

# **Structural Economic Transformation in Nepal (Priority 5)**

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**Expert Group Meeting on the Midterm Review of the Vienna  
Programme of Action for Landlocked Developing Countries for  
the Decade 2014-2024**

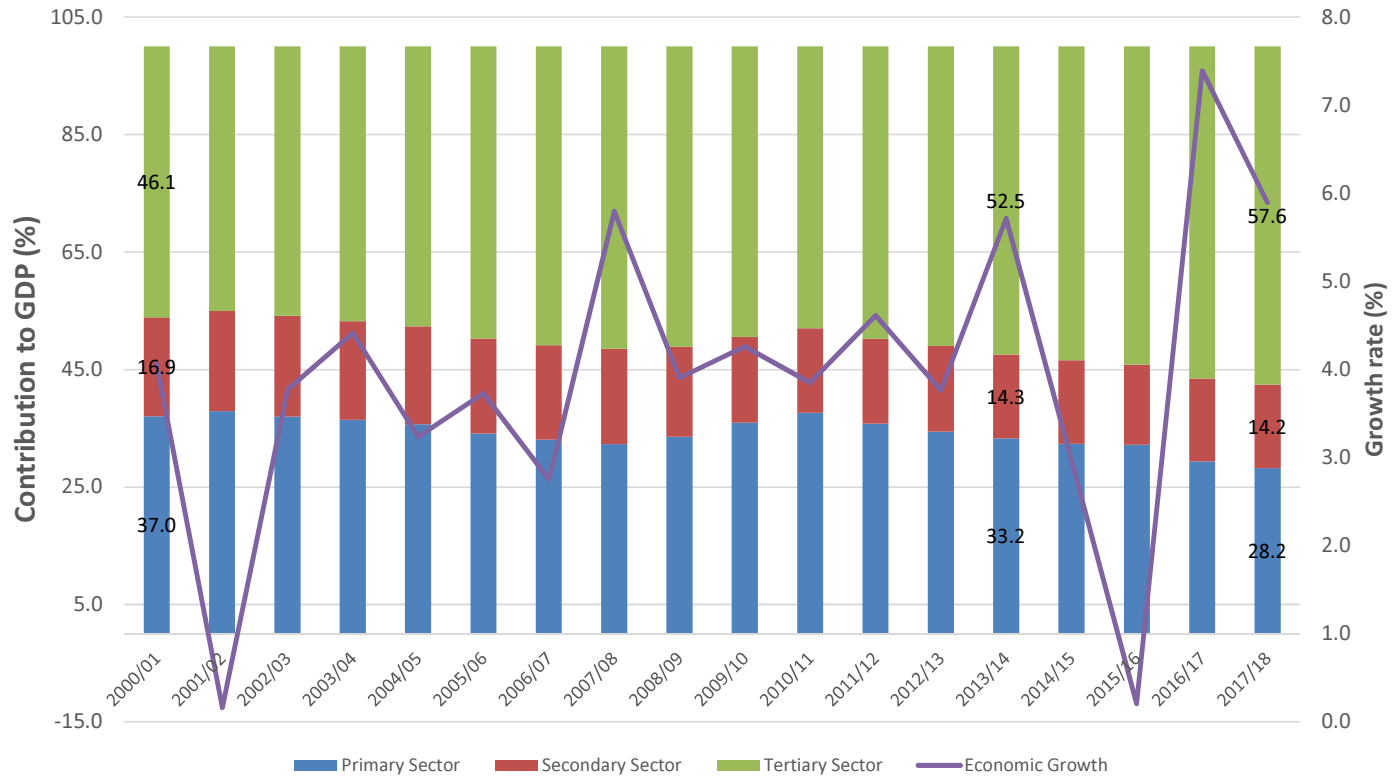
18-19, September, 2018  
Almaty, Kazakhstan

# Nepal : Country Profile

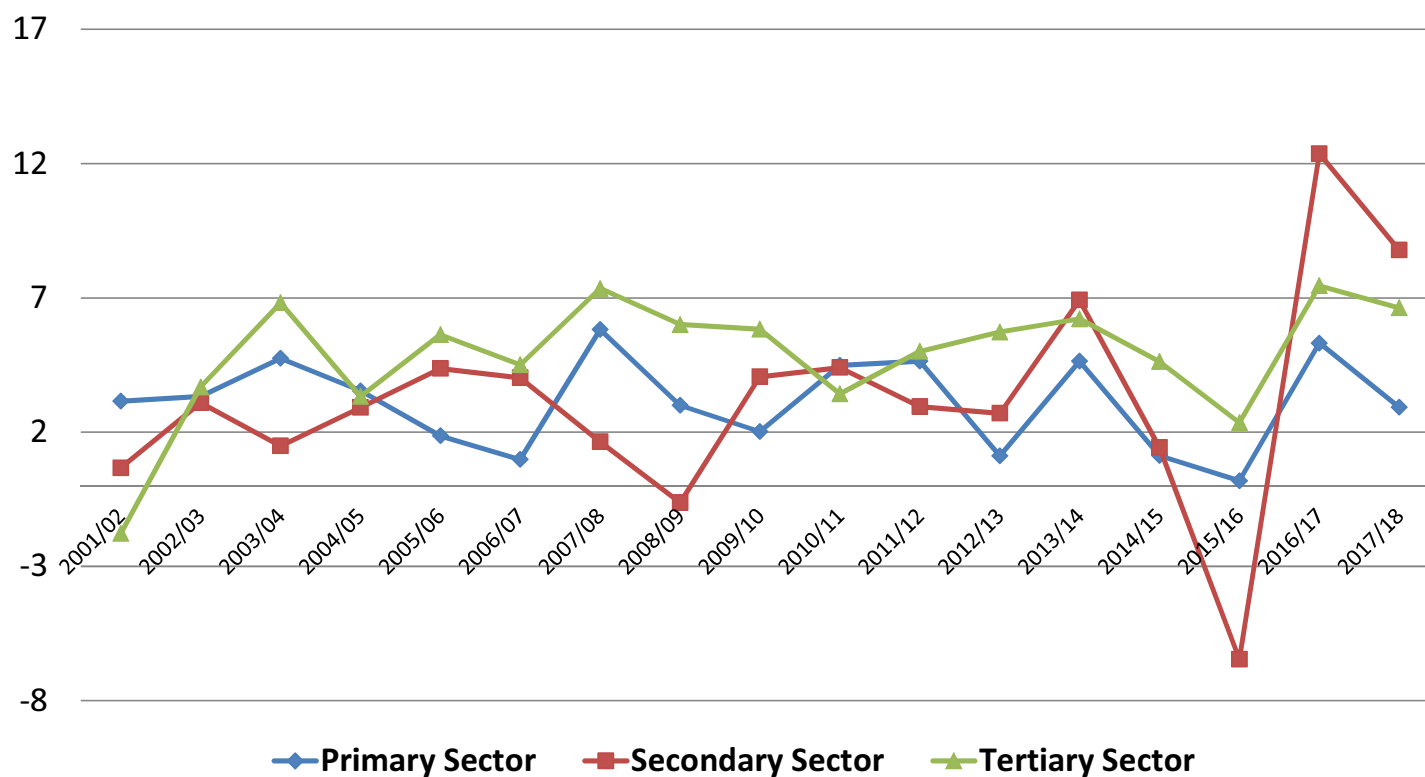
- Area: 1,47,181 sq km
- Population: 30 million
- Three-tier Federal system:
  - 7 Provinces
  - 753 local governments
- GDP : NRs. 3007.24 billion  
(about US\$ 30 billion)
- Literacy rate (15-24): 90%
- Life expectancy (at birth): 70 years
- Human Development Index : 0.558



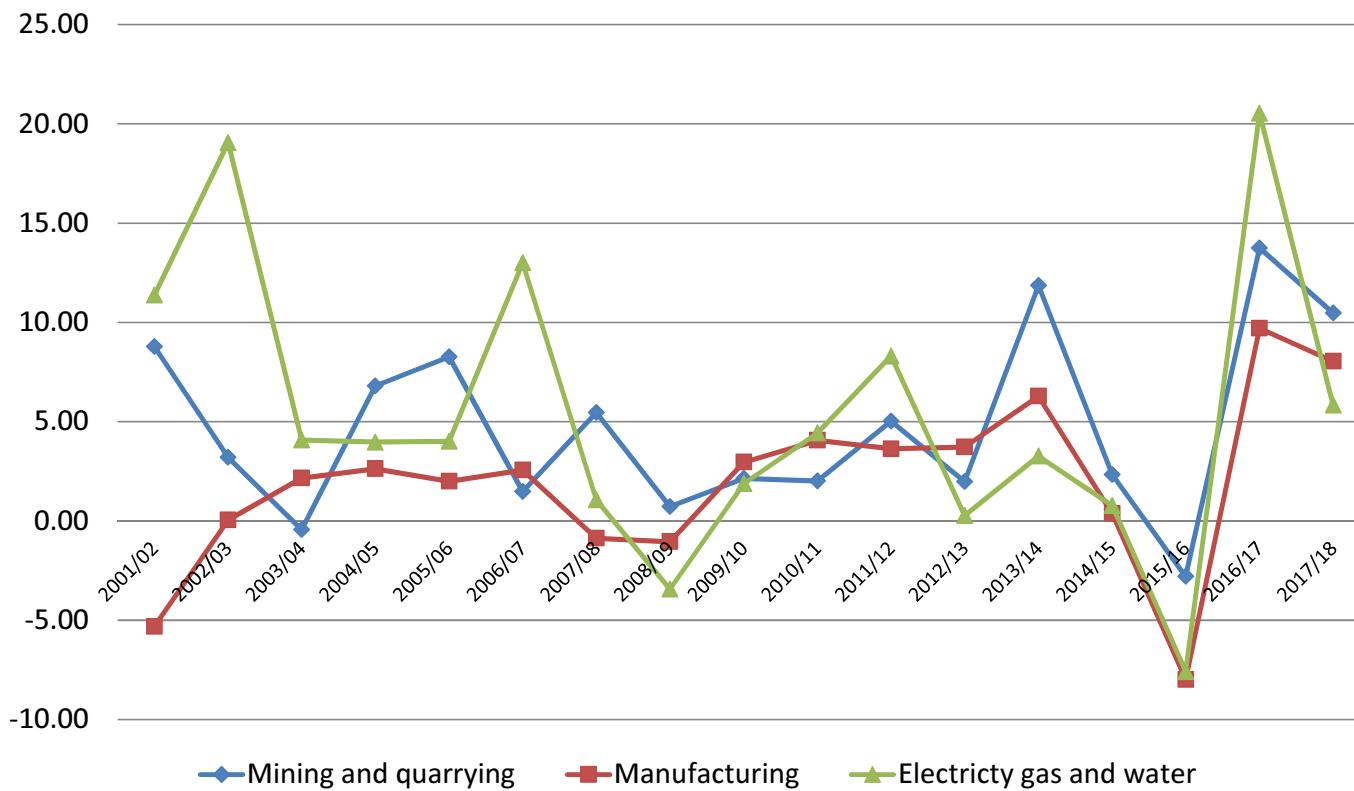
# Structural Transformation of Nepalese Economy



# Growth rate of Primary, Secondary and Tertiary Sectors

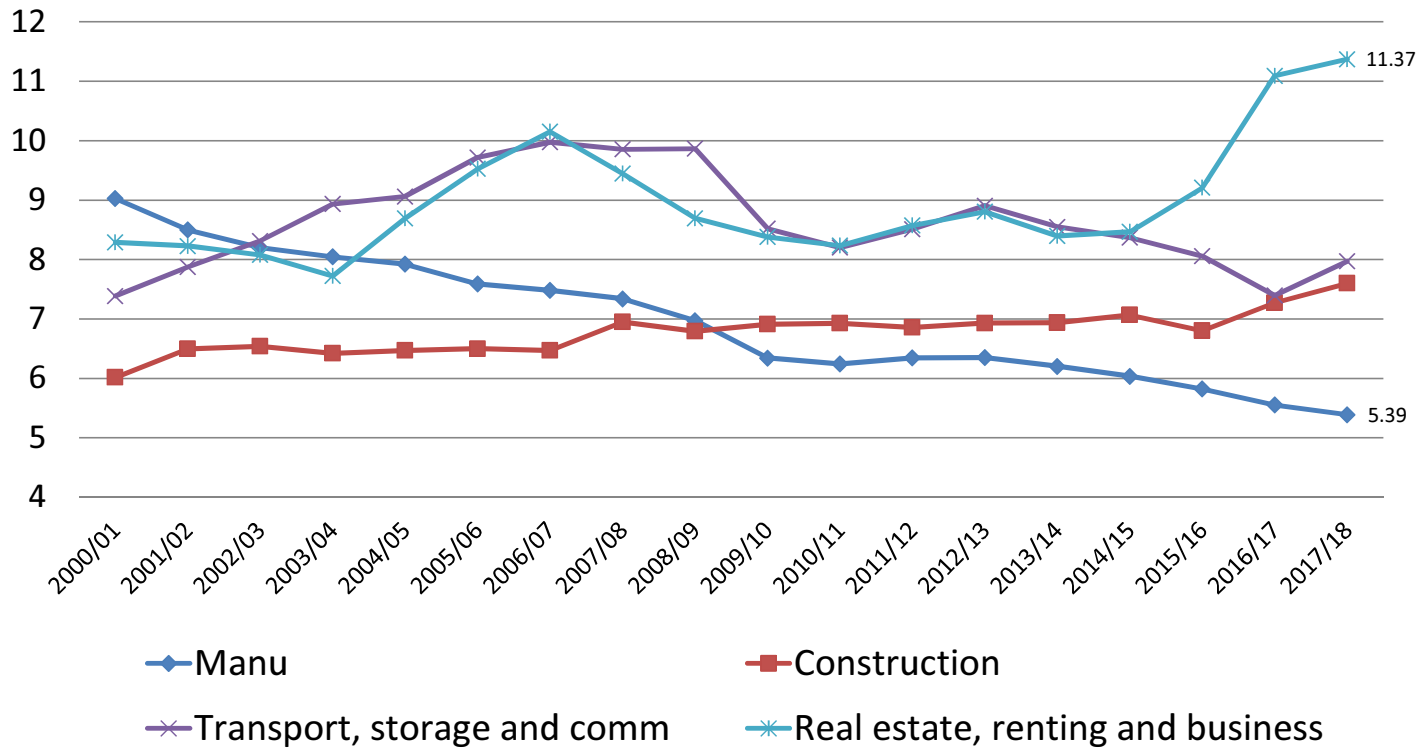


# Growth rate of Selected Sectors

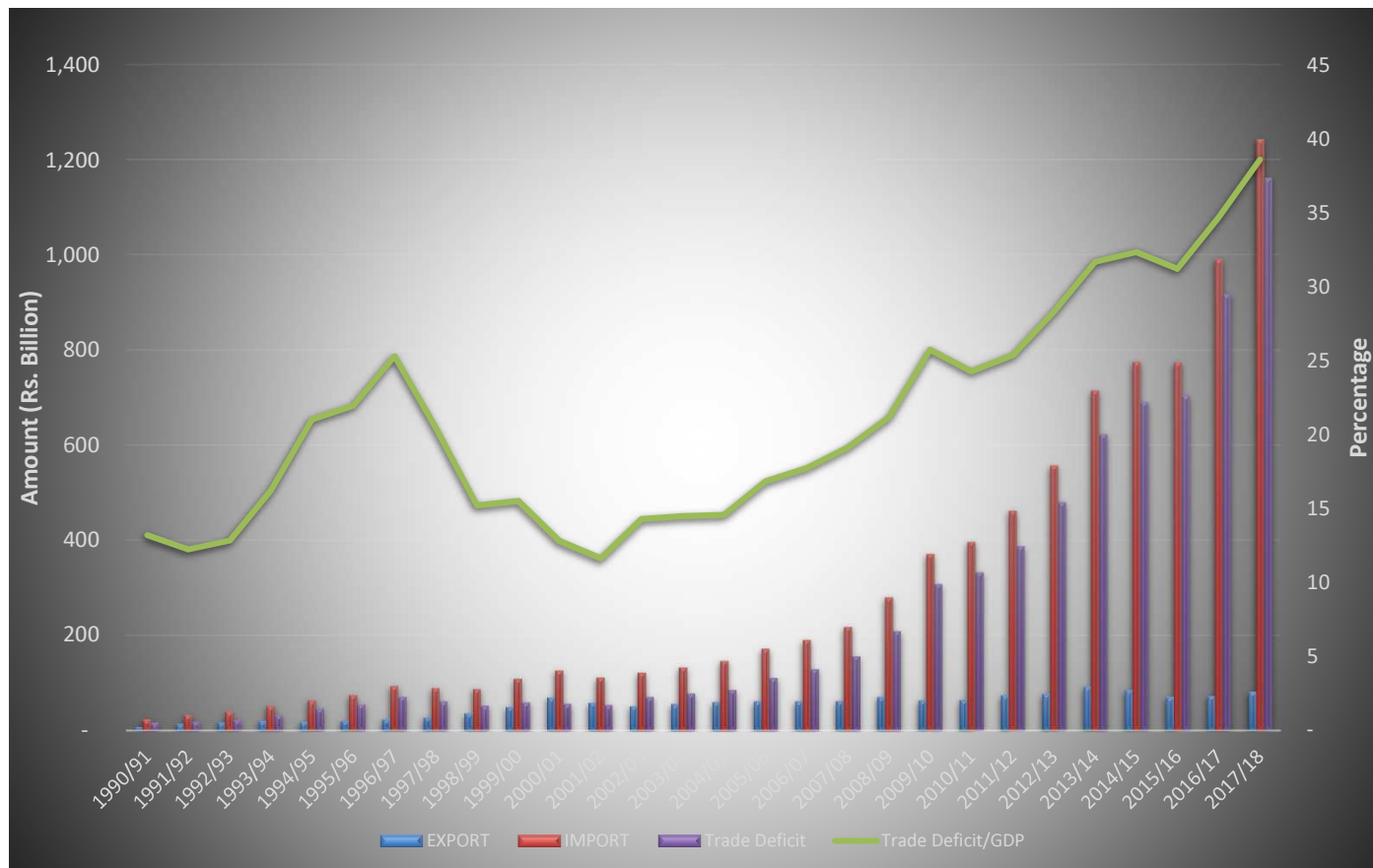


# Structural Transformation...

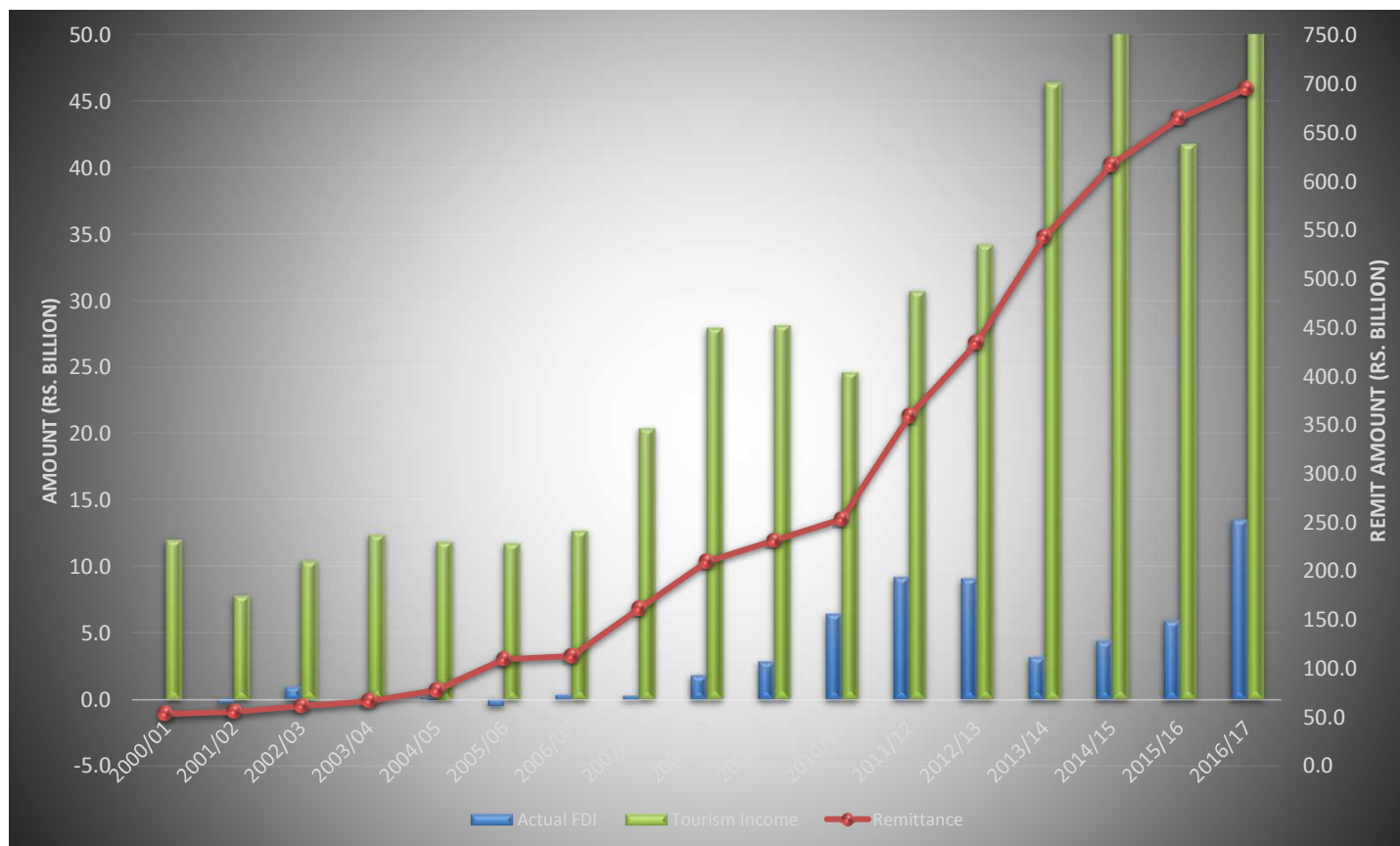
## Sectoral Contribution in GDP



# Trend of International Trade of Nepal

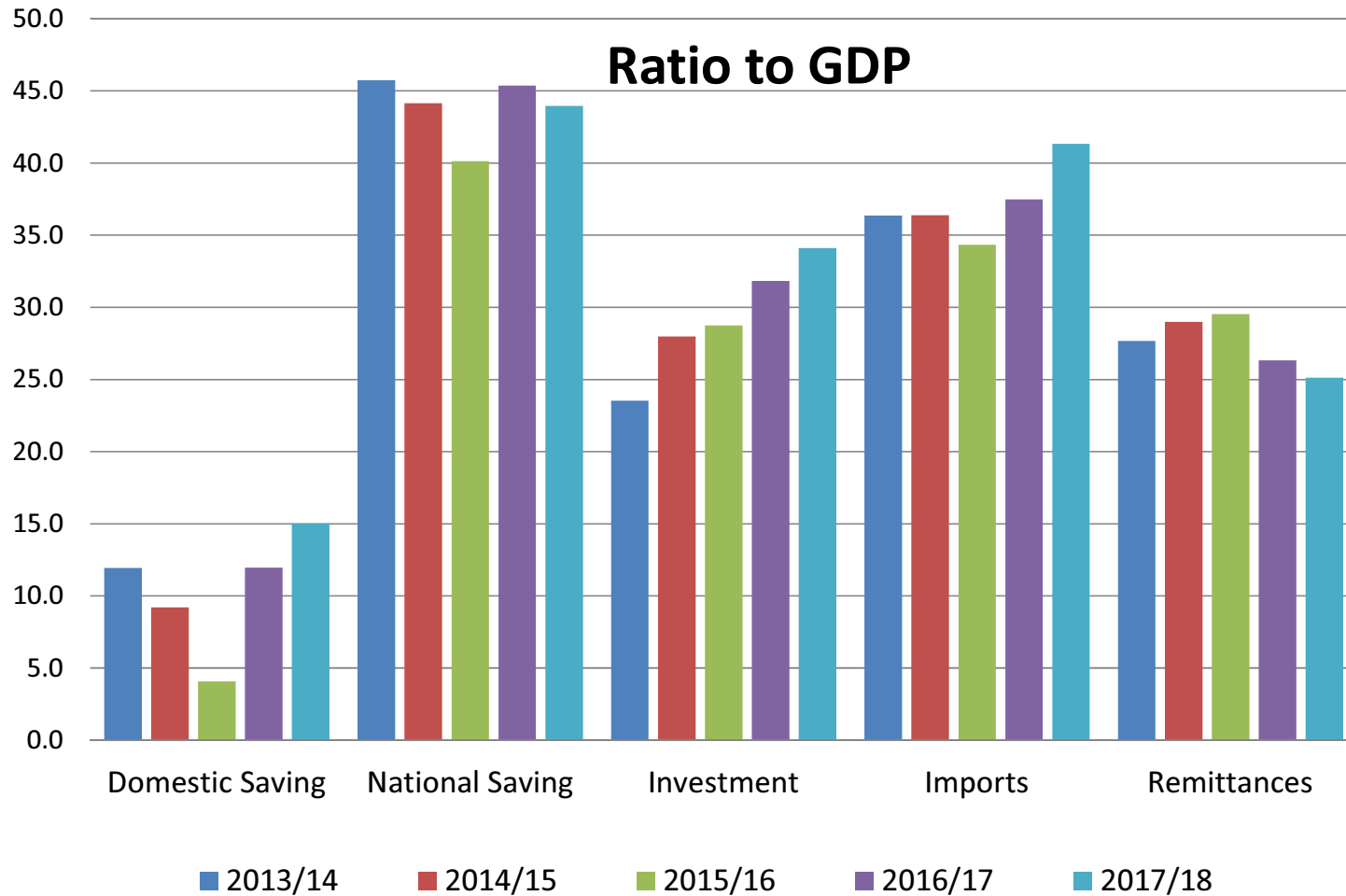


# Trend of Foreign Investment, Tourism Income and Remittances of Nepal



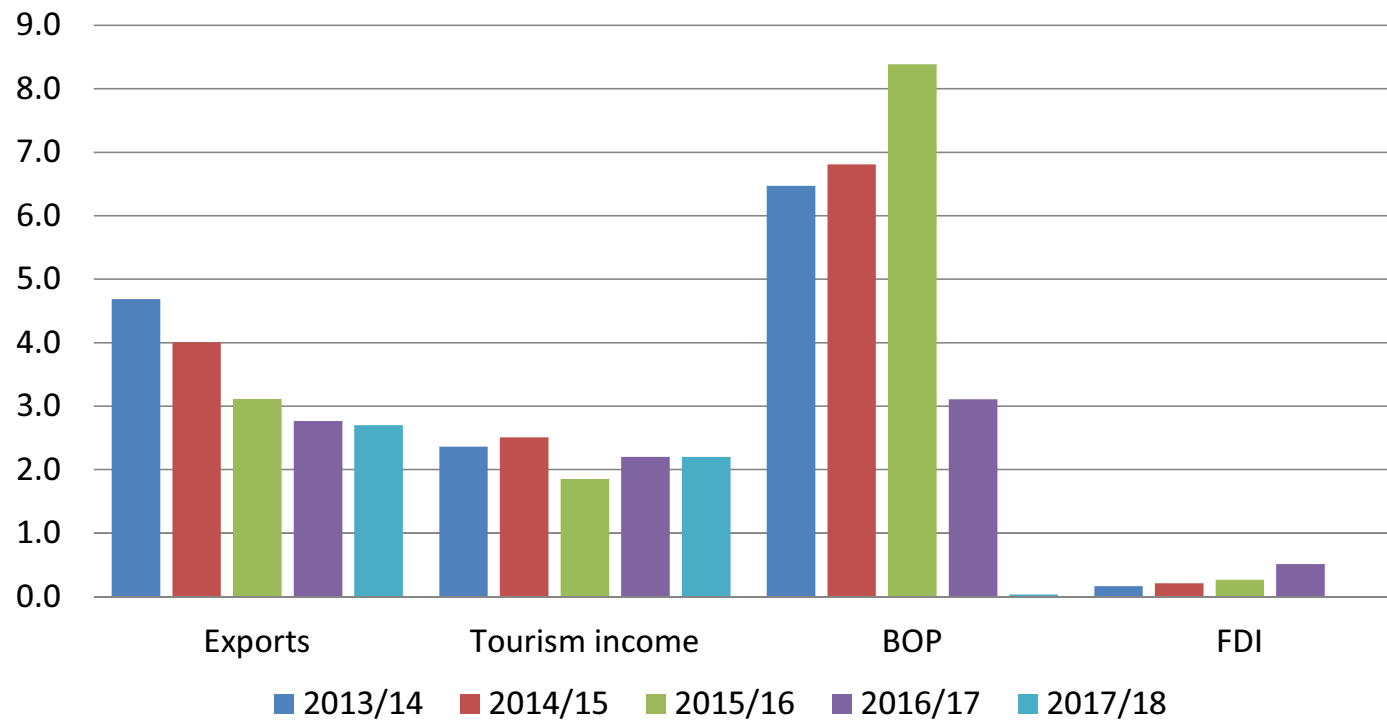


# Major Macroeconomic Indicators of the Economy



# Major Macroeconomic ...

## Ratio to GDP



# Major Development Achievement

Indicators	1990/91	2017/18
Income poverty (%)	49	21.6#
Multi-dimensional poverty (%)	-	28.6*
National Roads (km. thousand)	7	30
Local road (km. thousand)	NA	57
Electricity (MW)	227	1073
Mobile/Telephone density ()	-	135
Internet access (%)	-	45.7

# 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**

Indicators	2014/15	2017/18
1. GNI per capita (US\$)	778 (1025)	<b>1012 (1230)</b>
GNI per capita (US\$) using CDP Atlas Method	659	745 (1230)
2. Human Assets Index (HAI)	68.7 (66)	<b>71.2 (66)</b>
3. Economic Vulnerability Index (EVI)	26.8 (32)	<b>28.4 (32)</b>

- **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 bilaterals
- **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 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

