Structural Economic Transformation in Nepal (Priority 5)

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Nepal: Country Profile

- Area: 1,47,181 sq km
- Population: 30 million
- Three-tier Federal system:
  - 7 Provinces
  - 753 local governments
  - GDP: NRs. 3007.24 billion
  - (about US$ 30 billion)
  - Literacy rate (15-24): 90%
  - Life expectancy (at birth): 70 years
  - Human Development Index: 0.558
Structural Transformation of Nepalese Economy
Growth rate of Primary, Secondary and Tertiary Sectors
Structural Transformation...

Sectoral Contribution in GDP

- Manu
- Construction
- Transport, storage and comm
- Real estate, renting and business
Trend of International Trade of Nepal
Trend of Foreign Investment, Tourism Income and Remittances of Nepal
Major Macroeconomic Indicators of the Economy

Ratio to GDP

- Domestic Saving
- National Saving
- Investment
- Imports
- Remittances

Major Macroeconomic ...

Ratio to GDP

- Exports
- Tourism income
- BOP
- FDI

Year:
- 2013/14
- 2014/15
- 2015/16
- 2016/17
- 2017/18
# Major Development Achievement

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1990/91</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income poverty (%)</td>
<td>49</td>
<td>21.6#</td>
</tr>
<tr>
<td>Multi-dimensional poverty (%)</td>
<td>-</td>
<td>28.6*</td>
</tr>
<tr>
<td>National Roads (km. thousand)</td>
<td>7</td>
<td>30</td>
</tr>
<tr>
<td>Local road (km. thousand)</td>
<td>NA</td>
<td>57</td>
</tr>
<tr>
<td>Electricity (MW)</td>
<td>227</td>
<td>1073</td>
</tr>
<tr>
<td>Mobile/Telephone density ()</td>
<td>-</td>
<td>135</td>
</tr>
<tr>
<td>Internet access (%)</td>
<td>-</td>
<td>45.7</td>
</tr>
</tbody>
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# 2015 A.D., NPC 2016; * 2014 A.D., NPC (2018), MPI.
Major Drivers of Structural Transformation in Nepal

• Population and migration dynamics
• Transport infrastructure and connectivity
• Rapid urbanization
• Remittances
• Hydroelectricity production and green economy (future)
Strategies for Structural Transformation

• No separate strategy exists

• The Constitution of Nepal (2015)
  – Foundation for Nepal's socio-economic transformation
  – Participation and development of private sector in development through resource mobilization and prosperity
  – Policies on industrialization, trade, investment, agriculture, tourism, natural resources, infrastructure.

• 14th Plan (2016/17-2018/19)
  – Internalization of SDGs, VPOA and other international commitments in the plan document
  – Increase production through transformation of agriculture, industries and tourism, develop infrastructure and connectivity (strategies)
  – Macro-economic policies on investment, private sector development, PPP
  – Sectoral policies on agriculture, tourism, industry, infrastructure, energy, science and technology
Strategies for Structural Transformation ...

• **SDGs Status and Roadmap (2016-2030)**
  – Target for increase the share of manufacturing and industry
  – Ambitious targets on transport infrastructure and electricity

• **Major Sectoral Policies**
  – Agriculture Development Strategy, 2015
  – Industrial Policy, 2010
  – Trade Policy, 2015
  – Nepal Trade Integration Strategy (NTIS), 2016
  – ICT Policy, 2015
  – Foreign Investment Policy, 2015
  – National Tourism Strategy, 2016-2025
Strategies for Structural Transformation ...

- **LDC Graduation**

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<th>2017/18</th>
</tr>
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<tr>
<td>1. GNI per capita (US$)</td>
<td>778 (1025)</td>
<td>1012 (1230)</td>
</tr>
<tr>
<td>GNI per capita (US$) using CDP Atlas Method</td>
<td>659</td>
<td>745 (1230)</td>
</tr>
<tr>
<td>2. Human Assets Index (HAI)</td>
<td>68.7 (66)</td>
<td>71.2 (66)</td>
</tr>
</tbody>
</table>

- **Towards a Meaningful and Sustainable Graduation**

There is overall readiness of the country to *graduate meaningfully, smoothly, sustainably and irreversibly*. It is on these substantive grounds, and not technical criteria per se, that Nepal lags behind for reasons.
Instruments for Structural Transformation

- **Major new Laws**
  - Industrial Enterprise Act, 2016
  - Foreign Investment Act, 2015
  - Investment Board Act, 2011
  - Special Economic Zone Act, 2016
  - Electricity Regulatory Commission Act, 2017
  - Labor Act, 2017
  - Banking and Financial Institution Act, 2017

- **Major International Arrangements**
  - Bilateral trade agreement with India, China and Bangladesh
  - SAARC Framework Agreement on Energy Cooperation (Electricity)
  - Power Trading Agreement with India
  - MOU on energy cooperation with Bangladesh
  - MoU with China on Belt and Road Initiative
Key Areas for Structural Transformation

1. Agriculture
   – Commercialization, high value products diversification

2. Natural resources
   – Balanced protection and income-oriented management
   – High value forests, medicinal and aromatic products
   – Gems and gemology
Key Areas for Structural Transformation ...

3. Hydroelectricity

- **Opportunity:**
  - 83,000 MW (43,000 economically viable)
  - Potential to export to India (power bank), Bangladesh, etc.
  - Agreement/MOU/Initiatives – SAARC, BIMSTEC and bilaters

- **Status :**
  - Current production – 1073 MW
  - Far low production and improper management – experiences of long hours of power outage
  - Successful elimination of power outage within a short span of initiatives
  - Imports from India leverages the supply-side constraints
  - Under construction – MW
  - Preparatory Phase - MW

- **Plans**
  - Production targets : 3,000 MW, 5,000 MW and 15,000 MW within 3, 5 and 10 years respectively.
  - Significantly reduces the transmission and distribution losses
  - Export to India, Bangladesh and other countries
Key Areas for Structural Transformation ...

4. Tourism

- Opportunity
  - Panoramic nature, geographical, cultural and biological diversity
  - Proximity to the one of the largest and fast growing economies
- Policy: Increase tourists arrivals from 1 millions to 2.5 millions in 2025
- Strategies
  - Develop tourism infrastructure
    - Airports
      - Upgrade of existing airports
      - Regional international airports (Pokhara and Bhairawa going to complete soon)
      - Nijgadh International Airport – potential for regional hub
    - Connecting Indian and Chinese tourists and pilgrims through railways connectivity
  - Diversify destinations, products and enhance quality tourism
Key Areas for Structural Transformation …

5. Transport infrastructure

• Roadways
  – Kathmandu Tarai Madhesh Expressway
  – East-west and North-South Highways
  – Tunnel ways

• Railways
  – Kerung (Tibet)-Rasuwagadhi-Kathmandu-Pokhara-Lumbini
  – Raxaul (India)- Birgunj-Kathmandu
  – East-West
  – Metrorail, Monorail

• Waterways
Key Areas for Structural Transformation …

6. Manufacturing
- Industrial estates: 10 are in operation and 9 are under development
- Special Economic Zone (SEZ): Bhairahawa SEZ shall be in operation soon and 8 are under development
- Economic corridors in major highways
- Industrial villages in each local government (753 units)

7. Information and communication technology (ICT)
- Talent youth's inclination towards ICT
- ICT solutions and BPOs

8. Service sector modernization
- Use of advanced technology on production and delivery of services
- Research, innovation and development
- Increase the access of banking and financial services
Thank you