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sectors are hardest hit by the pandemic. Education, construction, agriculture, trade, and supplies have also been severely affected. In addition, the production of goods and services, supply chain and service delivery have been disrupted.

According to the preliminary assessment, the economic growth was estimated to be about 2.3 per cent

aim to bring 2 million tourists into the country. This resulted in job loss in the formal and informal sectors associated with it.

As of 31 December 2020, a total of 260.5 thousand individuals have tested positive for COVID-19 and 1856 lives have been lost. The pandemic has created new challenges in health, education, livelihoods, and overall economic activities amidst various pre-existing vulnerabilities arising from being landlocked, natural disasters and deepening climatic crisis, among others. The pandemic severely hit the health

The Government also introduced relief packages including social protection measures targeting daily wage earners, the poor and other vulnerable people. Likewise to address the mounting economic crisis, the government provided tax rebates and facilities of delayed payment of taxes to the business and industrial community. Concessional loan facilities have also been provided to the severely affected sectors.

The Government has prioritized health, employment, agriculture, infrastructure, and social development in the annual budget of the current fiscal year. The budget has given priority to people's safety through the protection of citizens from all kinds of disaster and diseases. It has also focused on reviving the economy, enhancing social welfare, and building a resilient economy.

Furthermore, the 15th Periodic Plan has envisioned a long-term vision with 10 national goals. Besides that, national strategies, drivers of transformation and enablers as well as National Pride Projects, Game Changer Projects, major programs, and projects under the public private partnership have been identified in the Plan. Also, the national level result indicators as well as the provincial level indicators have been identified in the results framework of the Plan.

4. Possible Impacts of Graduation

LDC graduation is a milestone for a country moving towards sustainable development. It will impact access to concessional development finance and trade preferences, which are the enablers of development of the country.

Nepal's exports comprise primarily of light manufactur0.00000912 0 8 A MCID7e5o0912 0 612

LDC graduation entails phasing out of access to LDC-specific international support measures provided to overcome structural impediments to growth and sustainable development such as targeted Official Development Assistance (ODA) for LDCs that includes concessional financing, and technical assistance and other support measures. In Nepal, foreign assistance has a notable importance on the fiscal system as ODA flow in relation to GDP was about 5 per cent in 2019/20. ODA has significant role in financing the capital and development expenditure as its share is more than 60 per cent. However, the proportion of ODA on the domestic budget has decreased from 15.1 per cent in FY 2015/16 to 11.2 per cent in FY 2019/20. Hence, the government expects to receive more ODA which could be affected after graduation. However, the multilateral development partners make ODA decision based on the income category. Nepal is at the cusp of ‘dual transition’, with graduation from low-income country status to lower-middle

national aspiration of ‘Prosperous Nepal, Happy Nepali.’ Graduation has remained an integral component of national ambition and plan documents, backed by the commensurate political will.

The consideration for graduation was deferred in 2018, citing the concerns over the sustainability of progress as well as the fallout of disasters including the 2015 earthquake. In the ensuing years after the last triennial review, the progress has been made across all three criteria. The income growth saw a sustained trend, while the progress was seen in HAI and EVI as well. While anticipating the positive trend to further continue in the future, Nepal takes this as an encouraging sign to dispel the apprehension about the sustainability of the graduation.

Nonetheless, Nepal is aware of the up-front costs associated with the loss of LDC status –especially with the end of LDC-specific international support measures as well as challenges posed by COVID-19. As the country is at the cusp of dual transition from the low-income category as well as LDC category, the loss of access to concessional financing could be further accentuated. Meanwhile, the avenues opened by innovative financing tools including blended finance, support from the private sector partnerships, growing interest in impact investment among others provide a wider menu to choose from. If allowed with adequate preparatory time, Nepal could better navigate the alternative sources for financing its development.

Trade will be another area with a considerable impact of graduation. While the large bulk of trade of Nepal is limited with India, the terms of which are not contingent upon the LDC category, other large trading partners including the EU and the US accord preferential trade measures which will be lost upon graduation. Unfortunately, Nepal has not been able to

continued to promote international trade and increase exports. As a WTO member, Nepal seeks export subsidies on pharmaceutical products among others, which could be protected through patent as well.

7. Commitment and Conclusion

The Government of Nepal will prepare a transition strategy in consultation with all stakeholders. The strategy would analyze short and long-term effect following graduation and respective institutions will be approached for the continuation of concessional financing and other facilities received as an LDC. The institutional arrangement required for preparedness of upcoming graduation is significant. To prepare for replacement of preferential access in export, the Government of Nepal will carry out capacity development in international trade and Nepal's Special and Differential Treatment (SDT) will be further deliberated in the obligations of WTO. Meanwhile, improvement in economic governance will be emphasized.

To prepare the transition strategy, the Government of Nepal will coordinate and consult with its bilateral and multilateral development and trading partners, to adjust their development assistance over the transition period considering its level of development and existing international support measures. The transition strategy will focus to facilitate a smooth transition without any disruption in the development path and with an emphasis on the sustained momentum. It should involve gradual 'phasing out' arrangements as opposed to a sudden loss of concessions, as these are deemed vital to the country.

For sustainable graduation and beyond, Nepal will strive to develop productive capacities through investment on human capital, infrastructure, and universal health coverage, promote entrepreneurship, reduce inequalities, and build resilience. So, the Government, along with increasing its capital expenditure, will focus on improving the productive capacities through both public and private sector investments and achieve multiplier effects of employment creation and economic growth.

In conclusion, the Government of Nepal is optimistic about graduation from the LDC status with the preparation of a robust transition strategy. Nepal requests the Committee for Development Policy
