coefficient of 0.32 . In addition, large segments of the poor are hardcore poor, barely able to eke out subsistence on fragile lands and a vulnerable eco-systems. Large areas of the country lack even the most basic amenities and essential services. There are also wide variations in rural-urban areas, eco-development regions, ethnic group and occupational caste. To address the situation, the Ninth Plan (1997-2002), the Tenth Plan (2002-2007), Three Year Interim Plan (2007 – 2010) and Three Year Plan (2007 – 2010) identified poverty alleviation as the single most important objective. The situation has not improved much due to a host of reasons particularly political instability, lengthening political transitional phase and the persistence of disturbances despite commitment towards peace and development.

Economic development is a daunting task in Nepal, given its limited resource endowment, its landlocked location and the rugged terrain and with its underdeveloped economic and social infrastructure. The economic development efforts of almost six decades, starting from the first economic development plan in 1956, have yielded an average growth of around 4 per cent per annum which, if discounted by the population growth rate of about 2.1 per cent during the same period, gives a per capita income growth of less than 2 per cent per annum.

Growth in the services sub-sector has been relatively higher, but it basically depicts a poor development particularly when the two neighboring countries are galloping ahead with higher growth rates.

The euphoria following the transition to a democratic government in 1990 facilitated by wide-ranging economic reforms in early nineties, contributed to the acceleration of the economy and brought about improvements in some key sectors, such as trade, investment and foreign exchange regimes. The ensuing political instability following the mid-nineties slowed down development and contributed to increasing politicization, weakening of administrative and institutional capacity, increasing problems with governance, poor economic policies, and the deterioration of law and order, culminating in the emergency situation in connection with the insurgency problem.

Nepal remains one of the poorest countries in the world with about 24.8 per cent population living below the poverty line of $1.25. Nepal's economy is still dominated by agriculture. Out of about 57 per cent of the population classified as economically active, more than two thirds were still engaged in agriculture in 2008, with the lowest value addition per worker. As expected as part of the development process, the contribution of non-agriculture activities to the GDP has gradually increased in recent years, while the contribution of agriculture to GDP has gone down to 35 per cent in 2011/12 from 48 per cent in the year 1990/91, but employment in agriculture remains high.

The phase of political transition, lack of infrastructure facilities and high costs thereof, and a weak civil service and inadequate service delivery have all inhibited exploitation of a fuller growth potential. Nepal, thus, is passing through a phase of economic doldrums and is unable to take advantage from exemplary growth achieved by its two big neighbours, China and India.

A lot has been achieved in the area of infrastructure development in the country. However, most parts of the country still suffer from the lack of adequate access. Roads remain the single most important means of access in this landlocked mountainous country but road building itself is not an easy task in such rugged physical terrain. Connectivity, therefore, is limited even within the domestic environment and this does not augur well for external connectivity.

The total road length has reached an estimated 26 thousand km but a large part of the country has yet to be connected with modern means of transportation. Vast areas, especially in the northern part of Nepal, are still deprived of any viable and easy connectivity making it necessary to walk for several days from the nearest road-head as the only alternative. Still two district headquarters out of 75 are to be linked to road access.

In the communication sector, telephone lines have increased several folds with vast rural areas now receiving telephone lines. Though communications have grown fast, they have generally tended to be concentrated in urban areas and the low income, low literacy level, and low access to electricity, among other factors, have to date limited expansion of information and communication technologies and perhaps widened the digital divide between the social groups. Radio and television coverage are still not nation-wide, although the number of privately operated FM radio stations have been rising at a fast pace.

The total electricity available is around 712 megawatts. Electricity is available to almost 67 per cent of the country's population, mostly urban and semi-urban. But the demand far exceeds supply particularly in the dry season meaning that even during the monsoon season the country has to opt for power outage seriously affecting the economic and other activities.

The international connectivity by air is limited to operations from one international airport at Kathmandu. However, the domestic air transport network is extensive and plays an important role for many parts of the country, but remains unaffordable for much of the population. Rail linkage in the form of cargo movement has only reached to Birgunj ICD since 2004.

The challenges in Nepal are not characterized only by income poverty. Large discrepancies exist in social indicators when comparing the various geographic regions and socio-economic groups. Rural dwellers are twice as likely to be illiterate than urban dwellers, and illiteracy is highest among the lower castes and disadvantaged groups. In terms of other indicators, like access to essential services such as health, education and safe drinking water, the rural regions tend to be significantly behind, with disadvantaged groups still having less access. Since disadvantaged groups figure prominently in the incidence in both income and capability-poverty, it is essential that the government’s poverty reduction programmes address these factors to remove such inequalities. In Nepal, social exclusion is primarily driven by feudal institutions and historic processes that uphold or exacerbate income and capability poverty on the basis of gender, ethnicity, caste and religion. But, the problem is also driven in some instances where the voice of the rural poor is still unheard or virtually excluded from the policy dialogue itself, due to regressive trends and poor or weak governance at various levels.

Table 1: Summary of Macro Economic Indicators

(In Rs. millions)

Description	2001/02	2005/06	2009/10	2010/11	2011/12	2012/13
Per capita GDP (NRs.)	19410	25279	45435	51896	57202	62510
Annual Change in nominal per capita GDP (%)	1.77	8.53	19.03	14.22	10.22	9.28
Per capita GNI (NRs.)	19384	25471	45782	52181	57753	62797
Annual Change in nominal per capita GNI (%)	1.25	9.05	18.53	13.98	10.68	8.73
Per capita GNDI (NRs.)	22265	30346	56549	63800	73497	80685
Annual Change in nominal per capita GNDI (%)	1.30	11.49	17.17	12.82	15.20	9.78
Per capita GDP at constant price (NRs.)	18675	19884	23561	24144	24979	25545
Annual Change in real per capita GDP (%)	-2.08	1.09	3.37	2.48	3.46	2.27
Per capita GNI at constant price (NRs.)	18657	20186	24152	24655	25583	26079
Annual Change in real per capita GNI (%)	-2.55	1.94	3.65	2.08	3.77	1.94
Per capita GNDI at constant price (NRs.)	21430	24050	29831	30145	32557	33508
Annual Change in real per capita GNDI (%)	-2.50	4.22	2.46	1.05	8.00	2.92
Nominal Per capita GDP (US$)	255	350	610	718	706	717
Nominal Per capita GNI (US$)	254	352	614	722	713	721
Nominal Per capita GNDI (US$)	292	420	759	883	907	926
Final Consumption Expenditure as percentage of GDP	90.51	91.02	88.55	85.53	88.51	90.66

Gross Domestic Saving as percentage of GDP	9.49	8.98	11.45	14.47	11.49	9.34
Gross National Saving as percentage of GDP	24.20	29.03	35.91	37.41	39.98	38.41
Exports of goods and services as percentage of GDP	17.74	13.45	9.58	8.85	10.02	10.34
Imports of goods and services as percentage of GDP	28.49	31.32	36.40	32.73	33.40	38.79
Gross Fixed Capital Formation as percentage of GDP	19.56	20.72	22.21	21.29	20.01	21.15
Resource Gap as percentage of GDP(+/-)	3.95	2.17	-2.36	-0.94	5.11	0.62
Exchange rate (US$: NRs)	76.25	72.32	74.54	72.27	81.02	87.13

Sources: Central Bureau of Statistics, 2013

R = Revised/P = Preliminary

The increasingly volatile situation of the country demands revisiting of approaches and strategies to really focus on poor and disadvantaged groups and to improve the lives of the most deprived. The government has to develop a policy framework that reflects the voice of the people, can meet the poverty reduction targets and can raise, allocate and account for resources in accordance with those pro-poor policies. In this respect, donor agencies have clamored for integrated and comprehensive strategies for poverty reduction and the government's recognition for the same has helped to create a more congenial environment in which to focus development activities on poverty reduction.

Governance issues have been a major factor undermining the effectiveness of development efforts. They have taken many forms including excessive political interference and increasing corruption (World Bank 2000). Some of the main examples are political interference in government appointments, the frequent transfer of civil servants and project officials, political involvement even in simple procurement decisions, misuse and diversion of public funds for unauthorized purposes, and government decisions serving parochial interests. In this environment, project implementation has suffered and desired goals have not been achieved. This has clearly heightened the need for good governance; the recognition of it and defining it as a strategy is a major point of departure in achieving targets of Programme of Actions for LDCs.

Thus, two things are happening side-by-side. On the one hand, the overall policy framework has become more encouraging; but, on the other hand, there are some glaring differences in approach and intent between sectors. Such differences sow confusion and result in poorly defined programmes or in strategic difficulties in meeting the goals of otherwise well-designed programmes.

4. LDC status and Graduation Criteria:

The establishment of a category of least developed countries (LDCs) was first advocated in the 1960s to attract special support measures for the most disadvantaged economies. From the outset, LDCs were recognized as the most vulnerable members of the international community, as these low-income countries face severe structural handicaps to growth. Indicators of such impediments are the high vulnerability of these countries' economies and their low level of human capital.

The Committee for Development Planning (CDP) proposed an initial list of 25 LDCs based on a simple set of criteria (per capita gross domestic product (GDP), share of manufacturing in GDP and adult literacy). The list was approved by the Economic and Social Council and formally endorsed by the General Assembly in November 1971.

Since its creation, the CDP has gradually evolved other criteria for LDCs, in order to better reveal long-term structural weaknesses. The current criteria are based on:

- Gross National Income (GNI) per capita
- Human Assets Index (HAI)
- Economic Vulnerability Index (EVI).

In addition, in 1991, the CDP determined that countries with a population exceeding 75 million should not be considered for inclusion in the list of LDCs. The intention of the CDP in setting this criteria is to capture the 'long term structural weaknesses' of 'Low Income countries that face structural handicaps to growth' in their efforts to sustain development.

The three criteria serve to measure progress in relation to:

I. 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 for every review of the LDC list (US $1,086 in 2009; US $1,190 in 2012, using World Bank Atlas method data);

II. weak human assets as measured through a composite **Human Assets Index (HAI)**; with graduation set at 10 percent above the inclusion level, and

III. Economic vulnerability as measured through a composite **Economic Vulnerability Index (EVI)**, which is set at 10% below the inclusion threshold to qualify for graduation. Both HAI and EVI are structural handicap criteria, calculated by establishing a ranking of developing countries (LDCs and low income countries) in which the score of each LDC should be interpreted only in (percentage terms) comparison with the scores of other countries in the ranking.

The graduation thresholds for these three criteria over the period of 2006, 2009 and 2012 have been given in table 2. During each triennial review, the CDP review the threshold for each graduation criteria.

Table 2: Graduation thresholds over the last three review

Indicators	2006	2009	2012
Gross National Income (in US$)	900	1086	1190
Human Assets Index	64	66	66
Economic Vulnerability Index	38	38	32

Source: http://esango.un.org/sp/ldc_data/web/StatPlanet.html

The graduation process

According to General Assembly Resolution 59/209, the process before an LDC graduates from the list takes a period of at least six years, from the first triennial review by the Committee for Development Policy (CDP) where it is found to meet the graduation criteria to the actual graduation.

Table 3: Graduation Time Frame set by UN General Assembly

Year 0 to 3	**CDP first finding of eligibility (country is notified)**
Year 0 to 3	**UNCTAD** prepares Vulnerability Profile assessing the extent of external economic and natural shocks on the economic performance and economic structure of the country under review, and **DESA** prepares ex-ante Impact Assessment of the likely consequences of graduation on economic growth and development
Year 3	**CDP** second finding of eligibility (reviews vulnerability profile, impact assessment and country inputs) **CDP** recommends graduation **ECOSOC** takes action on CDP findings **General Assembly** takes note of CDP recommendation **-** graduation to take place after 3 years
Year 3 to 6	**Graduating country prepares smooth transition strategy** in cooperation with development and trading partners with support from UN system (establishment of consultative mechanism) **CDP** monitors socio-economic development progress of graduating country annually
Year 6	**Country graduates from the LDC category**
Post Graduation	**Graduated country implements smooth transition strategy** **Graduated country**, with support of consultative mechanism, monitors implementation of the smooth transition strategy and keeps UN SG informed **CDP** monitors development progress of graduated country during triennial reviews

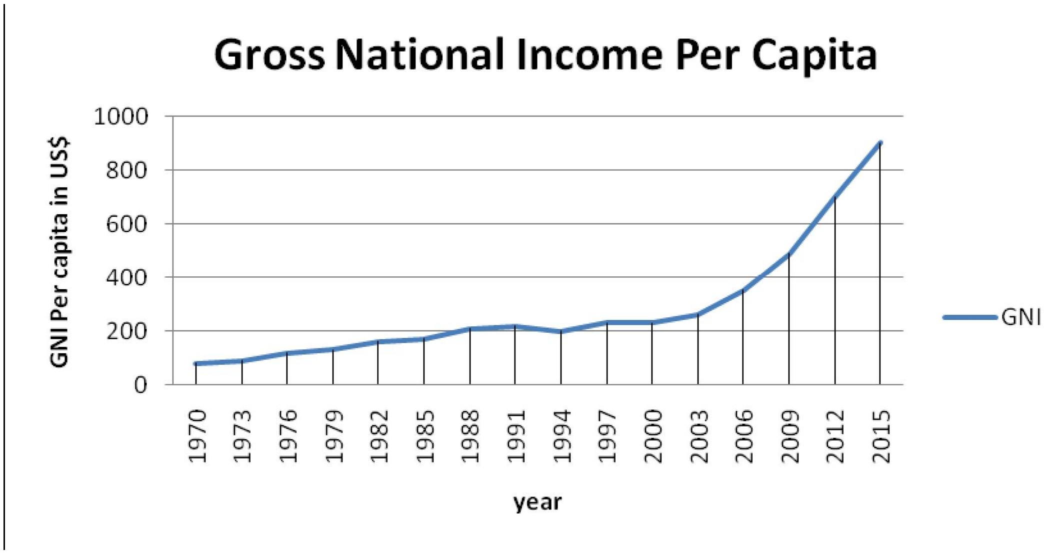
A country graduates from the LDC category three years after the GA takes note of the recommendation of the CDP. During this three-year period, the country remains on the list of LDCs and continues to benefit from the special support measures associated with LDC status. The smooth transition strategy is to be implemented only after the actual graduation of the country.

It is widely recognized that an adequate period of continued special international support is desirable, and likely to be critical, to enable graduating LDCs to sustain their socio-economic progress. The need for a "smooth transition with a view to avoiding disruption to their development plans, programmes and projects" was identified by the General Assembly as early as 1991

5. Status of Nepal on Graduation Criteria:

The Nepal's GNI per capita in US$ as indicated in World Bank Atlas and World Development Report shows US$ 700 in 2012. It was US$ 80 in 1970, US$ 220 in 1990 and US$ 230 in 2000. The growth in GNI per capita was very slow in the initial period, it took almost one decade to double the GNI level. The level of growth in GNI took momentum in the recent period and it is taking just around five year to double the level.

Chart 1: Gross National Income Per Capita (US$)



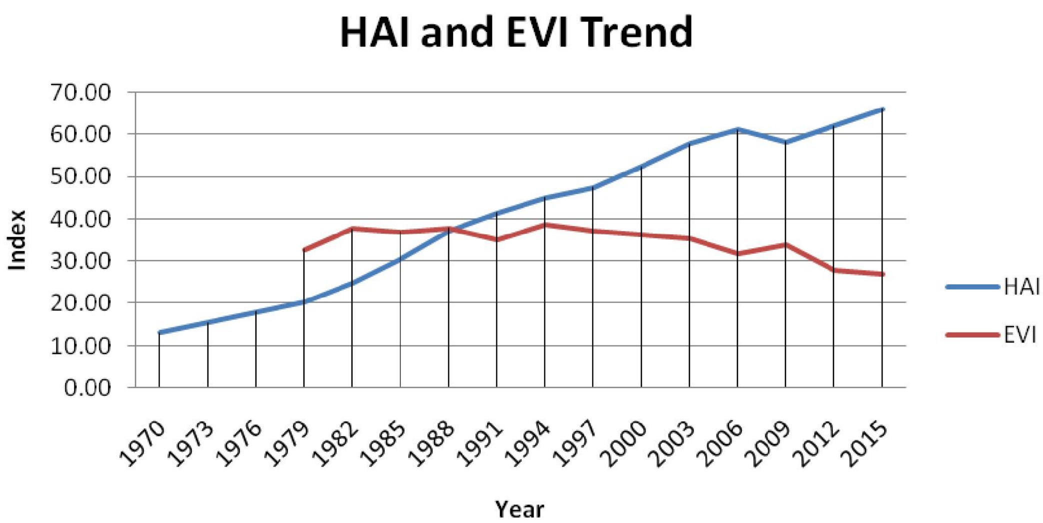
Sources: a. World Bank 2013
b. NPC 2013
c. . Economic Survey 2013, MOF, Nepal

The Chart 1 clearly shows that the level of increase in GNI per capita is very steep up after 2006. The Thirteenth Plan (2013-2016) has estimated that the GNI per capita in US$ will reach to 902 in 2015/16.

Nepal's human assets index value was just 13.07 during 1970 and it reached to 22.02 in 1980. The growth in HAI took momentum during 1980s and reached to 40.09 in 1990, 52.42 in 2000 and 62.2 in 2012. It is expected that the level will reach to 70.5

Nepal’s impressive progress in health and education can be traced to major public policy efforts, free primary education for all children (1971) which was extended to secondary education (2007) and reduction in infant mortality due to more general and gradual efforts due to 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!” (HDR, 2010)

Chart 2: HAI and EVI Trend (1970-2015)

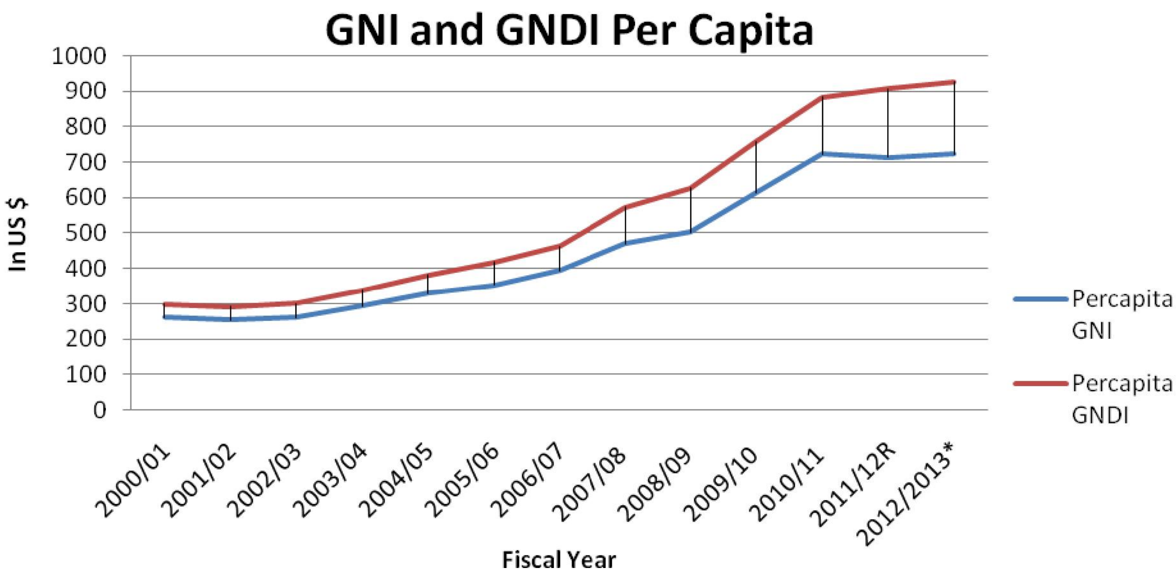


Sources: a. www. http://esango.un.org/sp/ldc_data/web/StatPlanet.html
b. NPC 2013

Nepal's economic vulnerability index was 32.82 in 1979 and remain almost at same level till 2006 with slight variation. But it came down to 27.8 in 2012 and it is expected to reach 26.95 during current plan period (chart 2).

The recent Census 2011 has shown that the population growth rate in Nepal has gone down to 1.36 percent. It was 2.26 percent in 2001. Hence it has directly influenced in calculation of GNP per capita. Besides, presently remittance inflow in Nepal has reached almost 30 per cent of the total GDP and GNI calculation has not captured all the remittance inflow due to definition used in national account system. In this scenario it is useful to analysis the GNDI per capita in US$.

Chart 3: GNI and GNDI Per Capita (in US $)



Sources: Economic Survey 2013, MOF, Nepal

The chart 4 shows that the gap between GNI per capita and GNDI per capita has been increasing over the year though the trends of growth is at same direction. GNDI per capita was US$ 298 in 2001 and it has reached to US$ 926 in 2013. The difference between GNI per capita GNDI per capita was US $ 38 in 2001 and it has reached to US $ 205 in 2013. It indicates that the GNI per capita is undervalued compare to GNDI and calculation procedure in national account system need to be reviewed. Besides, national account system in Nepal still could not capture substantial economic activities carried out in remote rural areas and informal sectors. Hence, it needs to be evaluated systematically to capture all the economic activities carried out in the country.

6. Analysis of Gaps in the Graduation Criteria:

Gaps between present graduation criteria and Nepal's status will be critically analyzed in this section. Gaps as indicated by the DESA in last three reviews will be analyzed

As of the last review in 2006, 2009 and 2012 by DESA, Nepal has met only one threshold associated with the three criteria. The index value used in these reviews has been presented in table 4. Here it is necessary to point out that most of the data used by the UNDESA in its triennial review is based on projection based on old data. The revised figure shows that Nepal has achieved 58. 8 per cent in per capita income threshold in 2012. In the same way it has achieved 94.2 percent of the human assets threshold in that year, whereas it has achieved 115.1 percent in economic vulnerability threshold.

Table 4: Nepal's Status in Graduation Thresholds over the period

Indicators	2006[a]	2009[a]	2012[a]	2012 Revised	2015[e]
Gross National Income (in US$)	**243.3**	**320**	**420**	700[b]	**902**
Human Assets Index	**56**	**58,3**	**59.8**	**62.2**	**70.5**
Percentage of Population Undernourished (%)	17	15	17	15.7[c]	15
Mortality rate for children aged five or under	88.1	88.2	48.7	54[c]	38
Gross secondary enrolment ratio	45	43.2	43.5	51.7[c]	54
Adult literacy rate	48.6	56.5	59.1	60.3[c]	75
Economic Vulnerability Index	**37.4**	**33.6**	**27.8**	**27.8**	**26.9**
Population (in millions)	27.1	28.8	30.5	26.85[d]	27.89
Remoteness (not adjusted for LLDC)	75.8	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
Share of population in low elevated	0	0	0	0	0
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

Sources: a. www. http://esango.un.org/sp/ldc_data/web/StatPlanet.html
b. World Bank 2013
c. Demographic Health Survey 2011, Nepal
d. Calculated on the basis of Census 2011
e. Estimated on the basis on outcome indicator of Thirteen Plan (2013-16)

Thus, while considerable progress had been made in last two reviews, further national efforts –as envisaged in the implementation of the 13th Plan – still needed to bring the Government's vision to fruition during the 10 years left before the UN may formally contemplate qualifying Nepal for graduation from the list of LDCs.

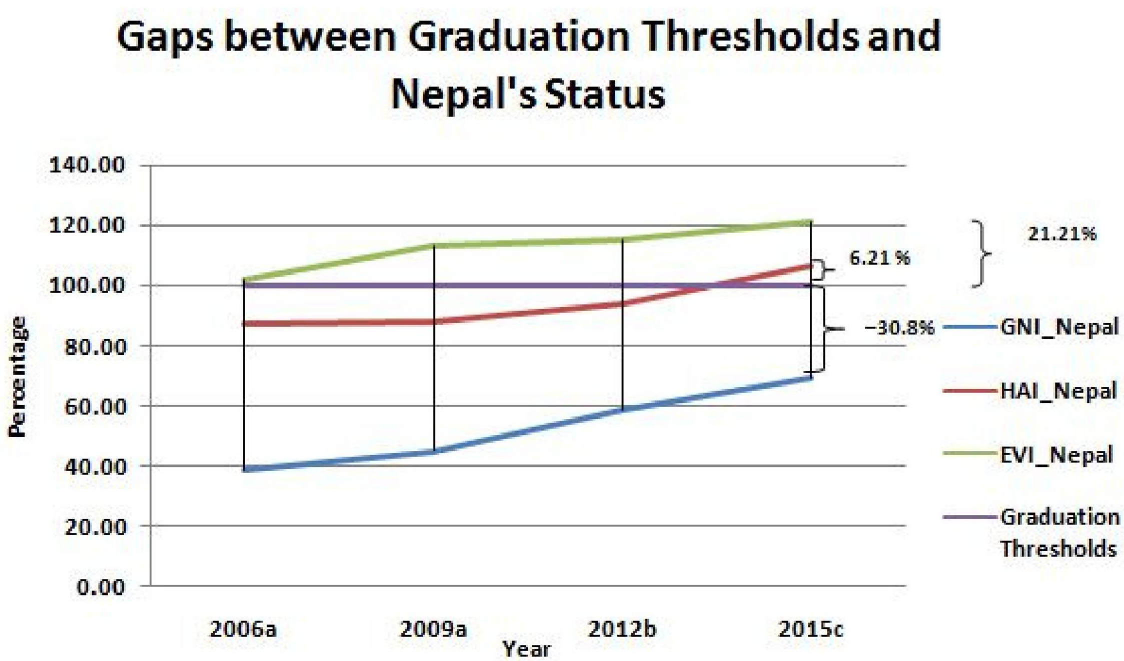
As per the outcome indicator of the current Thirteen Plan (2013-16), it has been estimated that Nepal would achieve 69.2 per cent of the income per capita thresholds. The interventions in education and health sector during this period would help to achieve 106.2 percent of the human capability index, whereas in the case of economic vulnerability index, it has been expected to achieve 121.2 percent of the graduation thresholds.

Table 5: Gap Percentage with Graduation Thresholds

Indicators	2006[a]	2009[a]	2012[b]	2015[c]
GNI_Nepal	-61.11	-54.88	-41.18	-30.77
HAI_Nepal	-12.50	-11.67	-5.76	6.21
EVI_Nepal	1.60	13.10	15.11	21.21
Graduation Thresholds	100	100	100.00	100.00

Sources: a. www. http://esango.un.org/sp/ldc_data/web/StatPlanet.html
b. Revised Calculation using recent data
c. calculated on the basis of outcome indicators of Thirteen Plan (2013-2016)

Chart 4: Gaps between Graduation Thresholds and Nepal's Status



Sources: a. www. http://esango.un.org/sp/ldc_data/web/StatPlanet.html
b. Revised Calculation using recent data
c. calculated on the basis of outcome indicators of Thirteen Plan (2013-2016)

It has been found that the gaps in income criterion could be the main hurdle in the process of 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 progress would have been more remarkable and impressive in the absence of conflict and political transition.

It has been seen that Nepal has made remarkable progress in human capability index during past few decades 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. Table 4 in previous section clearly indicates that 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.

The last population census has shown that in Nepal around 33 per cent of population are below 14 years and around 57 per cent population are of working age (15-59 years). Hence, Nepal is in a stage to achieving the population dividend. It indicates that increase in human capability also helps to enhance the level of income level of the individuals at large.

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. As a land locked country with open boarder with India, more than 60 percent of its international trade is with India. Trade diversification and conversion to land-linked from land locked situation is necessary to improve the situation. One third of the economy is still based on the traditional sectors and two third of the population still depend on this sector for their livelihood. Agriculture sector is still operating at subsistence level and based on monsoon. So the instability of the agriculture production is still high. This has also made the economy more vulnerable.

7. Policy Instrument and intervention needed to close gaps:

Improvement in the productive capacity is the major challenge in Nepal for the improvement in the present economic situation. It requires targeted assistance and strategies for the improvement of its productive capacities. A pragmatic strategy might be to move towards products that would serve as better platforms for further diversification of the economy. In this respect the government, the private sector , NGOs, CSOs and others need to coordinate their efforts for steering innovation and replicating successful business models. The external resources could play a pivotal role in expanding the country’s productive capacities, promoting FDI and trade, and adapting technological innovations.

The agricultural sector is the backbone of Nepalese economy, but growth in this sector has been sluggish. Hence Investing in agriculture and rural activities need to be a priority area for Nepal as sustainable productivity increases in agriculture is urgently required to meet MDGs targets related to food security and poverty reduction. In this area also, external resources could play significant role in expanding its productive capacities and ensuring food security. In trade sector, the country has to go for labour-intensive manufacturing exports including expansion of production and export supply capacity. In this respect support from development partners to enhance its supply-side capacity and trade diversification is very crucial.

Poverty still remains predominantly a rural phenomenon. Hence, a series of programmes is needed to address the issue of pervasive poverty. The coverage of the social protection programmes need to be enhanced and further efforts to reduce inequality are needed, including through: , high investments in human capital, especially in education and health; and foster gender equality, ensure food security, and reduce income poverty.

The economy needs increased access to financial resources in achieving sustained, inclusive and equitable growth to make progress towards graduation. The domestic resource mobilization efforts are constrained by low level of per capita income, domestic savings and investment and a narrow tax base. So Nepal continues to depend heavily on ODA, FDI and other forms of external resource flows. The regulatory environment also needs to be streamlined to provide increasing access to financial services to increase the range of options available to the poor.

Good governance and the rule of law are essential ingredients for sustained, inclusive and equitable economic growth. Nepal needs further efforts in good governance, the rule of law, the protection and promotion of human rights, and democratic participation. It needs context-specific approaches to address poverty, security and governance in an integrated manner.

8. Present economic policy of Nepal:

The objectives, goals, strategies and priorities of the current Thirteen Plan is oriented towards upgrading Nepal to a developing country from the current status of a LDC. It has objective to develop a feeling of direct change in the living standards of common people by reducing economic and human poverty in the nation. Moreover, this Plan is also centered on the attainment of MDGs as well as SAARC development goals, sustainable development, human rights and climate change, address to other matters where commitment is expressed at the regional and international level and to alleviate poverty through promoting a green economy.

During this plan period, the plan has goal to bring down the population living below the poverty line to 18 per cent from present level of 25.2 percent. It is expected that the current human development index (HDI) of 0.463 will reach to 0.508, the per capita gross national income will reach US$902 from current US$721, the human asset index (HAI) will reach 66.0 from the current 62.2 and the economic vulnerability index (EVI) will drop to 26.95 from the present 27.85 by the end of Plan.

The following strategies have been adopted for the realization of above outcome of the plan:

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

This 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

On the basis of the above strategies and priorities, the plan has adopted following policies for economic development.

1. Enhance private sector investment in power, information and communication, rural energy, roads and other infrastructure development promoting public-private partnership.
2. Create investment friendly environment, enhance productivity, production of quality goods and services and effective distributive functions.
3. Reform and expand institutional as well as policy level arrangements so as to raise the access of all people to the outcome of development by achieving a higher economic growth rate.
4. Increase investment in mega projects and projects of national pride increased so as to promote national integration.
5. Increase investment in the priority areas which would facilitate in an inclusive, broad-based and sustainable development. Execute policies and programs to facilitate increase private sector investment in physical infrastructure development, social security and other economic activities.
6. Focus investment on the sectors, strategies and programs which would generate employment directly or indirectly.
7. Emphasize the development of agricultural sector for equitable economic development, food security and livelihood.
8. Increase investment to create development programs and environment for sustainable economic development to provide feeling of change to the common people and optimum utilization of the available resources.
9. Emphasize in programs and strategies which would enhance the income of the poor and marginalized communities as well as empowering them to contribute in poverty alleviation and economic growth.
10. Involve the backward geographical regions, women, indigenous and ethnic communities, persons with disabilities, senior citizens and single women in the development process.
11. Emphasize programs and policies identified by grass root people to increase economic activities at the local level for fulfilling the expectation of the people, enhancing employment by involving people's participation in the preparation, management and monitoring of the projects.

9. Road Map for Graduation:

The series of triennial meetings convened by the UN Committee for Development Policy (UNCDP) have the mandate to review eligibility for graduation from the LDC list. The next meeting is to take place in 2015. Based on an initial analysis of performance data used in the 2012 review, it appears that Nepal would not qualify at the next meeting in 2015 for eligibility to graduate. Hence, Nepal strategy is to meet the threshold requirements set in that year 2018 by CDP, and if this scenario is observed again at the next review meeting in 2021, the CDP will normally recommend graduation to ECOSOC. The latter then will normally approve the recommendation, which in turn will be endorsed by the General Assembly.

In January 2022 a three-year grace period would then start, during which Nepal, while retaining LDC status, would be expected to negotiate with its development partners a smooth transition to post-LDC conditions, with support from the UN if necessary. Formal deletion from the list would take place in the last quarter of 2024. Thus de facto Nepal would be considered as qualifying for graduation from 2022 with de jure completion of the process at the end of 2024.

The road map for graduation includes three steps. The first step is to ensure full understanding in government of the implications of graduation, in respect of the technical aspects of the criteria and of the adjustments to policy and programming that may be necessary to ensure that any possible adverse impact of graduation on the economy and society will be minimal and offset by the expected structural transformation. The second step, to undertake an analysis of the existing situation and evolve a strategy based on the analysis. The third step is to integrate the strategy into national development processes, in the formulation of the detailing of Thirteen Plan (2013).

The following table shows the envisaged sequence of action throughout the graduation process:

Table 5: Road Map of Graduation

Main events	Responsible Party	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	
Final Strategy document presented to Parliament	NPC/MOFA	April 2014	
Review of LDC related data/policies	NPC	May 2014	Resources from donor
Mid-term review of 13th Plan	NPC	2014/15	Policy/programme adjustments to support LDC graduation
Formulation of 14th Plan	NPC	3rd quarter 2015	Further structural changes aligned with LDC graduation requirements
Mid-term review of 14th Plan	NPC	2018/19	Policy/programme adjustments to support LDC graduation
NHDR 2016	NPC	March 2016	Resources from UNDP
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	1st quarter 2021	Subject to prior observation in 2018 of pre-eligibility for graduation
Written submission to CDP for review of eligibility	MOFA	1st 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	3rd and 4th quarters 2021	
Preparation of 3 year smooth transition strategy	NPC/MOF	Any time in 2019-2021	Support from UN 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

Note: This is the tentative time table and could be revised periodically.

The key elements in the road map fall into essentially three streams of work. First to undertake strategy preparation and approval by government in alignment with national planning processes, second to use the NHDR process to articulate human development implications and advocate for appropriate inclusive policies and programmes related to graduation, and third to meet UN/CDP deadlines in the graduation process.

In term of implementation, while formal responsibility for LDC graduation rests with the Ministry of Foreign Affairs, the technical responsibility lies with National Planning Commission, which has designated as focal point for developing the strategy for graduation.

10. Transition Strategies

As an LDC, Nepal currently benefits from a range of special support measures from bilateral donors and multilateral organizations, and special treatment under regional and multilateral trade agreements. LDC benefits that will be lost or reduced include: trade preferences; official development assistance (ODA), including development financing and technical cooperation, and other forms of assistance.

International trade, especially in tourism services and export of carpet and garments could be impacted by graduation. Nepal is currently exempt from import duty levied by the EU under the LDC‐ specific “Everything but Arms” (EBA) initiative (duty ‐ free, tariff‐free access). The loss of EBA preferences would impact on exports of primary product which would be put at a significant competitive disadvantage.

The graduation will affect the special treatment currently enjoyed by the Nepal under multilateral trading agreements (WTO). Normally, when Nepal ceases to be an LDC, it would technically no longer benefit from existing special and differential treatment. There would also be implications for the Enhanced Integrated Framework (EIF) for trade‐related technical assistance.

Especially at a time of global downturn and reduced aid flows, loss of LDC status is likely to be used as a reason by development partners to reduce concessionary treatment in bilateral allocations with a lesser grant element and a possible fall in overall allocations. However, as many development financing schemes do not explicitly refer to LDC status, it is difficult to know the exact impact of graduation on ODA.

After graduation, Nepal official are likely to incur additional costs to travel to United Nations and WTO meetings, and Nepal will also have to make greater contributions to the UN Regular budget and to UN peacekeeping operations.

In this situation the Government of Nepal need to establish an inter- ministry/agencies "Working Group on Smooth Transition from LDC Status". The main task of the Group would be to prepare a transition strategy in partnership with international partners such as UNCTAD and ESCAP.

On the basis of that strategy the Government need to hold detailed discussions with trade and development partners to agree on the various elements that are vital to ensuring a smooth transition (e.g. maintenance, where possible, of important preferences; and, at the least, a clearly scheduled gradual removal where full retention is not possible).

However, ahead of these medium-term steps, it is important to sensitize trade and development partners, to begin a dialogue to understand their position, and to exchange ideas as to how the transition can be successfully managed.

11. Trade and Transit Strategies

Nepal's trade sector management has been very challenging due to dominance of import over export and large dependence of remittance inflow for balance of payments. Looking through international trade perspective, there is a need to explore alternative ways in order to maintain balance of payments in a sustainable manner as nearly two third of Nepal's total trade is with India and remittance inflow is affected by various events occurring at international level.

Despite the fact that Nepal has been incurring trade deficit in tradable goods owing to the country's inability to make notable progress in production, promotion and exports of goods, the current account has still been in surplus in aggregate for the past ten years as a result of the receipt of significant amount from remittance income.

The external sector of Nepal is stable due major credit to the medium of remittance income. Though remittance income has provided momentum to Nepalese economy at present, such income is generally spent on consumption, which promotes the tendency to expand imports of foreign goods and services. Looking at the trend of last few years, Nepal's dependency on remittance inflow and import of petroleum products is continuously growing. For the longer-term benefit to the economy, it is necessary to create an environment that would promote the growth of exportable goods and services, and reduce the level of dependency over the petroleum products.

Nepal's foreign trade has remained in deficit for long. The current account surplus that is generated through trading of goods and services is a must for sustainability of the external sector of the economy. Hence, it is imperative for Nepal to take initiative for export of agriculture and herbs based products and handicrafts having comparative advantage in global markets and diversify its trade by countries and products.

There is a possibility to improve BoP situation of Nepal through the development of tourism sector. For this, it is necessary to improve tourist arrival facilitation especially through the expansion and development of Chinese and Indian tourists focused tourism for attracting more

tourists to the country. In addition, it is necessary to prepare information and promotional materials in Chinese language, identify potential locations that could attract Chinese tourists, and establish tourism promotion liaison offices in those places in local participation.

Close observation of export trade reveals problems like time-consuming process especially at export points, half-hearted export promotion initiatives, requiring submission of same document to a number of entities, and lack of growth in production and productivity. Hence, development of necessary infrastructure is much needed for the promotion of export trade.

In this situation, the current Thirteen Plan has adopted following strategies to address the trade and transit situation in the country:

- mainstream trade into national development process while formulating and enforcing sectoral policies in a manner that would assist in the development of business sector.
- promote the participation of government, cooperatives and private sector for the development of commercial sector.
- develop and promote goods and services having absolute, comparative and competitive benefit.
- raise the production and productivity of the goods and services identified by the commercial policy and NTIS and to promote exports by focusing highly on value addition and price chain management.
- enhance trade facilitation, trade infrastructure consolidation and expansion of trade capacity by mobilizing assistance for trade generated through economic diplomacy.

12. Conclusion and recommendations

Nepal is still in initial stage in the process for the preparation to graduate from LDC status. It had pronounced its vision to graduate from LDC status in its Twelfth Plan (2010-2013). This plan pave a way in this direction, but coordinated strategies were not developed for this purpose. The present Thirteenth Plan has adopted graduation from LDC category by 2022 as sole vision and prepared sectoral strategies accordingly. Since Nepal has adopted inclusive development approach as means for structural changes in its development endeavor, the following recommendations need to be considered while preparing strategies to graduate from LDC categories and smooth transition;

- The development policies should result in broad based, poverty reduction and lower incidence of poverty, significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education, including skill development. It is also necessary to develop better opportunities for both wage employment and livelihood, improvement in provision of basic amenities like water, electricity, roads, sanitation and housing. Particular attention

should be provided to the needs of the ethnic and socially excluded and marginalized population, women and children and minorities.

- Demographics dividend' of younger population (below 15 years) need to be tapped through provision of higher levels of health, education and skill development and creation of an environment for enhancing good quality employment/livelihood opportunities.

- Growth must create adequate livelihood opportunities and add to decent employment commensurate with the expectations of a growing labour force. The pace of job/ livelihood creation must be greatly accelerated. This must come from a significant boost to the manufacturing sector of the economy. It is necessary to accelerate pace of creation of more durable rural non-farm jobs/livelihood opportunities through faster expansion in agro-processing, supply chains, increase technical personnel for inputs into various aspects of farming that is undergoing steady modernization, and also the maintenance of equipment and other elements of rural infrastructure.

- Reforms in agriculture sector to streamline not only the incentive structures for the farmers, but also the institutional framework in which agriculture and related activities take place.

- Proper management of health professionals at all levels for achieving an expansion in the public provision of health services and improve accountability of health personnel including adequate improvement in education and training capacities in health sector.

- Expansion of educational facilities and improving quality of education as key instruments for achieving faster sustained growth. It require extensive and improved teacher training, upgrading curriculum and enforcing of accountability in teachers' attendance for improving the quality of school education, academic reforms to provide greater flexibility and choice for the students, strengthening of research activity in Universities by establishing mutually-reinforcing linkages between teaching and research.

- The current "not-for-profit" prescription in the education sector should be re-examined in a pragmatic manner so as to ensure quality, but without losing focus on equity. Private initiatives in higher education, including viable and innovative PPP-models, need be actively promoted.

- It is necessary to develop massive expansion in investment in infrastructure based on a combination of public and private investment, the latter through various forms of public-private-partnerships. Increasing urbanization generates a heavy demand for better quality infrastructure in urban areas, especially water, sewerage, public transport and low cost housing. So it is necessary to have a sufficiently long term focus on urban planning.

- Public investment in infrastructure will have to bear a large part of the infrastructure needs in backward and remote areas to improve connectivity and expand the much needed public services. So PPP-based development needs to be encouraged wherever feasible. It is necessary to review the factors which may be constraining private investment, and take steps to rectify them. PPP, with appropriate regulation and concern for equity, should also be encouraged in the social sectors, such as health and education.

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Annex 1: Technical Note

1. **GNI Calculation Methodology by World Bank** :

   - GNI in current US$ using Atlas Method

$$y_t^{\$} = \frac{\frac{Y_t}{N_t}}{e_t^{*}}$$

$y_t^{\$}$ - Atlas GNI per capita in US$ in year *t*
Y_t - Current GNI for year *t* in local currency
N_t − Mid year (July 1) population for the year *t*
e_t^{*} − Atlas conversion factor for the year *t using direct quote* $\left(\frac{National\ Currency}{US\$}\right)$

2. **HAI Methodology**

   Calculation: max-min procedure

   Original data are converted into indices ranging from 0 to 100, based on minimum and maximum values in a set of reference countries.

   I = [(V-min)/(max-min)] x 100or II = [(max-V)/(max-min)] x 100

   V=observed value for a certain indicator

   I =100-II, the index ranges from 0 to 100

3. **Reference Group:**

All LDCs and those whose three-year average GNI per capita income is less than 20% higher than low income threshold determined by WB. Basically it's LDCs and lower income non-LDCs.

- **Note:** The "max & min" are not the largest and smallest values in the reference group distribution. The bounds are based on values of all developing countries, not just the reference group. But in some cases, largest or smallest values are actually used as bounds.

- **Purpose:** Eliminate the effect of extreme outliers in the distribution.

- **Practice:** The bounds will replace the actual country data in the calculation of the index concerned.

4. **Adjustment for Landlocked Country**

   - **ri* = 0.85*ri + 0.15* lldci**

     - ri* is the adjusted remoteness value of country I;

- lldci is a dummy variable whose value is 100 for landlocked countries and 0 for other countries

5. Herfindahl-Hirschmann indices:

Use the Herfindahl-Hirschmann indices derived from applying the following formula to the product categories of the Standard International Trade Classification (SITC) at the three-digit level

$$H_j = \frac{\sqrt{\sum_{i=1}^{n} \frac{x_i}{x_j}} - \sqrt{\frac{1}{n}}}{1 - \sqrt{\frac{1}{n}}}$$

***j* - country index;** ***n* – number of products at the three digits SITC level**

x_j ***- value of the total export of the country j.*** $x_j = \sum_{i=1}^{n} x_j$

x_i ***- value of the export of commodity i***

Rationale: Reflects the instability of export earnings, or the capacity of a country to import goods and services from current export earnings

6. Calculation of Standard error

- Standard error of the regression of deflated export earnings on their past values as well as on a trend variable.
- $\log X_t = \alpha + \beta \log x_{t-1} + y_t + e_t$
- y_t - trend variable, e_t - Error term
- X_t - value of export of good services deflected by import unit value in year *t*
- $s = \frac{\sqrt{\sum e_t^2}}{\square}(N-1)$

7. EVI Methodology

Calculation: max-min procedur

eOriginal data are converted into indices ranging from 0

to 100, based on minimum and maximum values in a set of reference countries.

I = [(V-min)/(max-min)] x 100or II = [(max-V)/(max-min)] x 100

V=observed value for a certain indicator

I =100-II, the index ranges from 0 to 100

Annex 2.1 Goal of Thirteen Plan (2013-16)

S. No.	Indicators	Status of FY 2012/13	Goal of TYP
01	Population living below the poverty line (%)	23.88	18
02	Annual average economic growth rate (%)	3.6	6.0
03	Annual average economic growth rate of the agricultural sector (%)	1.3	4.5
04	Annual average economic growth rate of the non-agricultural sector (%)	5.0	6.7
05	Annual average growth rate in employment (%)	2.9	3.2
06	Life expectancy (in years)	69.1	71.0
07	Population (in millions)	27.2	28.3
08	Population growth rate (%)	1.35	1.35
09	Maternal mortality rate (per 100,000)	229.0	134.0
10	Population having access to drinking water (%)	85.0	96.25
11	Population having access to sanitation (%)	62.0	90.5
12	Net enrollment rate at the primary level (Grade 1-5) (%)	95.3	100.0
13	Number of district headquarters having road connectivity	73.0	75.0[2]
14	Density of mobile phones and telephones (per 100)	71.5	100
15	Installed capacity of power generation (in MW)	758.0[3]	1426
16	Population having access to electricity (%)	67.3	87.0
17	Irrigation (in hectares)	13,11,000	14,87,275
18	Forest coverage area (%)	39.6	40.0
19	Total length of road transport (km)	25,133	28,133

Annex 2.2 : Summary of Macroeconomic Indicators

Description	Fiscal Year											
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12R	2012/2013*
Percapita GDP (NRs)	19410	20340	21694	23300	25290	27525	30171	38172	45435	51896	57202	62510
Percapita GNI (NRs)	19385	20312	21626	23365	25482	27806	30465	38626	45782	52181	57753	62797
Percapita GNDI (NRs)	22265	23433	25056	27227	30359	32684	37227	48262	56549	63800	73497	80685
Percapita GDP at constant price	18676	18987	19441	19676	19893	20121	20881	22793	23561	24144	24979	25545
Percapita GNI at constant price	18658	18964	19406	19809	20194	20540	21313	23301	24152	24655	25583	26079
Percapita GNDI at constant price	21431	21878	22485	23083	24060	24143	26044	29114	29831	30145	32557	33508
Annual Change in nominal percapita GDP (%)	1.78	4.79	6.66	7.41	8.54	8.84	9.61	19.49	19.03	14.22	10.22	9.28
Annual change in real percapita GDP(%)	-2.07	1.67	2.39	1.21	1.10	1.15	3.78	3.09	3.37	2.48	3.46	2.27
Percapita GDP (USD)	255	261	293	328	350	390	464	497	610	718	706	717
Percapita GNI in (USD)	254	261	292	329	352	394	469	502	614	722	713	721
Percapita GNDI (USD)	292	301	339	383	420	464	573	628	759	883	907	926
Gross domestic saving as percentage of GDP	9.49	8.56	11.75	11.56	8.98	9.82	9.83	9.43	11.45	14.47	11.49	9.34
Gross national saving as percentage of GDP	24.20	23.77	27.25	28.41	29.03	28.56	33.22	35.87	35.91	37.41	39.98	38.41
Exports of goods and services as percentage of GDP	17.74	15.70	16.68	14.58	13.45	12.86	12.78	12.42	9.58	8.85	10.02	10.34
Imports of goods and services as percentage of GDP	28.49	28.55	29.46	29.48	31.32	31.72	33.26	34.66	36.4	32.73	33.4	38.79
Resource Gap as percentage of GDP (+/-)	3.95	2.36	2.72	1.96	2.17	-0.12	2.90	4.19	-2.36	-0.94	5.11	0.62
Gross Fixed Capital Formation as percentage of GDP	19.56	19.92	20.34	19.94	20.72	21.07	21.88	21.35	22.21	21.29	20.01	21.15

P = Preliminary, R = Revised

Source: Central Bureau of Statistics

Annex 2.3: Gross Output by Industrial Division

(at current prices)

Rs. In ten million

Industries	Fiscal Year											
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 R	2012/13P
Agriculture and forestry	22061.4	23029.1	24594.4	26227.7	27805.6	29938.5	32940.1	40998.7	51487.1	62330.3	67541.1	72505.4
Fishing	264.2	264.8	299.2	318.1	361.4	379.0	437.3	458.3	474.6	546.6	634.2	741.3
Mining and Quarrying	270.3	290.6	315.6	345.6	394.3	429.6	550.8	639.7	746.1	875.1	1026.4	1195.4
Manufacturing	13517.0	13888.9	14894.0	16018.6	17087.5	18649.6	20410.7	23340.8	25286.9	28900.4	32680.6	35504.2
Electricity gas and water	1548.1	1745.5	1956.1	2111.9	2263.7	2510.6	2641.8	2627.3	2947.8	3949.2	3475.1	4156.2
Construction	5818.0	6241.6	6693.1	7416.6	8314.7	9174.6	11163.9	13127.8	15872.8	18261.4	19934.9	22270.4
Wholesale and retail trade	7712.0	8178.8	9415.5	9506.1	10736.5	11032.5	12540.2	14875.9	19303.6	21490.7	23687.0	27630.9
Hotels and restaurants	2271.6	2386.1	2762.1	2805.1	2947.7	3242.2	3753.6	4531.1	5604.1	6837.6	7911.8	9333.5
Transport, storage and communications	6282.8	7008.0	8126.9	9032.9	10734.8	12179.9	13312.5	15924.5	16402.4	18270.6	21381.3	25284.2
Financial intermediation	1678.4	1799.6	1936.7	2303.9	2793.9	3689.7	4390.7	5111.0	5999.5	7139.5	8668.8	9988.8
Real estate, renting and business activities	4944.3	5222.7	5499.1	6769.0	8569.8	10057.5	10788.7	12129.3	13958.1	15720.3	17727.8	19991.7
Public Administration and defence	930.9	1053.1	1068.2	1284.4	1428.8	1652.4	1922.4	2403.0	2887.9	3307.0	4145.2	4225.3
Education	2635.2	3160.4	3397.5	4114.2	4497.9	5332.8	6326.3	8088.9	8249.5	9274.1	11013.9	12038.2
Health and social work	640.1	749.2	**816.3**	982.6	1093.0	1265.2	1535.7	1900.9	2186.3	2472.7	3075.8	3356.3
Other community, social and personal service activities	1617.9	1739.6	1993.4	2172.2	2368.0	3095.9	3745.3	4727.8	5862.9	6647.3	7770.1	8256.5
Gross output at basic prices	72192.4	76758.2	83768.2	91408.8	101397.7	112630.0	126460.1	150885.0	177269.4	206022.8	230673.8	256478.2

Note : NSIC Division 16 & 17 are included in the Division 15.

P = Preliminary, R = Revised

Source: Central Bureau of Statistics