

NEPAL'S DEVELOPMENT HAMPERED BY INSTABILITY, POOR INFRASTRUCTURE – STUDY

MANILA, PHILIPPINES (11 June 2009) – Nepal's efforts to accelerate economic growth and reduce poverty are being hampered by political instability, poor infrastructure, and other critical obstacles, a new study has found.

The study, [Nepal: Critical Development Constraints](#), is a collaborative effort by Asian Development Bank (ADB), UK Department for International Development (DFID) and International Labour Organization (ILO), that examines the main factors holding back the country's development progress.

It notes that the unstable political environment, infrastructure shortcomings, labor market rigidities, industrial relations problems, and inequitable access to opportunities have undermined growth and poverty reduction.

The report suggests stronger governance, accelerated infrastructure development, particularly in the power, road and irrigation sectors, labor market reforms and greater efforts to ensure all sectors of society have access to productive assets, education and other key social services, can help address these obstacles. At the same time it cautions the international community not to burden the government with excessive demands given its limited resources and the political transition the country is going through. It notes that priorities for reform must be determined by the government and the Nepalese people themselves.

"Nepal needs accelerated inclusive growth to create jobs and maintain stability in the long term but its difficulties are mainly to do with internal, structural issues and it can address these issues if the desire and political will is there," said Ehsan Khan, ADB senior economist and the report's main author.

While Nepal has made solid progress in cutting poverty over the past decade, its growth performance has sharply lagged its South Asian neighbors, with development constrained by an internal conflict that began in 1996.

"We hope the report will be the start of a process of raising the debate on what's needed to accelerate inclusive growth in Nepal," said Sarah Sanyahumbi, DFID Nepal Head of Office. "Improving and promoting inclusive growth, and creating more jobs, is a key focus of our program in Nepal for the next few years and vital for peace and development in Nepal."

The study highlights the need for an improvement in the country's industrial environment, pointing out that labor strikes, transport strikes, unauthorized levies on businesses and other constraints have led to frequent disruptions in production and exports, under-utilization of capacity, higher costs, a loss of competitiveness and the closure of factories

Media Inquiries

Andrew Perrin
Tel +63 2 632 5208
E-mail: aperrin@adb.org

Electronic versions of ADB news releases

ADB Online Media Center: adb.org/news
ADB web site: www.adb.org

“The priority of the ILO’s Decent Work Country Programme for Nepal is to generate productive employment for building sustained peace through labor market reform and this research will no doubt accelerate the process of the ILO’s ongoing reforms which encourage investment, as well as stressing the importance of social protection of workers,” said Shengjie Li, Director of ILO for Nepal.

The study is supported by Nepal’s Ministry of Finance and National Planning Commission

ILO is the tripartite UN agency that brings governments, employers and workers of its member states together to promote decent work throughout the world.

DFID is the UK Government Ministry responsible for promoting development and the reduction of poverty.

ADB, based in Manila, is dedicated to reducing poverty in the Asia and Pacific region through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, it is owned by 67 members – 48 from the region. In 2008, it approved \$10.5 billion of loans, \$811.4 million of grant projects, and technical assistance amounting to \$274.5 million.

The full report is available online at <http://www.adb.org/Projects/Country-Diagnostic-Studies/country-studies.asp>.
