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Monitoring of countries graduating and graduated from the list of LDC category:

Nepal

SUSTAINABLE DEVELOPMENT GOALS

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Summary

The CDP found that, despite fast growth in recent years, Nepal's GNI per capita is still below the graduation threshold. The income growth was also hampered by the COVID-19 pandemic, especially due to the large impacts on the tourism sector. Government expenditure for public health and welfare increased, but protection for vulnerable people during COVID-19 pandemic appears to be limited.

The Government of Nepal has taken steps to prepare the STS and submitted the annual report to CDP. The Committee recommends the country to take concrete measures to promote productive capacity, including promoting cottage industry and diversifying the economy.

The CDP recommends ECOSOC to call for international community to continue providing technical and financial assistance to Nepal, particularly, on promoting productive capacity and build resilience against natural disasters.

Macroeconomic situation

Recovering from the devastating Gorkha earthquake of 2015 (magnitude 7.8 earthquake, affecting more than 31,000 people),[1] Nepal's GDP growth rate averaged 7.8 percent over 2017-2019. In 2020, however, the economy was hit hard by the COVID-19 pandemic, resulting in GDP contraction by 8.5 percent (calendar year).[2] Meanwhile, the IMF estimated a moderate decline of -2.1 per cent.[3] Tourism, transport and manufacturing are some of the sectors that are most affected by the pandemic.[4]

Real GDP growth of Nepal forecast to expand by 5 to 5.5. percent in 2022, according to various sources,[5] underpinned by domestic demand of India, Nepal's major trading partner, and private consumption followed by remittance inflows. Though, tourism in the Himalayas, which accounted for 10 percent of the country's GDP in 2019, is not expected to recover to pre-pandemic level until 2023.

The fiscal deficit of Nepal was 5.3 percent of GDP in 2020, due to increase in capital expenditure, especially for public health and welfare against the coronavirus. The country's tax to GDP ratio is 19.8 percent.[6]

Indicator	2015	2016	2017	2018	2019	2020
GDP growth rate (per cent, constant price)	3.3	0.6	8.2	6.7	7.0	-8.5
Inflation rate (%)	7.9	8.8	3.6	4.1	5.6	5.1
Government revenue (billions of national currency)	442.2	525.0	644.5	766.0	862.6	865.0
Government expenditure (billions of national currency)	428.3	494.5	727.3	967.6	1055.0	1073.6
Government balance (billions of national currency)	14.0	30.5	-82.7	-201.6	-192.4	-208.6
Government balance (per cent of GDP)	0.6	1.2	-2.7	-5.8	-5.0	-5.3
Net ODA received (millions of US dollars)	1224.4	1064.5	1269.7	1452.3	1332.6	

[1] World Vision, 2015 Nepal earthquake: Facts, FAQs, and how to help, retrieved from https://www.worldvision.org/disaster-relief-news-stories/2015-nepal-earthquake-facts

[2] UN DESA, World Economic Situation and Prospects, 2022.

[3] IMF (2021). World Economic Outlook, accessed 31 January 2022.

[4] National Planning Commission (2021). Nepal's Statement on LDC Graduation for 2021 Triennial Review, accessed 8 January 2022.

[5] UN DESA, World Economic Situation and Prospects, 2022; EIU Economic Intelligence Unit (2021). Nepal country report, accessed 8 January 2022.

[6] World Bank, WDI, accessed 8 January 2022.

Balance of Payments (millions of US dollars)						
Current Account	2446.6	-167.8	-1032.6	-2748.5	-1753.6	-84.1
Goods, Credit (Exports)	813.2	762.3	835.7	932.3	1110.9	890.1
Goods, Debit (Imports)	6510.7	8764.3	10200.4	12863.0	12118.4	9597.0
Balance on Goods	-5697.6	-8002.0	-9364.7	-11930.7	-11007.5	-8706.9
Services, Credit (Exports)	1430.5	1354.3	1594.8	1745.3	1615.3	881.2
Services, Debit (Imports)	1200.8	1250.8	1623.4	1775.3	1717.9	1097.4
Balance on services	229.7	103.5	-28.6	-29.9	-102.6	-216.2
Balance on Goods and Services	-5467.9	-7898.5	-9393.3	-11960.7	-11110.1	-8923.1
Balance on income	350.5	285.5	280.9	220.0	519.4	174.7
Balance on current transfers	7564.1	7445.1	8079.8	8992.1	8837.0	8664.3
Capital Account	161.6	164.6	149.1	133.9	142.1	115.4
Financial Account	2511.6	553.2	-279.9	-1567.3	-653.4	270.8
Direct investment (net)	-51.9	-106.0	-196.3	-68.3	-185.6	-126.6
Portfolio investment (net)	...	...	0.0	0.0	0.0	0.0
Financial derivatives (other than reserves) and employee stock options	...	...	...	...	...	...
Other investment (net)	198.3	8.2	-455.7	-842.0	-806.2	-2,531.8
Reserve assets	2,365.1	651.0	372.1	-657.1	338.4	2,929.2
Reserves (months of imports)	12.5	10.3	9.4	6.6	7.5	12.5

Source: GDP growth and inflation are from UN DESA, WESP, Government balance is from IMF, World Economic Outlook Database. Net ODA is from OECD, OECD.Stat. All external sector indicators are from IMF, Balance of Payment Data Reports.

LDC criteria and supplementary indicators

The GNI per capita of Nepal is estimated as $1197.8 in 2022, which is lower than the graduation threshold of $1242. Nepal is the first and the only country expected to graduate without meeting the income criterion. Meanwhile, the country's EVI score for 2022 slightly decreased to 23.8, still satisfying the threshold level of 32 or below. The HAI also continued to increase, scoring 76.5, which is well above the graduation threshold of 66.

Nepal continued to make progress in most of other supplementary graduation indicators (see Table 3 for selected indicators). Remittances continued to flow in during the COVID-19 pandemic, providing buffers for recipient households to address income losses. HDI and women empowerment index have been maintained, and access to water and sanitation have increased. ODA as the percentage of GNI has decreased in 2020 and requires attention on how to meet the need for development financing to recover from the impacts of the COVID-19 pandemic and to achieve the SDGs. There is no updated data for air pollution.

Table 2. Indicators for LDC identification, Nepal, 2018-2022.

Year	GNI per capita	EVI	HAI
2018	905.1	24.7	71.0
2019	955.4	24.5	72.6
2020	1,050.2	24.3	74.0
2021	1,151.7	24.0	75.1
2022	1,197.8	23.8	76.5

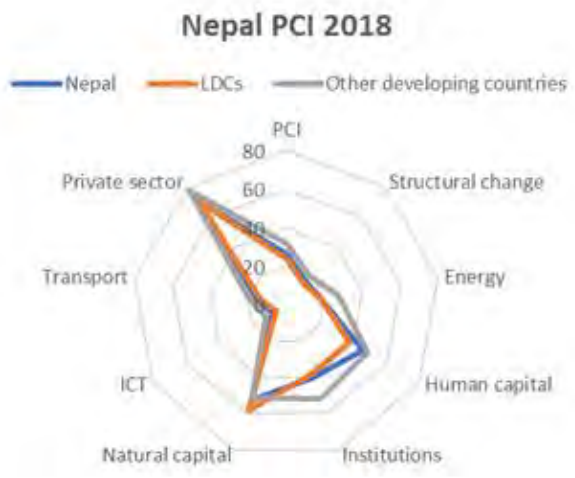
Source: CDP Secretariat

Table 3. Selected supplementary graduation indicators, Nepal, 2017-2021.

Indicator	2017	2018	2019	2020	2021
Remittances (% of GDP)	27.0	23.9	25.0	24.1	24.1
ODA received as percentage of GNI	5.0	4.3	4.3	4.4	3.9
Water access	88.3	88.7	89.2	89.6	90.1
Sanitation access	62.0	65.6	69.2	72.9	76.6
Human development index	0.58	0.59	0.59	0.60	0.60
Women empowerment index	0.7	0.7	0.7	0.7	0.7
Air pollution	96.3	98.1	99.7		

Source: CDP Secretariat

Productive Capacity



Nepal has a level of development of productive capacities above that of the LDC group. The country's development and path towards graduation has been largely pushed by two factors. First, its relative specialization in manufacturing, which places it ahead of LDC in terms of Structural Change. Second, the country has invested in "soft" components of productive capacities such as education, health and institutions, all areas in which it outperforms the LDC group.

By contrast, Nepal underperforms the LDC group in terms of Energy, an area in which it moreover stands 34% below other developing countries. This is surprising, given the country's endowment and potential in

the sector of hydropower. Still, this has been one of the dimensions in which the country progressed most during the 2010s.

The most remarkable progress during that period was achieved in ICTs, thanks to strong investment to expand the infrastructure and uptake of digital technologies.

Table 4. Productive Capacity Index, Selected Countries, 2018 value.

Country	PCI	Energy	Human capital	ICT	Institutions	Natural capital	Private sector	Structural change	Transport
Angola	22.2	22.8	35.9	5.0	32.2	51.9	65.6	12.3	10.5
Bangladesh	26.8	25.3	44.7	6.7	37.7	58.1	72.7	16.5	13.6
Bhutan	30.1	22.4	46.5	9.2	63.3	41.5	73.9	16.7	21.7
Lao PDR	27.1	23.5	41.0	8.2	40.1	46.0	78.0	20.6	12.5
Nepal	26.3	18.3	46.2	7.8	39.9	52.3	70.6	15.9	14.8
Sao Tome and Principe	26.7	19.6	43.7	7.2	48.4	46.7	75.8	16.3	15.2
Solomon Islands	26.2	21.2	40.0	5.5	46.9	44.7	81.1	13.5	20.7
Vanuatu	29.4	23.1	41.2	6.7	55.5	46.2	80.4	17.7	24.2
LDCs	23.9	18.8	37.9	6.1	38.2	58.2	71.0	14.0	13.4
ODCs	31.9	27.8	48.7	12.4	51.4	51.3	77.7	19.4	19.2

Source: UNCTAD.

Data gap

Nepal's overall statistical capacity index was 72.2 in 2020, slightly higher than the average score of South Asian countries (69.8) and lower middle income countries (66.4).[7] Methodology of source data is a particular concern, while the country scores better on periodicity and availability.

Smooth transition, national plan and country specific factors

Nepal is scheduled to graduate on 24 November 2026, after a five-year transitional period. A resolution on its graduation was adopted during the UN General Assembly on 24 November 2021. It is the first and the only country considered for graduation without reaching the income criterion. Nepal's LDC graduation will be a milestone for its socio-economic development.

Nepal submitted its annual country report on smooth transition strategy (STS) in November 2021.[8] The government is preparing a smooth transition and graduation strategy, focusing on cooperation among development partners and other stakeholders. The report analyses anticipated impacts of LDC graduation and COVID-19 on Nepal's development progress. It specifies the country's preparation for graduation as well, which includes 1) forming LDC Steering Committee; 2) establishing consultative mechanism; 3) calling for international advocacy; 4) organizing focal units to manage relevant activities; 5) preparing LDC graduation strategy; 6) taking measures against COVID-19.

[7] World Bank, WDI, accessed 8 January 2022.

[8] National Planning Commission (2021). Report on the Preparation of the Transition and LDC Graduation Strategy of Nepal, accessed 7 January 2022.

Current Fifteenth Plan (Fiscal Year 2019/20-2023/24)[9] is also in line with Nepal's preparation for LDC graduation. Its long-term vision 2043 aims to graduate the country from the LDC category by 2022, based on the following strategies: 1) achieving rapid, sustainable and employment-oriented economic growth; 2) ensuring universal and quality health service and education; 3) developing internal and cross-border interconnectivity and sustainable cities/settlements; 4) increasing production and productivity; 5) providing complete, sustainable and productive social security and protection; 6) building a just society with socio-economic equality and poverty alleviation; 7) protecting and mobilizing natural resources along with building their resilience; 8) promoting national unity and provincial balance, strengthening of public service.

LDC graduation will affect the country's exports. Currently 25 countries are granting LDC-specific preferences to Nepal, and losses are expected to concentrate in exports to EU.[10] Nepal would benefit from EU's Everything-But-Arms (EBA) arrangements for additional three years after the graduation, but it may face higher tariffs and quotas after then. [11] Besides, Nepal has signed India-Nepal Free Trade Agreement, South Asian Association for Regional Cooperation (SAARC) Agreement on a South Asian Free Trade Area (SAFTA) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).[12]

Nepal is highly vulnerable to climate risks such as earthquakes and floods. It ranked 44th out 191 countries from 2022 INFORM Risk Index.[13] Hence, climate change and disaster reduction are essential for the country. From Green Climate Fund, Nepal has received $87.8 million and $4.5 million for 3 projects and 3 readiness activities, respectively. It was also subsidized by GEF for 23 national projects ($39 million) and 19 regional/global projects ($236 million). From LDCF, the country received $32 million for 7 national projects and $9 million for 1 regional/global project. In fact, Nepal is one of few LDCs that has yet to exhaust the $10 million ceiling under the LDCF in the GEF-7 cycle.[14]

Addressing current pandemic situation is still a serious concern for Nepal. The government launched the vaccination programme on 25 January 2021, 49.1 per cent of the population has been vaccinated as of 31 Dec 2021.[15] Recovering from the impacts of the coronavirus, natural hazards and potential trade losses will be major challenges in coming years.

The CDP held a virtual consultation with the Government of Nepal on 8 December 2021. Nepal is preparing a smooth transition strategy (STS), which will be finalized by early 2022. It is led by the LDC Steering Committee, focusing on structural transformation, productive capacity, institutional capacity, resilience and the LDC graduation. The representative of Nepal showed keen interest in working closely with the UN system and called for international assistance. The government also highlighted the importance of reinforcing knowledge and technology.

One of the challenges for LDC graduation is economic diversification. As Nepal is reliant on light manufacturing exports, the loss of LDC-specific trade benefits will severely affect the economy. Regarding

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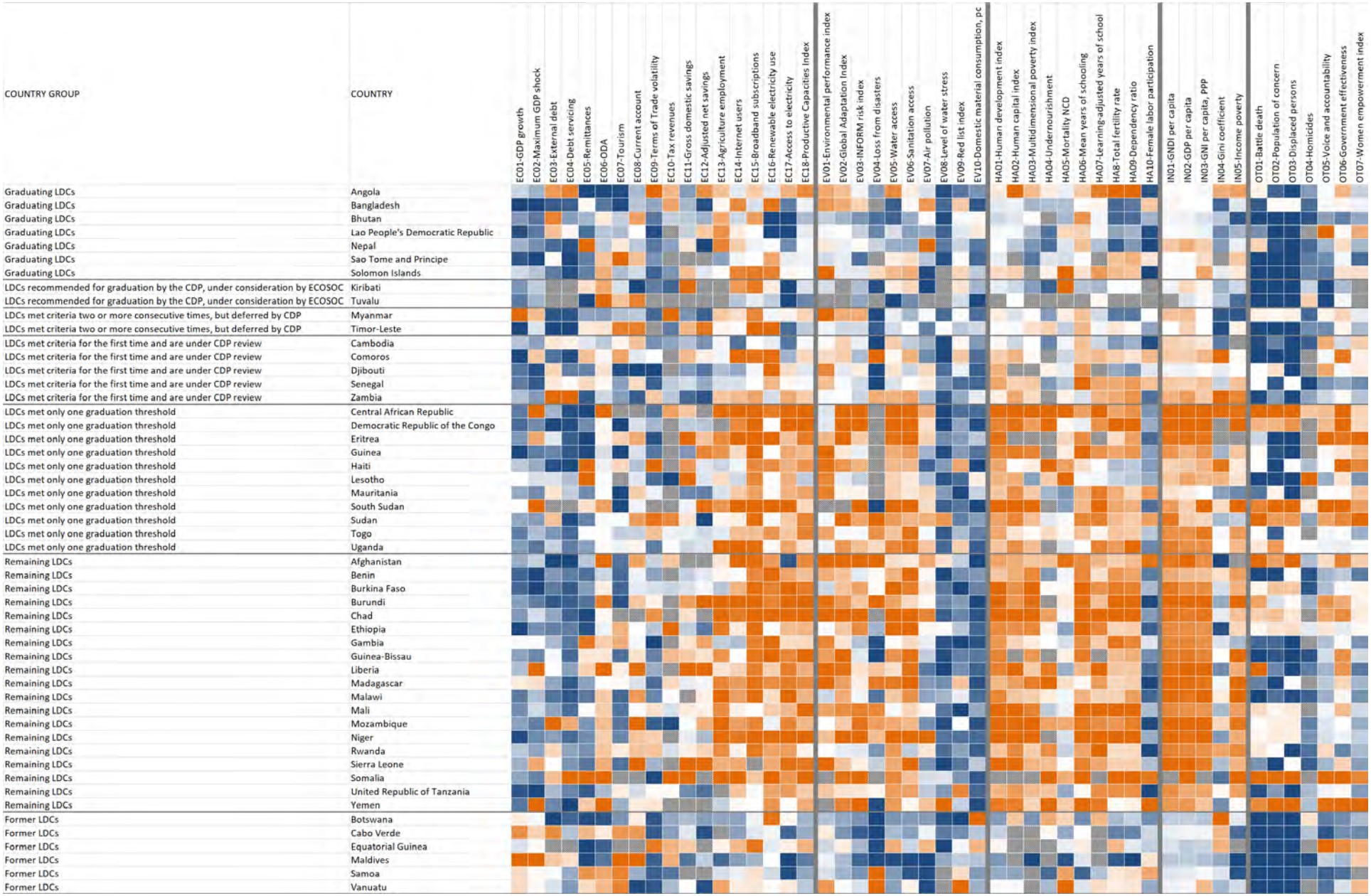
[9] National Planning Commission (2021). Fifteenth Plan (Fiscal Year 2019/20-2023/24), accessed 7 January 2022.
[10] International Trade Centre, UN-OHRLLS (2021). Nepal's exports after LDC graduation: Implications of tariff changes and compensatory strategies, accessed 8 January 2022.
[11] Central Department of Economics (CEDECON), Tribhuvan University (2020). Nepal's Exports and WTO: Position and Priorities, accessed 8 January 2022.
[12] International Trade Administration, Nepal-Country Commercial Guide, retrieved from https://www.trade.gov/country-commercial-guides/nepal-trade-agreements
[13] European Commission, Country Risk Profile, retrieved from https://drmkc.jrc.ec.europa.eu/inform-index/INFORM-Risk/Country-Risk-Profile
[14] GEF (2021). GEF Corporate Scorecard, accessed 7 January 2022.
[15] CDP secretariat (2022). COVID-19 vaccination in LDCs – Status report as of 31 December 2021. Updated information is available at https://www.un.org/development/desa/dpad/least-developed-country-category/covid-19-and-the-ldcs.html

the relationship with the EU, the government mentioned that it already requested for continuous support after the graduation. Additionally, it has submitted the proposal on extension of transition period to WTO, and efforts are being made to mobilize its members. At the same time, Nepal also put emphasis on improving its product quality to remain competitive in the global market.

During the meeting, Enhanced Monitoring Mechanism (EMM) and crisis response indicators were introduced by the CDP Secretariat. There were comments that Nepal should actively engage in the monitoring process, improve data capacity and add trade related indicators. Among indicators, remittance, which accounts for one fourth of GDP, was pointed out. The government mentioned that it is offering rebates on transactions using formal channels and allowing foreign currency accounts to prevent liquidity crisis. Besides, the country plans to enhance climate resilience, considering its inherent vulnerability to natural disasters. Nepal informed that some of developing partners have already made commitments to provide supports in this sector.

Annex 1: Heatmap extract of the supplementary graduation indicators (SGIs) for LDCs and former LDCs (2022 or latest available year)



Legend:

- Indicator furthest below reference point, indicating most concern (5th percentile)
- Indicator furthest above reference point, indicating least concern (95th percentile)
- Reference point (e.g. 33th percentile)
- No data available

Annex 2: Government report

Report on the Preparation of the Transition and LDC Graduation Strategy of Nepal

National Planning Commission

November, 2021

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1. Background

Nepal, one of the least developed countries (LDC) in South Asia, has made significant socio-economic progress in the past few years despite the challenges of the post-conflict transition, devastating earthquake and frequent floods, among others. Such a progress has enabled Nepal to qualify for the graduation from the LDC status. At the same time, this has necessitated formulating and implementing a smooth transition strategy that could prepare the country better for enhancing resilience and ensuring structural transformation of the economy.

In 1971, the international community recognized the special category of countries which were confronted with a high level of poverty, as well as structural and institutional impediments resulting in a low level of socio-economic development. Nepal was among the first group of LDCs identified and listed by the UN in its resolution 2768 (XXVI) of 18 November 1971. Since then, the list of LDCs is regularly reviewed against the set of LDC criteria.

Since the 1980s, the United Nations has organised decennial programs of action to support the development of LDCs. The First and Second conferences were held in Paris in 1981 and 1990, respectively. The Third conference was held in Brussels in 2001, which adopted the Brussels Programme of Action for LDCs for the Decade 2001-2010. This initiative was inspired by the values, principles and objectives of the Millennium Declaration.

The Fourth Conference was held in Istanbul, Turkey in 2011, which adopted the Istanbul Program of Action (IPoA) for LDCs for the Decade 2011-2020. The overarching goal of the IPoA is "to overcome the structural challenges faced by LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the LDC category". It specifically aims to enable a half of the LDCs to meet the criteria for graduation by 2020 (UN, 2011).

LDC categorization is based on three criteria: (a) Gross National Income (GNI) per capita as an indicator of income-generating capacity, (b) Human Assets Index (HAI) as composite index of education and health, and (c) Economic Vulnerability Index (EVI) as an indicator of structural vulnerability to exogenous shocks. According to the United Nations, LDC is a country that exhibits the lowest indicators of socio-economic development.

Nepal met the graduation thresholds for two out of three criteria, in the triennial reviews of 2015 and 2018. Nepal was also the first and only country being considered then for graduation without meeting the income criterion. However, due to the concern about the sustainability of graduation, Nepal requested the United Nations Committee for Development Policy (CDP) in 2018 for the deferral of its consideration for graduation to the triennial review of 2021. Nepal continued meeting the two criteria, HAI and EVI out of the three for graduation, though GNI per capita is still below the threshold level. Based on the triennial review, the CDP meeting held in February 2021 recommended Nepal for graduation from LDC as it has met the criteria for graduation for the three consecutive reviews.

With continued adverse impacts of natural disasters such as earthquake and floods and COVID-19 pandemic on the economy exacerbating vulnerabilities on different socio-economic fronts, the Government of Nepal requested CDP for a maximum grace period for a smooth transition to graduation. Accordingly, CDP in its 2021 triennial review recommended Nepal for LDC graduation, and on November 24, 2021, United Nations General Assembly endorsed the graduation of Nepal with a five-year transitional period.

2. Nepal's Endeavors towards LDC Graduation and Current Status

Nepal has been making continuous efforts to achieve rapid socio-economic development for the last six decades through comprehensive plans and successive policy reforms. With continued progress in various socio-economic fronts of the economy, the Three Year Plan (Twelfth Plan) (2010-13) made a target of Nepal's graduation by 2030. Thereafter, LDC graduation has been a priority agenda of the Government of Nepal. As a signatory to the Declaration of Istanbul Program of Action (IPoA), Nepal revised the earlier graduation target in May 2013 and committed to seek graduation by 2022. This new commitment to bringing forward the date for graduation was an attempt to translate into action the goal set by IPoA. This was clearly reflected in the vision of the Thirteenth Plan (2013/14-2015/16) in which appropriate strategies were laid out for ensuring graduation by 2022.

"An Approach to the Graduation from the Least Developed Country by 2022" report was prepared in 2013. In this report the current status of the Country from the standpoint of graduation was critically reviewed and the required interventions for the graduation were spelled out. Since then, the LDC graduation has been a major priority of the subsequent periodic plans. Both the Fourteenth Plan (2016/17-2018/19) and the current Fifteenth Plan (Fiscal Year 2019/20-2023/24) have reiterated the objective of meeting the graduation target by 2022.

Nepal's achievement in all the three criteria[1] of LDC graduation is given in table 1.

Table 1: Achievement of Nepal in all the three criteria of LDC graduation

		Nepal's Performance		
	Graduation Threshold	1st Triennial Review (2015)	2nd Triennial Review (2018)	3rd Triennial Review (2021)
Per capita GNP (US$)	> $1248 (2015) > $ 1230 (2018) > $ 1222 (2021)	$ 659	$ 745	$ 1027

[1] A country normally qualifies for graduation from LDC status if it has met graduation thresholds under at least two of the three criteria in at least two consecutive triennial reviews of the list. However, if the GNI per capita of an LDC is at least double the graduation threshold, the country will be deemed eligible for graduation, regardless of its performance under the other two criteria.

Human Assets Index	>66	68.7	71.2	75
Economic Vulnerability Index	<32	26.8	28.4	24.7

In triennial reviews of 2015 and 2018, GNI per capita threshold level for LDC graduation was $1242 and $1230, respectively. Similarly, threshold values for HAI and EVI in 2015 and 2018 were 66 or above and 32 or below, respectively. These threshold values are the same for the 2021 triennial review. The threshold GNI per capita value for 2021 triennial review is $1222 or above. CDP has reported that in 2021 Nepal's GNI per capita and HAI have reached $1027 and 75, respectively, and EVI has declined to 24.2. Hence HAI and EVI continue to meet the graduation criteria, and the GNI per capita is still below the threshold level. Nepal will be graduated in 2026. Therefore, Nepal will be the first and only country to have reached graduation without meeting the income criterion.

During the transition period (2021-2026), the country remains in the LDC category and is entitled to receive all benefits available to LDCs. LDC graduation is a key milestone in Nepal's development trajectory reflected in the current Fifteenth Plan. Developing a smooth transition strategy and its effective implementation will help explore the window of new opportunities for offsetting the likely loss of support measures, while also ensuring the net gains for transformation in an accelerated manner.

3. Impacts of LDC Graduation

Regarding the impacts of LDC graduation, it would be important to look at both the opportunities and the challenges for Nepal.

a) Major Opportunities

LDC graduation is an important development milestone that exhibits measurable and substantive progress in some of the key indicators of socio-economic development in Nepal. This also enhances the confidence of all stakeholders and the pride of the general public. Since the LDC graduation likely improves country's creditworthiness ensuring less risk premiums, ceteris paribus, the country may be able to attract more investment from both domestic as well as foreign investors. The Nepali private sector can also have a better access to external investment loans at a concessional interest rate. The successively rising level of income and economic progress can also open up new opportunities for new modes of business and services, including the transfer of new technologies and business practices to the country. This would also help attract new forms of finance, such as blended finance, in some viable sectors.

b) Major Challenges

After five years of the transition period of graduation, special LDC support measures will be discontinued having negative impacts on different sectors of the economy.

i. With LDC graduation, several international support measures will be phased out in the areas of international trade, and other general support that the country enjoys at the moment.

ii. Being LDC, Nepal currently enjoys a duty-free and quota-free market access or other preferential market access schemes from many countries[2]; special and differential treatment in obligations related to World Trade Organization (WTO), and various support measures related to capacity building in trade. The challenges from the LDC graduation include a possible trade loss from preference erosion, a loss of the preferential treatment and flexibilities granted towards LDCs at WTO, and phasing out of access to LDC-specific international support measures. If no other supportive mechanisms are put in place or negotiated, Nepal could face difficulties in diversifying markets and products. The most potential exports identified by the Nepal Trade Integration Strategy and other products from Nepal could face higher tariffs and more stringent rules of origin in the absence of new trade agreements or other concessional arrangements with the major trading partners of Nepal.

iii. On the issue of development assistance, there will be no immediate impact in terms of availability of resources on account of Nepal's graduation from the LDC status. Most of the international financial institutions do not recognize the LDC category for the disbursement of funds as such. Bilateral development partners consider all issues; international commitments such as 0.15% of GNI as ODA to LDCs, bilateral relationships, incidence of poverty, vulnerability and humanitarian considerations and other specific factors. However, with an increased national capacity, the scope of concessionality may be adversely affected.

4. Socio-economic Impacts of COVID-19

The COVID-19 pandemic has posed additional challenges constraining socio-economic development and progress. It has pushed many people below the poverty line for the first time in decades. Health and wellbeing of a large section of population have been severely affected. With a predominant share of informal employment in the country, the vulnerability of the informal sector workers including those of women workers remain high. Livelihood prospects of the people working on daily-wages basis and those with limited social protection and assets have been undermined. Tourism, transport, and manufacturing are some of the sectors hit hardest by the pandemic. Education, construction, agriculture, trade, and supplies have also been negatively

[2] Specific countries with preference scheme for Nepal as LDC are: Australia, Canada, Chile, China, the European Union, Iceland, India, Japan, New Zealand, the Republic of Korea, the Russian Federation, Switzerland, Taiwan Province of China, Thailand and the United States.

affected. These adverse impacts have raised the likelihood of a rise in poverty and inequality simultaneously. This could add a further challenge to the graduation, particularly due to the continued vulnerabilities in a number of sectors and areas. More broadly, COVID-19 pandemic has increased a substantial risk of delay in achieving the Sustainable Development Goals within the stipulated time.

Therefore, apart from the likely losses in international support measures and other facilities, the socio-economic impacts of COVID-19 pandemic have to be fully taken into account. Therefore, the preparation of the transition strategy also has to be fully informed by it.

5. Revitalised International Cooperation

The eradication of poverty and the promotion of international peace, equity and prosperity are a common responsibility of the international community The world has become more connected, globalized and interdependent now more than ever before. Revolutions in science and technology, transport and communications, global networks of supply chains, digital revolutions and the rising challenges of climate change and the pandemic have once again made it clear that there is no alternative to a more robust, inclusive and cooperative international order. It is in this context that we have called for more sustained and revitalised support and cooperation to the LDCs and those graduating from the LDC status, as they continue to face myriads of new vulnerabilities and structural constraints. They have been able to make limited progress largely because of a stronger national leadership and ownership of the development process in these LDCs, and equally important, a sustained and generous international support and cooperation. It is because of the joint efforts that these graduating countries have come this far. Therefore, as we prepare to reach a take-off stage, new and appropriately targeted measures should be put in place to further consolidate the progress we have achieved over the years. Nepal would like to work with the international community at the global, regional and bilateral levels to sustain the achievements made thus far, accelerate progress and strengthen resilience in the days ahead.

6. Nepal's Preparation for LDC Graduation

The Government of Nepal needs to prepare a transition strategy to ensure that the phasing-out of support measures resulting from its change of status will not disrupt the country's continued development efforts. Therefore, visualizing the possible negative impacts of the LDC graduation and also the impacts of COVID-19 on the people and the economy, the Government of Nepal is taking various measures and actions to ensure that LDC graduation becomes smooth, irreversible, and sustainable. Some of the measures and actions are listed as follows:

6.1 LDC Steering Committee: A LDC steering committee has been formed for providing required directions on LDC graduation matters. The steering committee is chaired by Vice-Chairperson of the National Planning Commission and included are key stakeholders

representing relevant line ministries including Ministry of Finance (MoF), Ministry of Foreign Affairs (MOFA), Ministry of Industry, Commerce and Supplies, Ministry of Education, Science and Technology, and other stakeholders including representatives from private sector organizations. ‘

6.2 Consultative Mechanism: While preparing the LDC transition and graduation strategy, wider stakeholder consultation will be carried out. The Government of Nepal is planning to establish a consultative mechanism to facilitate the preparation through mobilizing cooperation from development partners and other relevant stakeholders. Nepal has been in a regular communication with CDP as a part of preparation for the LDC graduation. Nepal has been in close coordination with the UN country team while preparing the United Nations Sustainable Development Cooperation Framework (UNSDCF).

6.3 International Advocacy: As continued access to international support and cooperation is critical to sustain and accelerate socio-economic progress in the country, Nepal has collaborated and will continue to work with the international community in general and development partners, UN organisations and international development and financial institutions in particular to ensure that we keep the momentum of progress in the years ahead. Nepal also expects a committed and positive response from the international community in its endeavor to make rapid progress with equity, promote sustainability, strengthen resilience and graduate from the LDC status.

6.4 Focal unit: The National Planning Commission has a focal Division to coordinate all the activities related to LDC graduation. It is also in regular communication with CDP for their monitoring process. To assist the Division on LDC graduation process, inter-ministerial technical committee will be formed which will include representatives from relevant ministries. The relevant ministries will work towards LDC graduation process within their defined jurisdictions.

6.5 LDC graduation Strategy Preparation: The Government of Nepal is in process of preparing a LDC transition and graduation strategy to accelerate efforts to advance structural transformation, enhance productive capacity, bolster institutional capacity, build resilience and mitigate the negative impacts of the LDC graduation. A team of experts is now engaged in the preparation of the LDC transition and graduation strategy. While preparing it, the team will work closely with the NPC, other relevant government ministries, institutions, sub-national governments, civil society organizations, academia, private sector organizations, cooperative organizations, development partners and UN agencies.

6.6 Other preparations:

To ensure effective policy responses to minimize and mitigate the negative impacts of COVID-19, the government undertook a preliminary study on the socio-economic impacts of COVID-19. Similarly, to cope with the debilitating impacts of COVID-19, the government took several important measures during the crisis. International support and cooperation also played a very important role. Now, an in-depth study is in the process to assess the comprehensive impacts of COVID-19 in the socio-economic development of the country and the livelihood of the people. Nepal is also preparing an IPOA progress review report. A mid-term review of the current 15th Plan is going to be carried out soon, which will also focus on the implementation of SDGs, impacts of COVID-19, and the LDC graduation process.

7. Conclusion

Graduation from the LDC status is a key development milestone for Nepal. It is a challenging task, which requires coordination, cooperation and support from all stakeholders within the country and from outside. We would like to make sure that graduation will lead to the structural transformation of economy, strengthening of resilience and an equitable and sustained progress in the country. Nepal faces both opportunities and challenges after graduation. Graduation will phase out all the facilities that Nepal has currently been enjoying as an LDC. To cope with such challenges and harness the opportunities, the government is preparing a smooth transition and graduation strategy. The strategy will focus on aforementioned issues through consultative mechanisms, bringing together all the relevant stakeholders including key ministries, private sector, and development partners.

While preparing for the graduation, Government of Nepal will be seeking support and commitments from the UN system, bilateral and other multilateral donors for a smooth transition and sustainable graduation.