



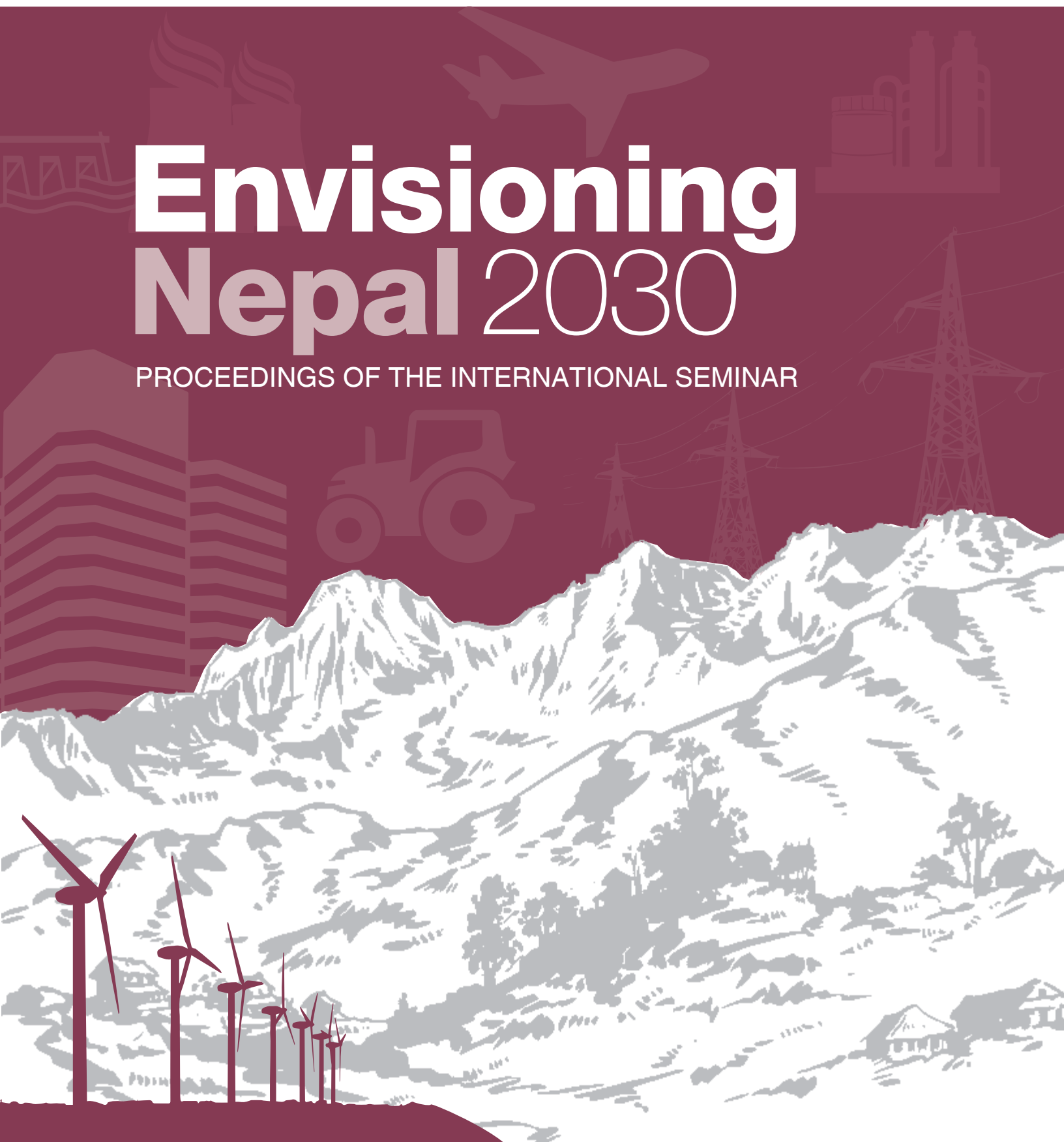
GOVERNMENT OF NEPAL
NATIONAL PLANNING COMMISSION



ASIAN DEVELOPMENT BANK

Envisioning Nepal 2030

PROCEEDINGS OF THE INTERNATIONAL SEMINAR



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Abstract

National Planning Commission has undertaken to develop Nepal's long term Development Strategy, 2030 that will serve as a guideline for Nepal's graduation from Least Developed Country status by 2022, achieving the Sustainable Development Goals in the post-Millennium Development Goals era, and becoming a middle-income country by 2030. This report provides a general direction for this strategy based on the recommendations made by esteemed scholars, academics, and development practitioners who participated in the one-day high-level international seminar organized by National Planning Commission in collaboration with Asian Development Bank on 28 March 2016.

Preface



The last half-century of government-led visioning exercises and implementation of periodic development plans and activities have yielded notable progress in Nepal's socioeconomic development process. Especially, over the past decade, we have successfully lifted a substantial number of people out of poverty, achieved most of the Millennium Development Goals, and made significant progress in human development. Yet, much remains to be done.

Nepal stands at a challenging juncture at the moment. We are now looking forward to graduating from the Least Developed Country category, becoming a middle-income country, and achieving the Sustainable Development Goals by 2030. The country is still recovering from the massive earthquake that struck last April. While still going through the aftershocks of the earthquake, the country was struck by a four-month long damaging economic blockade—one that caused a bigger injury to the economy than the earthquake—that pushed many people back into poverty. Therefore, there are immense challenges to overcome on the way to achieving the goals that Nepal has set for itself over the next fifteen years. Having said that, the promulgation of the new Constitution of Nepal signifies a massive victory for the Nepali people. The Constitution has enshrined the goals of perpetual peace, prosperity and equitable development, and good governance, and guaranteed fundamental rights of food, education, health, etc. to the people. The Constitution thus lends an impetus to setting out, once again, and strongly than ever before, an endeavor of socioeconomic transformation of the country, fulfilling in the process, the goals that Nepal has set for itself, and the hopes and aspirations of thirty million Nepali citizens. All Nepal needs now is a clearly laid-out long-term roadmap for inclusive development.

This international seminar 'Envisioning Nepal 2030' is the first engagement with the international development experts, development partners, policy makers, and representatives of civil society organizations—all with decades of experience—in a bid to formulate the long-term roadmap. During this strategic visioning exercise, we reflected back on our past experiences and scrutinized all plans and actions we had implemented so far. From the international experts, we sought lessons on how they went about building long-term plans for their respective countries, their success and failure stories, and the contemporary global political-economic paradigm. Together, we identified the challenges and opportunities for Nepal as we go forward, and discussed how we could position ourselves in the global picture to reap the benefits of the contemporary trends and achieve a fast-paced and sustainable inclusive growth.

This report is a compilation of the discussions that took place during the day-long strategic exercise. And, this is only the first initiative and there will be more of such in the coming months. After a series of such engagements with the stakeholders, we will have broadly identified the areas of strategic priority for Nepal. These will further serve as the building blocks for Nepal's long-term development vision. The inputs from the national and international experts will be incorporated as we build an implementation action plan.

Throughout the process, we will have to ensure that what comes as an output of these series of exercises are implementable, and that it holds the capacity to bring about the socioeconomic transformation and all-round development that the Nepali people are eagerly looking forward to. For that we will have to, on the one hand, make sure that the plans are clear and concrete, and on the other, have sufficient human and financial resources, and technical and managerial expertise to effectively implement them. In order to achieve all these, we will require commitments and continuous support from all stakeholders including government agencies, development partners, the private sector, the cooperative sector, and the civil society.

Dr. Yuba Raj Khatiwada
Vice Chairman, National Planning Commission

Preface



With its recently promulgated Constitution, Nepal is progressing towards political and social stability, which is a foundation of long-term economic development. Nepal has made its intentions of development clear by setting goals of graduating from the Least Development Country status and by signing up to the achievement of Sustainable Development Goals by 2030. Nepal is now to formulate a clear vision that can lead the country to undergo rapid socioeconomic transformation to become a prosperous middle-income country. The Asian Development Bank (ADB), a long-standing partner in Nepal's development initiatives, welcomes the Government of Nepal's commitment to equitable development and growth. ADB is honored to be given a role of supporting the government in envisioning Nepal's development strategy.

Experiences of Asia's remarkable progress in economic growth and poverty reduction over the past 50 years demonstrate the need for setting out clear and visionary pathways for achieving the country's socioeconomic goals, and the active roles played by the state to implement the strategy. Nepal can also learn from the experiences of successful countries in terms of accelerating broad-based economic growth, generating agriculture transformation, and moving towards developing an industrial base by attracting foreign and domestic investments that are focused on creating jobs for the Nepali people. Furthermore, Nepal is fortunate to have regional cooperation and integration with the rapidly growing neighboring economies, which can be a bedrock of Nepal's development strategy.

"Envisioning Nepal 2030" is an exercise taken up by the National Planning Commission (NPC) to develop time-bound and realistic development vision and strategies that are actionable. ADB commends the Government's intention and efforts in this endeavor.

This report brings together the rich discussions of the one-day seminar organized by NPC on 28 March 2016. The seminar was a gathering of sector experts, leading economic reform champions, and development practitioners from the region, and a wide range of stakeholders from Nepal. Renowned international and national experts presented ideas and experiences of successful economic reforms and transformation in Asia. Eminent local panel discussants pointed out the contexts, realities, and challenges of reforms in Nepal. Overall, the seminar discussions provided ample and valuable inputs for taking the process forward for formulating Envisioning Nepal 2030 that can respond to global and regional paradigms while transforming Nepal's socioeconomic development realities.

ADB believes that a fruitful process has been initiated and that this report marks the beginning of framing a long-term dynamic development strategy that can adapt to changing realities. ADB is committed to partner with the government in facilitating this process further and will endeavor to support the NPC, in collaboration with other development partners, in the path that it has set forward.

Wencai Zhang
Vice President
Asian Development Bank

Preface



The Envisioning Nepal 2030 Seminar is an endeavor of the National Planning Commission (NPC) to chart Nepal's long-term development strategy. With the promulgation of the Constitution of Nepal—in which are enshrined the goals of perpetual peace, development and prosperity, good governance, and social justice to ensure equitable development—and the country's prior commitments to graduate from the Least Developed Country category, become a prosperous middle-income country by 2030, and achieve the Sustainable Development Goals 2030, Nepal is gearing up for a major socioeconomic transformation. This requires that Nepal proceed with a clear long-term development roadmap, which is further supplemented by a focused and implementable plan of action. This seminar is NPC's first attempt to build a vision and chart out an action plan.

We would like to take this opportunity to, first of all, thank the Right Honorable Prime Minister K.P. Sharma Oli and Honorable Minister of Finance Bishnu Prasad Paudel for gracing the Seminar with their presence, supporting the process of formulating a development vision of Nepal, and lending us their valuable suggestions.

This endeavor has been supported by the assistance and support of Asian Development Bank (ADB). One of the main goals of this Seminar was to learn about the development process of neighboring developing and developed countries. This required that we be honored by the company of international experts—renowned and respected scholars and policy makers to learn from their knowledge and rich experience.

We would like to acknowledge and thank our esteemed international experts for accepting our humble invitation, participating in the seminar and sharing with us, their observations and lessons from the development processes happening in the neighboring region and beyond.

We would also like to thank Nepal's other development partners for participating in the discourse and sharing their perspectives on Nepal's development.

We are grateful to our moderators for the day who successfully crafted rich sessions for us by engaging our experts in intellectual discourse on various aspects of growth and development. We are also thankful to our Nepali experts who contributed to this exercise in various capacities—paper presenters, panelists, and discussants—by informing the attendees about the recent developments and trends in their respective areas of expertise and contributing constructive inputs for this exercise.

We would also like to thank all participants—officials from government agencies, private sector, co-operative sector, civil society organizations, academicians, and a range of other stakeholders across the country—for accepting our invitation, participating in the discourse, and interacting with the panelists, thereby contributing more contents for us to further explore and incorporate in the strategy paper.

Finally, we sincerely thank all colleagues who worked tirelessly in terms of identifying stakeholders and making sure that they made it to the Seminar, handling logistics, managing the technical aspects of the Seminar, and coordinating the entire event to pull this event through.

We look forward to hosting more of these kinds of discourses and hearing from all stakeholders on how Nepal should proceed to make sure that it fulfils all its development commitments, and achieve a socioeconomic transformation that will ensure an inclusive growth and prosperity for all its citizens.

Lal Shanker Ghimire

Joint Secretary, Economic Management Division
National Planning Commission Secretariat

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List of Abbreviations

ADB	Asian Development Bank
DFID	Department for International Development
DP	Development Partner
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoN	Government of Nepal
ICT	Information and Communications Technology
KDG	Key Drivers of Growth
LDC	Least Developed Country
MDG	Millennium Development Goals
NPC	National Planning Commission
PCI	Per Capita Income
SDG	Sustainable Development Goals
SME	Small and Medium Enterprise
UNDP	United Nations Development Programme

Executive Summary

National Planning Commission (NPC) has undertaken an effort to develop a long term development strategy for Nepal—Envisioning Nepal 2030—that will serve as a guideline for graduating from the Least Developed Country (LDC) status by 2022, achieving the Sustainable Development Goals (SDGs) in the post–Millennium Development Goals (MDG) era, and becoming a middle-income country by 2030. This report provides a strategic direction and a framework for the long-term strategy based on the recommendations made by the esteemed scholars, academics, and practitioners who participated in the one-day international seminar organized by NPC with the support of Asian Development Bank (ADB) on 28 March 2016.

Rationale and Elements of a Long-Term Strategy for Nepal

Nepal has adopted a new Constitution that enshrines the democratic and fundamental rights of its people. The focus is now on empowering the people and ensuring higher, sustainable and equitable growth. Nepal also aims to graduate from the LDC status by 2022, achieve the SDGs, and become a middle-income country by 2030. This is, therefore, an opportune moment to embark on formulating a long-term development vision and an implementable strategy aimed at achieving socio-economic transformation of the country.

Nepal's direction towards developing a long-term vision and strategy is guided by its commitment to achieving high, inclusive, and sustainable economic growth and development that upholds social justice and equity.

Key elements of a long-term strategy needs to include development strategies for key growth drivers as well as means that ensures distribution of growth dividends to all Nepalis. Nepal can reap the demographic dividend of having a young population; can cater to the vast markets of neighbouring India and China with higher connectivity; has sectors with vast growth potentials such as hydropower, tourism, and agriculture. All these factors need to be reflected in Envisioning Nepal 2030. At the same time, the strategy needs to adequately account for disaster risks, climate change, and vulnerabilities of Nepali society and economy in coping with external shocks.

The strategy needs to integrate efforts made by all sections of the society including the government, communities, civil society, and the private sector. It needs to synchronize existing policies and programs, and inspire and motivate all to work towards achieving the long-term vision. Nepal also needs to collaborate with its bilateral and multi-lateral development partners to materialize this vision.

Experiences of Asia's Development

India has managed to achieve high economic growth and stability in the last decade and still generates opportunities for growth. It has managed to achieve this with a long-term vision and reforms targeted at structural transformation of the economy rather than producing overnight results. Some of these measures include moving towards decentralization and devolution that empower states, fiscal consolidation at the federal level, investments in strategic public infrastructure that can promote private investment, innovation and measures in the financial sector, and well-targeted subsidy systems creating opportunities for the poor to access markets.

The structural transformation of East Asian economies demonstrates that poor countries can grow rapidly with the adoption of right industrial development strategies and policies. Some of the major

features of successful policies include diversification and industrialization, reduction of bureaucratic red tape, and promotion of private sector investments. Industrial policy based on a country's latent competitive advantage and reducing transaction costs can be a key tool to achieve structural transformation. Countries should look at other economies with similar structure and income to identify their latent competitive advantage. Industrial policy also requires facilitating first movers in the competitive advantage sectors and ensuring that these private investments do not take the form of a monopoly led by strong political leadership. Land-locked economies such as Rwanda and Ethiopia have both benefited from such strategies. With growing wage rates in East Asian economies and China, Nepal can look at light manufacturing as a potential area of industrialization. However, Nepal also needs to achieve structural transformation in agriculture and tourism with the introduction of new technology.

Korea's transformation from an agrarian economy to an industrialized one in a relatively short period of time also presents important lessons for developing economies. Korea managed to achieve high economic growth that was shared well across various strata of the Korean society, thereby producing equitable growth. Korea's success can be credited to a strong emphasis on effective implementation of the plans ("Development is 1% planning and 99% implementation") backed by measurable targets-based performance management. Effectiveness was augmented by pursuing for high integrity to strictly curb corruption, meritocracy, high integrity and well placed incentives for everyone to perform. While the bureaucracy was motivated by the clarity of objectives and merit-based performance management system, the political leadership ensured equitable growth through programs like 'Reforestation', 'New Village Development Program', and 'Merit-based Subsidies'. Results-based monitoring and evaluation were used in the process of reform and export promotion was given high priority. The President took a lead role in the implementation of this strategy by closely monitoring result indicators.

Successful structural transformations demonstrate that it is growth promoting. Often times when economies grow without these transformations, growth is not sustained. Reforms require attention to both hardware (e.g., infrastructure) and software (e.g., good governance). Growth can be sustained in the long run through reduced transaction costs.

Nepal's Long-Term Development Perspectives

Following the promulgation of the new Constitution, time has come to address the socioeconomic aspirations of the Nepali people and investing in improving the lives of the general people. Nepal envisions a socioeconomic transformation that enables it to meet the goals of graduating from the LDC status by 2022 and achieve the SDGs and become a middle-income country by 2030.

Nepal's strategic location between India and China (with a burgeoning middle class) can aid this vision through improved connectivity, which can be financed through South-South cooperation. While there are numerous challenges in the form of institutional weaknesses and low public expenditure, broad-based growth to the tune of 6 – 8% is imperative for Nepal.

Two key strategies need to be implemented for Nepal to achieve redistributive growth:

First is the identification of key growth drivers (KDGs) that can produce the required growth. KDGs could be agriculture and forestry, education, health, tourism, energy, transportation, small and medium enterprises (SMEs), information and communication technology (ICT), and urban development for Nepal. Foreign direct investment (FDI) also has a major impact owing to technology transfer and influx of required investment. Industrial development in terms of forming a supply chain for multinational corporations and attracting light industries could be another KDG for Nepal.

Second, Nepal needs to identify and work on Major Transformation Initiatives that are able to remove institutional weaknesses and structural hindrances that deter the growth in KDGs. Major Transformation Initiatives could include knowledge and technology, decent job creation and skills development,

social inclusion, competitiveness and innovation, reduction of disaster and other risks, reduction of income disparity, and effective public service delivery. Productivity growth can be another Major Transformation Initiatives that Nepal needs to address. In order to improve public service delivery, the Korean example of capacitating the implementers could be used.

The focus of the strategy for Nepal needs to be on implementation. Four key process drivers in implementing reforms are: regulatory, operational, financial, and programmatic. Adequate monitoring mechanisms and feedback and evaluation loops need to be charted out for this reform process. Reforms while led by the government will require credible partnership with the private sector, communities, and development partners.

Nepal's vision needs to anticipate and respond to regional and global trends of development. This can translate to local policies addressing local problems with a global direction. Therefore, while Nepal is thinking of labor-intensive industries in the short term, in the long run, it needs to envision a knowledge-based economy. Transforming to a knowledge-based economy requires investment in education, ICT, infrastructure, and research and development. Rapid urbanization needs to take into account the creation of liveable, competitive, smarter, and greener cities. Emphasis should be placed on technological progress and communication revolution whereby shared prosperity can be created.

Thematic Presentations

Accelerating Inclusive Growth

Conceptual understanding of why growth is required and how growth is produced are important considerations for a country such as Nepal. Economic growth is a rare phenomenon in human history and while rising incomes address crucial challenges such as poverty, they do not necessarily translate into inclusive development for all citizens. While acknowledging the role of institutions in promoting long-term economic growth, it needs to be recognized that institutions cannot be transformed overnight. Therefore, the current focus should be on generating as much investment as possible in the economy, thereby helping uplift the poor out of poverty. In order to generate investment, the development model needs to be transformed with new paradigms of prompting growth. This requires going beyond the traditional vision of moving an agrarian society to an industrial one. Nepal needs to think about investments that will efficiently maximize the productive capacity of agriculture while also preparing the ground for industrial investment. Mobilizing private savings (since Nepal is a remittance-driven economy) into productive sectors and reorienting its traditional production models to encompass higher growth-promoting public investment, introducing smart social security measures, and removing legislative bottlenecks need to be the focus of Nepal's development strategy.

There are five major concerns in inclusive growth. First, growth results in reduction of poverty. Therefore, the focus should be on alleviating poverty first. One cannot imagine poverty alleviation without agriculture transformation. Second, inequality is a relative concept in growth while poverty is absolute. However, income inequality can result in social discontent and, therefore, this also needs to be managed. Third, the government's administrative and fiscal capacities are limited. Therefore, it should focus on doing a limited number of things efficiently. Fourth, broad-based growth can be achieved only by providing access to education, health, finance, and markets to the poor people. And finally, well targeted and efficiently delivered social protection schemes would not only cushion most vulnerable against economic shocks, but also assist the poor to meet their basic requirements.

Experiences from Asia demonstrate that having an accountable government is important for growth. Democracy allows the space for citizens to voice their discontent over slow growth. However, a rigged economic system that grants favors to the elites needs to be avoided. This is where inequality becomes a major problem. While the private sector is the key driver, the role of the state is equally important in generating and sustaining growth. Focus should be in latent comparative advantage. Investments in these sectors need to be made immediately while provisions for social security also need to be made.

For developing economies, FDI can provide the boost to capital formation when capital cannot be generated domestically.

Regional value chains are a critical component for generating and sustaining growth. The focus of such value chains should be on job creation to encompass the growing youth population of Nepal. With appropriate infrastructure created nationwide to capitalize on the value-chain opportunities provided by industries and services based in India and China, Nepal does not necessarily require special economic zones (SEZs). However, it needs to improve its connectivity and infrastructure to take advantage of this opportunity.

Energy (Hydropower) Development

Energy sector reform needs to be addressed from two lenses: as an input to economic activities, and as a commodity to be traded. This lens translates into a vision of widening access to energy, encouraging energy diversification and switching to cleaner sources, improving usability and reliability of energy, and promoting cross-border trade. Nepal faces several constraints to achieve this vision. Therefore, Nepal needs to introduce gradual sector reforms that include institutional efficiency enhancement through an independent regulator, separation of transmission, and liberalization of distribution services. It also needs operational reform that targets reducing leakages and improving the quality of energy supply. Cross-border trade requires better infrastructure capacity, third party access to transmission lines along with institutionalizing a power trade commission, and a proactive engagement in subregional and bilateral agreements. Nepal also needs better planning and execution in energy development that integrates river basin-based planning, integrated resource planning, optimal generation planning, and energy efficiency.

Energy will be a key factor for a ‘smart civilization’ with smart cities. While the discussion about hydropower development has been around for decades in Nepal, we have failed in implementation. The government has worked on a concept paper that addresses some of the major issues of energy sector in Nepal. In a paper, the government has committed to develop an energy security policy within the next six months. The concept paper targets to generate 200MW and 850MW next two years and 400MW in the third year, thereby removing the ongoing load-shedding within the next three years. The paper has also outlined the simplification of the environment impact assessment process, resolving forest-related issues, and relaxing financing regulations for banks and financial institutions in hydropower sector. Nepal also needs to improve its governance mechanism. It needs to plan its energy requirement based on energy demand and to come up with innovations in financing energy projects in Nepal.

Urban Development and Transport Connectivity

Owing to its strategic location between the two large and rapidly growing markets, Nepal needs a better connectivity-driven strategy. It cannot always rely on remittances and its trade with the regional market is negligent at the moment. Therefore, in order to promote growth, Nepal needs to be the connection and trading route not just between India and China but all of South Asia. Capitalizing on its historic linkages, Nepal needs to conduct an in-depth study of reviving the South Western Silk Road (Circular Silk Way) while China has adapted its development strategy to move west and India is moving east. This can be possible if Nepal becomes the link between Indian and Chinese growth centers through a Trans Himalayan connectivity project.

Nepal’s current critical challenge is the lack of urban infrastructure to keep pace with rapid urbanization. As Nepal goes federal, yet another challenge will be to ensure regional balance in urbanization. Nepal also needs to re-evaluate traditional models of urban development, and look towards creating smarter cities.

Tokyo’s model of transport connectivity could have useful lessons for Nepal. Tokyo’s urban development and transport connectivity is based on decentralization and engaging the private sector. The suburbs around Tokyo were created and linked to the Tokyo center by private railway companies that expanded into developing real estate and other urban infrastructure around the sub-centers that

they had created to drive demand to the railway system. Tokyo's model demonstrates a clear vision in urban development that is well communicated to its citizens, smart development, prioritization, and creating an incentive system and a framework that opens up transport connectivity to private sector investments.

Human Resource and Social Sector Development

Nepal has made considerable progress in attaining literacy of its populace. However, the quality of education is lacking in terms of curriculum intervention and pedagogical quality and capacity to produce skills and knowledge demanded by the twenty-first century job market. Issues in curriculum, teacher quality, and assessment of educational achievement are all factors that contribute to this problem. Countries such as Singapore and Korea overcame these problems by adapting international standards. While Bangladesh has made progress in access, retention is still a problem. Nepal needs to work on creating an enabling environment to improve its education system. This implies developing a responsive institution, innovation, effective coordination, results-based planning, and financing system. The local community should be at the center of this exercise.

Nepal also needs to look at emerging health issues and health systems in order to improve its social sector performance. In addition, issues such as human resource development to increase productivity of its workforce and social protection to ensure protection of its workforce also needs to be addressed in the long-term vision.

Transforming Agriculture into a High-Value Competitive Industry

Owing to the large size of Nepal's agriculture sector in terms of population involvement, transformation in this sector would bring about broad-based economic growth. However, Nepal faces severe challenges in the agriculture including reliable and quality supply of inputs, value-chain management, and market access. Agro processing capacity needs to be domestically developed. However, this is a challenge owing to a small urban sector with a small demand for process agro products.

Countries such as Turkey and Vietnam have unbalanced growth in agriculture sector despite commercialization owing to segments of the agrarian population that are not incorporated in the commercialization process. Cambodia on the other hand has overcome this problem by providing land ownership guarantee.

The government's Agriculture Development Strategy needs revision in terms of private sector involvement envisioned in the strategy. Private sector can play a crucial role in increasing investment in agriculture commercialization. Agriculture transformation also needs to take into account several factors in Nepal. The capacity of farmers to take risk, mitigating the effects of climate change, channeling private sector investment into agriculture commercialization, food security, fragmented land holdings, adult literacy (enabling farmers to participate in the market), irrigation and storage facilities, and accessing to markets in mountainous areas are some of the key challenges and considerations to agricultural transformation in Nepal. Nepal needs to develop a balance between staples and high-value crops, provide a bigger role for the private sector, and use ICT to provide market access to farmers.

Korea's agricultural transformation was facilitated by the state by investing heavily in new farming methods, improving irrigation, providing the legislative basis for land consolidation, and investing in green houses. In addition, the International Rice Research Institute provided the basis to train government officials and farmers and supply them with high yielding seeds.

Agriculture transformation can lead to higher macroeconomic stability in Nepal since food prices are the major factor behind inflation. Nepal has made several plans and policies to develop its agriculture sector. However, problems arise in implementation. Therefore, Nepal needs to develop plans that can be adapted to the political uncertainty and can be implemented.

Perspectives from Nepal's Development Partners

Nepal's development challenges and opportunities lie in three unique features: its geopolitical situation that provides it with immense opportunities of emerging markets, its biodiversity that can serve as the basis for sustainable development, and its young population that is employable anywhere. Nepal needs to address these features in its development strategy and build upon the success it has achieved in inclusion, gender, and equity. Nepal's strategies need to have political consensus and emphasis needs to be on implementation; its development needs to be job-centric that can absorb the energy of its young population with an adequate focus on human capital development; its strategy needs to incorporate disaster risk and climate change challenges; and its strategy needs to have a regional focus. The bilateral agencies are eager to enter into a partnership to help Nepal realize its vision of becoming a middle-income country.

SDGs are ambitious plans but the United Nations Development Program (UNDP) is committed to working with the government. SDGs need to be localized and budgeted. While Official Development Assistance will be a crucial component of achieving SDGs, financing SDGs requires innovative thinking that can include the private sector. Growth is not possible without private sector involvement. Both domestic and foreign private sector should be invited to develop a conducive investment framework for this purpose. Nepal's civil service needs to be capacitated and the transfer system needs review. Nepal also needs to work on improving its public spending capacity. Its visioning exercise needs to be inclusive. The vision needs to address two notions: resilience, not only limited to disaster risk but embedded in all its socioeconomic strategies and that of diversity ensuring social cohesion while maintaining identity and ensuring inclusion based on gender, caste and ethnicity.

The success of a visioning exercise will depend on three factors. First, Nepal's development vision requires further exercise in diagnosing the exact cause of its constraints and a strategy built on removing those causes. Second, the strategic vision needs to remain simple and implementable. It needs to remain a strategy instead of a detailed plan. And finally, Nepal needs effective institutions to implement the vision and the strategy. These institutions should be able to act as facilitators of private sector investment.

The ideas presented in this report will serve as a guiding document to frame a strategic vision for Nepal. The process will engage with all stakeholders and will strive to consolidate existing knowledge, plans, and policies into developing a coherent strategy.

Introduction

Nepal is embarking on a new journey of socioeconomic transformation following the promulgation of a new Constitution that has enshrined the fundamental rights of its people. The Constitution captures the aspiration of Nepali people to develop a peaceful, prosperous, and equitable society. In order to achieve this goal, the country requires a long-term strategic development vision that encompasses these aspirations, existing plans, policies, and programs, and sets out pathways and measurable targets that can be translated to implementable action plans. 'Envisioning Nepal 2030' is the first step led by the National Planning Commission (NPC) towards achieving this objective.

This report is a proceedings of a seminar organized NPC for initiating the process of formulating 'Envisioning Nepal 2030'. The one-day high-level international seminar organized on 28 March 2016 brought together eminent international and national experts on various issues, various stakeholders from the government, civil society, and the private sector to deliberate on the essential components of the long-term development vision. International and national experts shared their experiences in framing the vision as well as thoughts on Nepal's development prospects in various sectors. The participating stakeholders actively participated to provide inputs to the visioning process.

This report is structured around the sessions conducted during the seminar on March 28. In addition to the summary of the discussions during the seminar sessions, the report also includes as annexes presentations made and speeches delivered by the distinguished speakers.



Session I: Inaugural Session

Welcome Remarks by the Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission.

Welcoming all participants to the seminar, Dr. Khatiwada iterated that the exercise to envision Nepal's long-term socioeconomic transformation was taking place at the most opportune moment for Nepal, for several reasons. First, the new Constitution of the Federal Democratic Republic of Nepal 2015 has clearly enshrined the goals of perpetual peace, prosperity and equitable development, and good governance, with fundamental rights of the citizens on basic necessities like food, education, health, etc. Second, Nepal aims to graduate from the least developed country (LDC) category, and become a middle-income country by 2030. Third, the devastating earthquake in April 2015, and the four-month long trade and supply disruption that followed before the Nepali people could even recover from the damages caused by the earthquake have exposed Nepal's vulnerability, calling for a long-term visioning for development. Fourth, Nepal has committed to achieving the Sustainable Development Goals (SDGs) by 2030. This requires developing a roadmap, and setting out a clear strategy, actions, and programs to place Nepal on a high, inclusive, and sustainable growth path, while protecting the environment and building resilience against the risk of natural disasters and climate change.

He then acknowledged that the strategic visioning exercise would also lend inputs for, and guide the formulation of the Fourteenth Plan to start from FY2016/17.

Dr. Khatiwada emphasized that Nepal must draw lessons from the past experiences, factor in the demographic and geographic opportunities and challenges, and build further on the achievements that Nepal has made in the past decades—poverty and inequality reduction, achievement of the majority of Millennium Development Goals (MDGs), and creating an enabling environment for accelerating the pace of economic growth. He identified agriculture, water resources and tourism as the three sectors with the greatest potential for contributing to Nepal's economic growth and development. He stressed the need to scale up investments on infrastructure and connectivity within and beyond domestic markets, keeping in mind the lessons from disasters and focusing on resilience, to ensure that the growth that Nepal achieves is inclusive and contributes to socioeconomic transformation across Nepal (including the disadvantaged groups).

He concluded his deliberation by expressing his hope that the day-long seminar would be greatly fruitful as national and international experts share practical lessons on overcoming constraints with opportunities, and the country learns from the international best-practices and state-of-the-art innovations. He underscored that the outcome of the exercise should be implementable, ensuring that the plans are clear, focused, prioritized, and backed up by sufficient resources and the right kind of technical and managerial expertise. He called on Nepal's development partners (DPs) to come onboard and help Nepal realize its aspiration for high economic growth and all-round development.

Nepal must draw lessons from the past experiences, factor in the demographic and geographic opportunities and challenges, and build further on the achievements that Nepal has made in the past decades.

Nepal should strategically position itself within a broader regional cooperation and use its land-locked geography to transform itself into a land-linked country.

Remarks by Mr. Wencai Zhang, Vice President, Asian Development Bank.

Vice President Zhang initiated his remarks by expressing that he, on behalf of Asian Development Bank (ADB), along with other DPs was elated to be a part of the long-term strategic visioning endeavor. He went on to felicitating Government of Nepal (GoN) on the fruition of the constitution drafting process, and wished well as Nepal embarks on the implementation of the new Constitution. Given that Nepal now seeks to fulfil its commitments such as graduating from the LDC status, meeting the SDGs, and becoming a middle-income country by 2030, he appreciated GoN's efforts to formulate a long-term vision and soon straight after the enactment of the new Constitution.

In the past five decades, Asia has seen one of the most remarkable progresses in terms of achieving economic growth and reducing poverty. It began with post World War II Japan, then moved to South Korea, then the Asian Tigers, The People's Republic of China, and is now emerging in India. Vice President Zhang observed that this growth and development in the Asian region has been achieved as a result of deliberate structural transformation of the economies from low-value to high-value industries—agriculture to export-oriented and labor-intensive manufacturing, and finally to high-value industries. Governments in all these countries played an instrumental role, by investing in infrastructures, encouraging the private sector, attracting foreign direct investment (FDI), and focusing on human capital development. Mr. Zhang encouraged drawing lessons from these countries.

He then shared his observations of Nepal. Nepal has also made commendable progress in reducing poverty and inequality, and achieving a majority of the MDGs. However, in order to achieve the SDGs and middle-income country goals, Nepal needs to accelerate the pace of its economic growth. Existing diagnostic studies, and sector strategies and plans have shed light on both growth constraints and development potentials. Mr. Zhang expressed that Nepal should also incorporate those previously identified challenges and opportunities in the new long-term vision. He further underscored that given the relatively small size of its economic base, Nepal should strategically position itself within a broader regional cooperation and use its land-locked geography to transform itself into a land-linked country.

Mr. Zhang concluded by calling on the distinguished participants of the conference to enrich the discussions by lending insights from their vast experience and expertise and helping Nepal achieve the overall socioeconomic development that it aspires to achieve. He re-iterated ADB's readiness to further assist GoN in the visioning process as well as in strengthen the implementation capacity at both local and central levels.

Statement by the Honorable Mr. Bishnu Paudel, Minister of Finance.

Hon. Minister of Finance Paudel began by acknowledging that the thirteen previous periodic plans have yielded some noteworthy results in terms of reducing poverty, attaining most of the MDGs, and other macroeconomic indicators. However, he was also quick to point out that much more could have been achieved. He, therefore, called for a more concrete plan this time.

The new Constitution has established economic growth and prosperity as the new mission of Nepal.

The new Constitution has established economic growth and prosperity as the new mission of Nepal. He emphasized that agriculture, hydropower, and tourism are the three main pillars that will contribute the most to attaining this goal. He added that what Nepal needs now is to maintain 7–8% annual growth rate to achieve the next goal of graduating from the LDC category and become a middle-income country. He then stressed that social justice should be guaranteed all the while.

He then went on to identify some other important things that Nepal needs to focus on—investment on infrastructure, maintaining a healthy public finance, improving public service delivery, building on the bilateral and multilateral cooperation to meet the financing needs, and partnering with the private sector and non-government organizations.

Address by the Right Honorable Prime Minister K.P. Sharma Oli.

Rt. Hon. Prime Minister stated that the formulation of the constitution marks the end of the long struggle for rights and now sets Nepal on the path to economic development and prosperity, and better lives for all Nepali people. He further added that the formulation of the new Constitution also marks a new era of people's sovereignty and political empowerment of Nepali citizens.

In order to achieve the goal of overall socioeconomic development, Nepal needs to reorient its development policies, plans, and implementation strategies. Envisioning Nepal 2030 will provide opportunities to learn from the success stories and best practices of other countries, and shape Nepal's own development.

Nepal is endowed with abundant natural resources and bio-diversity. The connectivity within borders and beyond is expanding, and so is the international cooperation. Nepal also sits right between two of the fastest growing economies in the world. Prime Minister Oli's recent visits to India and China have opened up avenues for bilateral and trilateral cooperation for economic growth. Nepal has adopted liberal tax and foreign exchange regimes, both of which set firm grounds for FDI. The Prime Minister expressed that Nepal, therefore, already possesses the key ingredients for a fast economic growth and prosperity.

He iterated that economic growth, however, should not be the sole objective. Over the past decade, Nepal has performed decently in terms of socioeconomic indicators. Having said that, there is still inequality in the country and the new Constitution has established social justice as one of the main goals. The earthquake that shook the country last year has exposed Nepal's vulnerability and highlighted the need to work on disaster risk management and emergency services. Climate change is another real issue, and Nepal cannot shy away from it. The country is also facing a severe energy crisis and has committed to developing the hydropower sector through the declaration of 'National Energy Crisis Reduction and Energy Development Decade, 2016-2026.'

Building on this background, the Prime Minister urged NPC to pay heed to these real issues while formulating a new vision. He expressed that the exercise should be futuristic, capture the hopes and enthusiasm of the people, instill a sense confidence in the people, and synchronize the efforts of the government, the private sector, local communities, and civil society. He also called for a global cooperation to finance these development strategies and endeavors.

Vote of Thanks by Mr. Lal Shanker Ghimire, Joint Secretary, National Planning Commission Secretariat.

Mr. Ghimire thanked all attendees for accepting the invitation and participating in what is expected to be a rigorous process for preparing a blueprint of a long-term vision of Nepal. He iterated that the presence of the national leadership and international allies in the seminar reflects the gravity of the event. He then thanked Rt. Hon. Prime Minister and Hon. Minister of Finance for supporting this process of formulating a long term development vision for Nepal, and assured them that the vision would incorporate their valuable suggestions.

Mr. Ghimire stressed that policy coherence will be crucial in successfully implementing the plan and attaining the vision, and requested continued guidance from all stakeholders at the gathering. He thanked ADB for its strong support and commitment to contribute to Nepal's development process. Finally, he thanked the distinguished resource persons and all participants for their interest and belief in the process and wished everybody a productive day ahead, with rich deliberations on the perils and possibilities of charting an ambitious development trajectory for Nepal.

Envisioning Nepal 2030 will provide opportunities to learn from the success stories and best practices of other countries, and shape Nepal's own development.

Policy coherence will be crucial in successfully implementing the plan and attaining the vision.



Session II: Experiences of Asia's Development

Chair: Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission.

A. Transformation of India and Implications for Prosperity Across South Asia.

Honorable Dr. Bibek Debroy, Member, NITI Aayog, India

Dr. Debroy presented India's development experience by highlighting five key points. First, he noted that India recently changed its methodology on measuring the growth rate, which is now in conformity with international practices. With this, India's economy is projected to grow at 7.8%.

Second, he emphasized the importance of decentralization and devolution. He said that the "Make in India" campaign was not happening in the capital Delhi, but in the states. He also talked about the autonomy given to the states by the Union Government. Third, he briefed about the Government's fiscal front, noting that 17% of the gross domestic product (GDP) is collected in the form of taxes, both Union and state governments. Fourth, he noted that private investments often require public investments such as roads, railways, and other ways of enhancing transport and connectivity. It is always better to attempt to move away from subsidy to public investment. Finally, he emphasized the importance of getting the subsidy distribution policy right. Aadhar number card with biometric identification and Social Economic and Caste Census were two successful ways how India did it right.

Dr. Debroy ended his presentation by reminding the audience that the government does not work only in budget days, but functions the entire 365 days. Any of the aforementioned changes will not lead to overnight gains, but will lead to a gradual structural shift.

B. Structural Transformation and the Process of Catch-up in Asia.

Prof. Justin Yifu Lin, former Chief Economist, World Bank

Prof. Lin started his presentation with a proverb "Poverty is not a Destiny", followed by a reassuring example of how the East Asian economies were able to catch up with the United States of America after World War II. The path for prosperity is diversification and continuous industrial upgrading so as to increase labor productivity and income. One of the reasons why Nepal is still poor is because it has not diversified from agriculture. To transform from agriculture to manufacturing, infrastructure is needed—both physical and non-physical. Also, a country's industrial policy is an important factor in this transformation process. The country's industrial policy should be targeted towards its sectors that are its latent comparative advantage. Most industrial policies in the past have failed because they targeted the wrong sectors.

Prof. Lin also illustrated his model of identifying the sector that is a country's latent comparative advantage:

- Step 1:** Find fast growing economies with similar endowment structure (with about 100% higher per capita income [PCI] or 20 years ago had similar PCI). Identify the dynamically growing, tradable industries that have performed well in those countries.
- Step 2:** See if some private domestic firms are already in those industries. Identify constraints to quality upgrading or further firm entry. Take action to remove constraints
- Step 3:** Seek FDI from the countries identified in Step 1 (where no domestic firms are currently present)
- Step 4:** The government should also pay attention to spontaneous self-discovery by the private enterprises and give support to scale up successful private innovation
- Step 5:** In countries with poor infrastructure and bad business environment, set up special economic zones or industrial parks to overcome barrier to firm entry, attract FDI, and encourage industrial clusters.
- Step 6:** Give compensation to the pioneer firms with tax incentives for limited period, direct credits for investment, and access to foreign exchange.

Prof. Lin further asserted that there is a golden opportunity for Nepal as a lot of countries including China have absorbed labor, which means that as such countries move up the ladder from a labor-intensive to capital-intensive industries, countries like Nepal can replace such countries.

To support his idea, he shared two success stories about Ethiopia and Rwanda, where the shoe industry (Ethiopia) and garment industry (Rwanda) changed the two country's fate. Political leaders took strong initiatives to invite, incentivize, and secure those industries.

Prof. Lin ended by saying that Nepal can grow as dynamically as any successful counties in East Asia, if the government plays an enabling role to facilitate private firms to capture the window of opportunity of industrialization from the pending relocation of light manufacturing due to rising wages in China and other emerging market economies.

C. Korea's Development Experience and Its Relevance to Other Countries.

Dr. Joon-Kyung Kim, President, Korea Development Institute

Dr. Kim started his presentation by highlighting Korea's shared growth—cited as one of few countries that grew rapidly—with relatively low-income inequality. He highlighted that Korea's rapid development is driven by “1% planning and 99% implementation”. Korea's policy implementation took results-based monitoring and evaluation approach. This meant setting clear and measurable targets, supported by a robust monitoring and evaluation system. A new culture of doing things was promoted to ensure new policies of reforms being sustainable.

Dr. Kim pointed out that the Tax Administration Reform, 1966 marked the turning point in Korea's development. Between 1966 and 1969 tax revenues increased by 51% on average per year. The tax reform was accompanied with very strong anti-corruption efforts by promoting personnel based on integrity. The motto for this reform was “see gold as stone and do not fall prey to greed”.

Dr. Kim presented a case study on Korea's export promotion policy. The policy included setting growth target on monthly and annual basis ; and monthly monitoring and evaluation for every region and product. Every monitoring meeting was chaired by the President and attended by top policymakers

and industrialists. This mechanism provided real time feedback, which resulted in better policy coordination.

Dr. Kim then highlighted that these reform measures were supported by inclusive programs to pursue equitable growth, such as the Reforestation Policy. Forty years ago, Korea's land was barren due to over-logging, since the previous policy effort to replant trees failed to deliver results due to the lack of monitoring and evaluation. The revised reforestation policy was more effective in terms of tracking performance, which resulted in 2.9 billion trees being planted with a survival rate of 90%.

Another program for equitable growth was the New Village Movement in Korea. The movement was a community-driven development that sought to improve living standards and reduce income gap between rural and urban areas. It was a grass-root movement based on principles of self-help, diligence, and cooperation. A merit-based approach on rewarding performance—government material support (cement and electricity) was used in this policy reform. In terms of preventing corruption and misallocation of resources (e.g., cement), every bag of cement in every village was checked and verified by the local government and village.

Dr. Kim concluded that governance and (informal) education were critical to the implementation of policies and reforms, and ultimately Korea's transformation. Good governance means setting clear and measurable targets, and monitoring and evaluation. The culture of rewarding performance, promoting accountability in government, and policy coordination ensured Korea's transformation.

D. Interaction with the Audience.

Meena Acharya

What is the political economy of shared prosperity in South Asia? What is India's vision on shared prosperity in South Asia?

Honorable Dr. Bibek Debroy

The question really is about regional integration. We prefer the multilateral framework. However, the Doha agreement that aims to achieve major reform in international trade through lower trade barriers and revised trade rules has been stuck temporarily.

Dr. Rajendra Joshi

Strong government is the pre-requisite for growth. But is there a theory, which can give some insights into how countries can grow with weak government?

Prof. Justin Yifu Lin

Right ideas are more important than strong government. All governments have discretionary powers. If ideas are right, any government will be supported. Right ideas can create results. The most successful African country is Mauritius. No one expected Mauritius to be successful. Per capita income is more than \$10,000 and has a democratic system. In 1970, they started to follow East Asian models through investment promotion and attracted garment and textile industries.

Dr. Joon-Kyung Kim

Strict monitoring also plays a vital role in ensuring growth, as was done in Korea while distributing cement. Every empty bag of cement was to be returned to the government.



Session III: Nepal's Long Term Development Perspective

Moderator: Mr. Harinder Kohli, Centennial Group and Emerging Markets Forum.

Presenter: Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission.

Panelists: Prof. Justin Yifu Lin, Dr. Joon-Kyung Kim, Dr. Shankar Prasad Sharma, and Dr. Dilli Raj Khanal.

A. Envisioning Nepal 2030.

Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission

Dr. Khatiwada began his presentation on the proposed Envisioning Nepal 2030, with the reasons why Nepal is taking this initiative. He also identified the drivers of inclusive growth. He further explained the major transformation initiatives that will be taken and introduced.

Dr. Khatawada noted that the new Constitution is a convergence of the socioeconomic and political values of all political parties involved in the constitution-making process. The next step for Nepal is to focus on what kind of society we want to develop in the future. Thus, NPC has set targets for achieving SDGs by 2030 as well as strategies to graduate from the LDC status by 2022. However, the LDC status graduation could be achieved much earlier than 2022.

Dr. Khatiwada reflected that the loss of lives and assets following the recent earthquake has exposed our disaster risks. He also reminded the attendees about the economic shocks from the trade and supply disruption at the southern border. He further highlighted the people's aspirations for socioeconomic transformation and prosperity as an important reason behind taking this initiative.

Dr. Khatiwada agreed with the previous speaker Prof. Justin Yifu Lin, former Chief Economist of the World Bank, about the high transaction costs associated with a land-locked country. He highlighted several areas where Nepal could benefit from its geography. The first one being the closest access to the fastest growing middle class in the world, namely China and India. This could open avenues for sectors such as tourism, exports, and labor market. He reiterated Dr. Lin's view that manufacturing industries move from high-wage countries to low-wage countries. He further emphasized that location provides us with a platform. In addition, location provides opportunities for technology transfer through better connectivity.

Speaking on the topic of roadmap to accelerate growth, Dr. Khatiwada drew the attention of the session towards the distributional aspects of growth. He affirmed that the government wants growth to be redistributive. However, he acknowledged that redistribution of productive assets like land is difficult. Inclusive growth, according to him, would make transformation possible. He mentioned several constraints to growth in Nepal. Nepal has a low growth equilibrium triggered by political instability, infrastructure deficit, poor policy environment, and geography. Moreover, markets are not perfectly

functioning. He stressed the fact that Nepal needs 6-8% growth. And from the potential we have, it is not far away. Our public expenditure is much lower.

Dr. Khatiwada then identified the key growth drivers. Agriculture and forestry, energy, tourism, health, transport, SMEs, and urban development are the proposed Key Drivers of Growth (KDG). There is a huge untapped potential in agriculture and forestry. As agriculture is still a less productive sector, there is a need to transform the labor force moving away from traditional to modern agriculture. Contribution of forestry will be even higher through sustainable harvesting of the resources. Dr. Khatiwada stressed that agriculture and tourism are the key drivers to trigger growth in the short run. He identified hydropower as a catalytic source of faster economic growth, stressing the fact that renewable energy is a low-cost source of transformation. Big hydropower projects take time; so, Nepal will focus on smaller projects. He acknowledged tourism as an area of comparative advantage for a long time. However, comparative advantage does not last for decades (e.g., the case of labor costs). He also confirmed that there is a need to identify and protect the sectors with long-term comparative advantage. He also mentioned other potential drivers of growth like ICT, and wholesale and retail trade.

In his concluding remarks, Dr. Khatiwada emphasized the need to trigger growth from the demand side, especially, boosting domestic demand. There is a need to identify short, medium, and long-term growth factors. Social inclusion that is transformative could create a more just society. He also reminded the participants that the recent earthquake has pushed about 3-4 % of the population into poverty. There is also a need to provide better political economic condition removing structural constraints and institutional weaknesses that hinder growth. Moreover, Nepal needs to focus on increasing the consumption of the bottom 20% from 8% today to 12%. Dr. Khatiwada stressed the importance of public service delivery and public finance management while deepening the financial services outreach. He also stressed the need to significantly improve implementation by developing proper feedback and evaluation mechanism. In this endeavor, credible partnership of public sector with private sector will be essential while DP's support will be critical.

B. Roadmap to Prosperity: Relevance of Regional Experiences to Nepal.

Dr. Bindu Nath Lohani, former Vice President, Asian Development Bank

Dr. Lohani started his presentation with the Asian scenario and Nepal's positioning and opportunities. He estimated that by 2050 half of the global GDP can be in Asia, led by seven countries, namely, India, China, Indonesia, Japan, Malaysia, Korea, and Thailand. Nepal needs to follow the regional and global trends and see what they mean. By 2050, the world will face six mega challenges such as inequalities and disparities, avoiding middle-income trap, global warming and climate change, disparities across countries and sub regions, global competition for finite resources, and massive urbanization. Urbanization is critical as cities are important. About 65% of Asians live in cities today. Young people want to be in places where there are jobs—they want employment and other facilities like housing. From the demographic perspective, young people want different things; they want a shared economy. They want to share rented houses and they prefer Uber to a car. Thus, we need to address them as well.

While presenting the findings of the paper Asia 2050, Dr. Lohani affirmed that Nepal wants to become a middle-income country, but it must also avoid the middle-income trap. Nepal has to focus on ICT to change the way of life. Through a graph showing an income trend of nine Asian countries over the period of 40 years, he showed that it took 20 years for countries with gross national income per capita of \$1,000 to reach the middle income threshold of \$12, 600 gross national income per capita—for instance, Korea. The process of evolution towards a middle-income country in Asia shows that they shift from agriculture to simple manufacturing and then from simple manufacturing to supply-chain manufacturing. Similarly, high-tech industrial countries finally tend to evolve into knowledge-based economy—creative and innovative economies. For instance, the Organisation for Economic Cooper-

ation and Development countries are knowledge-based economies. The golden rule is that if a country has achieved 18% output in manufacturing and 18% employment, that is ideal.

In his final remarks, Dr. Lohani stressed that if Nepal wants to leapfrog into a knowledge economy in the future, it will have to plant the seeds today. Therefore, Nepal needs to think in terms of incentives. There is an urgent need to develop knowledge-based institutions like research and development. And equally important is the effective use of ICT. Likewise, innovation and entrepreneurship are critical as they open fields for everybody where young people become chief executive officers of their own companies. This happens with strong role of the government.

C. Comments from the Panelists.

Prof. Justin Yifu Lin

Prof. Justin Yifu Lin praised Dr. Khatiwada's presentation as it had a very clear vision about Nepal for the coming 15 years. Much of the presentation made very good sense in terms of development, Dr. Lin expressed. Many people think being landlocked is a disadvantage. However, every country has comparative advantages regardless of whether it is landlocked or not. For instance, Switzerland is a landlocked country but still it is one of the most developed countries. If one looks at Africa, Ethiopia and Rwanda have sustained a 10% growth rate for years, despite being land-locked.

Thus it is critical to find some sectors that have a comparative advantage. Transportation costs obviously will be higher for landlocked countries. The challenge is to find a way to make transportation costs lower.

Dr. Lin mentioned that public investment is low in Nepal. Many developed countries of the day including South Korea in the 1960s had low public investment. Savings rate in Korea in 1960s was under 10%. Thus, the government should use limited resources strategically for quick wins and create a cycle of growth that will stimulate savings and further investments. He suggested not to wait for a large pool of public resource to spend. He appreciated the idea of key growth drivers.

On industrialization, Dr. Lin had a suggestion—Nepal should attract FDI in manufacturing. FDI can be used to exploit comparative advantage. Initially, most of the firms will be FDI-based but later domestic firms will imitate and technology transfer can manifest.

Switzerland is now one of the richest countries because of tourism. Nepal could be the tourism destination of Asia. A lot of rich people from around the world own real estates in Switzerland, that they visit only once or twice a year. The lesson here for Nepal is that there is no reason why tourism cannot be big a money maker and job creator for Nepal as well.

Dr. Joon-Kyung Kim

Dr. Kim pointed out that Nepal and Korea share many similarities in terms of preconditions—civil war, conflict, and disparities. Nepal is stuck between major powers—China and India. Likewise, Korea was stuck between Japan and the United States of America. One needs to identify the growth targets and establish benchmarks. The hard part is the policy implementation. After the Korean war, training opportunities were provided to government officials through USAID. Korea Development Institute provides policy and implementation trainings to government officials. Korea clearly benefited from these trainings. All in all, a pool of well trained and motivated government officials is important.

Dr. Shankar Prasad Sharma

Dr. Sharma acknowledged that the proposed strategy has identified some of the key drivers of growth and major transformational initiatives. In the case of energy, Dr. Sharma expressed that Dr. Khatiwada has clearly identified hydroelectricity as a key driver. However, he pointed out that Dr. Khatiwada has not discussed it as a major driver, but only as a binding constraint in the paper. In the presentation, nevertheless, he did mention that it is a major driver.

Recently, the World Bank conducted a study on regional cooperation between Nepal, Bhutan, India, and Bangladesh. It found out that there is a huge potential for unrestricted electricity trade between countries; interconnection could save \$226 billion over the years. Moreover, regional production of carbon dioxide will be reduced by 8%. Therefore, Nepal should see hydropower as a major driver of growth. In the case of manufacturing, recently approved tariff-free products for the United States of America market could be one opportunity.

Likewise, there is a possibility of relocation of industries from China and India. Nepal can become a strategic location for manufacturing components for multinational corporations. SMEs can benefit by linking with supply chains in India or worldwide—like some supply chains in Tibet. Regional supply chains will promote intra-regional trade. This could address the current trade deficit when the oil price is declining.

The government should be a strong facilitator for investments, including FDI. There are some major constraints for FDI in Nepal, especially land acquisition. In the case of hydropower, Nepal Electricity Authority and private sector should build transmission lines; there are 48 of them to be constructed.

In conclusion, he recommended five pillars for Nepal's development—a revolution in hydroelectricity, focus on growth, attention to reducing disparity, concentration on China and India, and assurance of quality of life of the Nepali people.

Dr. Dilli Raj Khanal

Dr. Khanal indicated that the major driver of growth is the productive capacity of the economy. Unless productivity is enhanced, sustainable growth will not be possible. In addition, entrepreneurial business environment, trade, and technology enhancement are important. One also needs a transformation process in between. Major focus should be given on intra-sector and then on inter-sector transformation. There needs to be an incentive structure to trade. Promotion of value chain is equally important. We should enhance the productive capacity through drivers of growth integrating the transformational agenda.

He also identified some systemic and structural problems in Nepal's investment patterns. Most of the private, financial, and trade-based investments are focused on accruing the margin. It is focused on unproductive sectors; major investment is on untradeable sectors, he iterated.

To accomplish the LDC and SDGs, he opined that an integrated framework will be crucial. That, he said, is because goals within the SDG are inter-related, and attaining one will mean that some headway has already been made on attaining another one.

Response by Honorable Dr. Yuba Raj Khatiwada

Addressing the comments from the panelists, Dr. Khatiwada claimed that NPC has taken energy as a constraint as well as a key driver of growth. He agreed with the discussants that a new kind of manufacturing which does not work on margins should be promoted. He also agreed that productivity enhancement is critical.

Mr. Harinder Kohli

Mr. Kohli pointed out that some numbers look ambitious while some look modest. Nepal is surrounded by two giants—world's second largest and ninth largest economies, two fastest growing economies of the world. They are growing much faster than Nepal. If one were to look forward to 2030, these two economies will be much richer and the size of their middle class will have grown huge. Unless Nepal grows faster, the gap will only widen and that could be dangerous for Nepal itself.

Mr. Kohli drew the participants' attention to the fact that people's aspirations are rising faster than economic growth. A lot of people will migrate out of Nepal unless the income rises. Nepal thus has a huge imperative to raise growth and income. If India continues to grow at 7-8 % and China stays at 6%, 4% for Nepal is not enough. He pointed out that fundamental growth has to come through productivity. He also identified that investment is a means to increasing productivity. He further stressed that productivity has to be the most important aspect.

LUNCHEON TALK

Global Practice of Long-Term Strategy and Visioning Exercise.

Mr. Harinder Kohli, Centennial Group and Emerging Markets Forum

Mr. Kohli started his presentation by sharing his experience while making 'envisioning' projects of other countries, and then linking it to Nepal's long-term goals. He rhetorically questioned the audience as to why this plan has taken a long-term approach—till 2030. He pointed out that if one is thinking about nation building, it should always be long-term since infrastructure development is a long-term process. It takes time, decades—to build roads, institutions, better education, health, and so on. Human resource, which is an important factor, also takes a long time to develop. He stressed that investment on education (human resource) and institutions are the most important drivers of growth, for three reasons:

- i. They provide continuity
- ii. Help fight non-transparency, promote accountability
- iii. Nothing works without having the right kind of institutions

Mr. Kohli underlined the importance of inclusive economic growth, stating that just by having higher PCI is not enough. A low Gini coefficient, access to finance, water supply and sanitation, education, and health should also be included in the country's long-term goal. Investing in the country's human resource is also important. Also, the process of policy formulation and implementation should be analytical and evidence-based, and not just opinions.

Mr. Kohli further differentiated economic growth from development. One cannot have development without growth. Nepal's Gini coefficient is better than Africa's, but the growth is not high. If Nepal grows at 7-8%, it should also keep an eye on inclusiveness. The planning commission should identify its priorities and capabilities, and should move forward accordingly, he recommended.



Session IV: Thematic Presentations

Moderator: Professor Dr. Bishwambher Pyakuryal.

A. Accelerating Inclusive Growth.

Presenter: Dr. Swarnim Wagle, former Member, National Planning Commission.

Discussants: Honorable Dr. Bibek Debroy, Mr. Ajay Chhibber, and Mr. Nagesh Kumar.

Accelerating Shared Growth-Adapting Global Lessons to Nepal.

Dr. Swarnim Wagle

Dr. Wagle began with a macro picture of growth. He went beyond Nepal for examples and made an attempt to link them with the case of Nepal. Talking about the kind of growth Nepal needs, he maintained that growth is about raising per capita income; organizing a society more tightly; allocating resources efficiently and mastering techniques. He reminded that rising income is associated with other values of life. He quoted Armatya Sen, “development is all about expanding freedom of capability to do things.” He explained that these values are closely associated with rising income but the link is not automatic.

Dr. Wagle pointed out that growth is a rare phenomenon; there was no growth for a long time in history. The United Kingdom, for instance, took 400 years to double its PCI between 1300-1700 AD; growth rate was less than 0.2% per annum. He remarked that people often resist adding adjectives to growth. However, after the global financial crisis, inequality and secular stagnation have prompted all to think about these other aspects of growth. He maintained that the Human Development Index reports from 20 years ago show that growth must not be jobless, ruthless, rootless, futureless, and voiceless. Moreover, growth should not come at the cost of civic freedom.

Looking back at history, Dr. Wagle reminded that modern economic growth is a very recent phenomenon in Nepal—Nepal hasn't really grown relative to other countries. He noted that one needs to look back into evidences of Japan, Singapore, etc. who made growth possible and try to draw lessons for Nepal. After 1820, growth became a phenomenon, for example, Angus Madison's western offshoots. Especially western countries like the United States of America, the United Kingdom, and the Netherlands started to take off. He pointed out that the more relevant story for Nepal is the post war group of 13 countries—Japan, Korea, Taiwan, Asian Tigers, Indonesia, Malaysia and China (in recent times). They grew at 7% per annum and sustained that growth over a period of 25 years. He remarked that it is not terribly difficult to trigger growth but it is difficult to sustain it. There have been 83 instances of countries between 1957 and 1992 that have raised their GDP per capita by at least 2% points and sustained it for at least 7 years; 7 years is important because sustaining growth at 10% for 7 years means doubling an economy. Indicating at the lessons Nepal can draw from this example, Dr. Wagle pointed out that these countries relied on the market and they had credible governments and macroeconomic stability. He reiterated that triggering growth can be easy but it depends on the idiosyncrasies of a country. Referring to the conclusions of the book titled ‘Why Nations Fail’ that looked at 300-400

years of data, Dr. Wagle pointed out that in the long run institutions matter the most—non-extractive institutions that ensure legal enforcement and property rights.

Talking about how these evidences are helpful for policymaking in Nepal, Dr. Wagle maintained that growth has been sustainable for countries that have invested in institutions. However, investing on institutions without structural transformation traps a country in low growth. The challenge for Nepal is to have structural transformation first and then finally have both high institutional capabilities and structural transformation. In the traditional process, the case is the shift from agriculture to industry but it's no longer relevant today. A lot of broad-based growth in the west was based on inventions like electricity, steam engine, chemicals, pharmaceuticals, etc. Growth slowed in the west later and East Asian economies relied on western consumption but that is no longer the case. There is a concern now that this time it will be different for economies to catch-up unlike East Asian catch-up. He pointed out that the nature of industries is changing—manufacturing is no longer like in the 1980's. A lot of old manufacturing techniques now apply to service industries. The western economies are slowing and protectionist policies are very common. Moreover, there are environmental concerns associated with growth today.

In his concluding remarks, Dr. Wagle pointed out that the challenge for Nepal is that it is way below the global norm in terms of capital formation. When a country has insufficient capital formation and low PCI, it has to invest its way out of it. Once a country reaches the middle-income status, then there are different sets of problems. Then it has to solve the problem of middle-income trap. Nepal should now focus on more productive investments. Nepal is already producing various world class products but the problem is the lack of the sense of urgency on the part of political leaders and government institutions. He suggested that Nepal needs an “economic war room” to launch the new wave of reforms to boost entrepreneurship and investments in Nepal. Nepal needs to engineer a big push in infrastructure and manage private savings and public infrastructure. Nepal has remittance equal to about 30% of GDP. There is an urgent need to do something about it. Moreover, Nepal should introduce smart social security as there is a lot of wastage and leakage in our social security. He concluded that Nepal needs to reorient production and exchange models.

Comments by the Discussants.

Honorable Dr. Bibek Debroy

Dr. Debroy noted that growth is an elusive expression. He affirmed that growth does tend to reduce poverty as it has done throughout the world. He remarked that the composition of growth is important. A bulk of poverty exists in rural areas, thus without making a dent in agriculture, rural sector transformation is a challenge. Secondly, poverty is an absolute concept while inequality is relative. In a period of rapid economic growth, inequality increases while poverty decreases. Inequality does increase, but one doesn't need to bother unless the Gini coefficient is higher than 0.6 or so. If poverty is coming down and the lives of tomorrow's children are going to be better, one doesn't need to worry about inequality.

The other important point Dr. Debroy made was that policy makers in relatively poor countries often find it very difficult to acknowledge governments' limited administrative and fiscal capacity. If one expects a government to do 30 different things, it will do them badly. Moreover, opportunity cost is important because every resource spent in one sector could be spent somewhere else and impacts could have varied. He quoted a phrase in Sanskrit which means that the donation of food is desirable but donation of learning is even better. There will be a temporary satisfaction from the donation of food but knowledge has a long-term impact. People are not voluntarily poor but they are poor because they are deprived of access to infrastructure, inputs, financial products, and markets. If access is ensured, the benefits of growth will be automatically dispersed. He concluded that all said and done, there will be a need to subsidize, but it is important to ensure that subsidies are minimal and reach the right people.

Dr. Ajay Chhibber

Taking from the experiences of Asia and beyond, Dr. Chhibber noted that growth will come from the private sector but the role of the government is very important. From his experience of growing up at a time where growth was slow, he reflected that people tend to think democracy in South Asia is the impediment to growth looking at East Asia. However, now even the democratic South Asian nations have begun to grow. And there is a learning now that it is the development outlook of the government that matters. The question is not about whether the government is strong or weak. When elections can overthrow non-performing governments on the basis of development progress, democracy will work. If young Nepalis are to enter the political realm and start pressuring the government on performance, they should be able to bring about positive outcomes.

Dr. Chhibber reminded the attendees that governments have different capacities contingent on the level of growth. A less developed country with slow growth means the government will have low capacities to achieve development objectives. However, that does not mean the role of government is less important. Suppose, if Nepal decides to have an independent regulator for electricity, just bringing models from advanced countries is will not suffice; the capacities of the personnel should also be enhanced.

Referring to the latent comparative advantage discussed in previous sessions, Dr. Chhibber acknowledged that a lot of government interventions failed in Africa and South Asia as they tried to pick sectors where the country has no chance at all. But there is also some dynamic comparative advantage that can be built up by some actions taken today. He questioned the attendees ‘who could have thought that Korea would be the leading ship manufacturer today?’ Nepal should start with the low hanging fruits like Dr. Khatriwada mentioned. Some investments for the future should start now. For instance, if Nepal wants to get ahead in ICT or tourism, some of those have to start today through investments. Thus, some of the growth can come from generated comparative advantage.

On inequality, Dr. Chhibber reminded that people have grudges when there is a rigged economic system. Nobody is unhappy when Steve Jobs makes profits by selling Apple products. But people are unhappy with Wall Street because that is a rigged system. When people get special privileges such as special loans, access to mineral rights, etc., that is non-competitive. He iterated that this kind of rigged economic system creates a lot of resentment. Thus, Nepal should free up through much more liberalization, transparency, and accountability.

Dr. Chhibber added that safety nets for the people are important. He noted that Dr. Wagle’s presentation about investment is important. He maintained that lots of bumps have to come through FDI. He concluded saying that he is not a big fan of special economic zones, but there are cases where privileges can be justified in the form of incentives.

Dr. Nagesh Kumar

Dr. Kumar agreed with Dr. Wagle on the importance of sustainable growth. The growth objective is certainly very critical in Nepal and the rest of South Asia while focusing on the job creating capacity of growth. Employment elasticity of growth has come down dramatically in Asia in recent times. He acknowledged that all of South Asia has gone through structural transformation but it has bypassed industry. He stressed that structural transformation has to revive industry as industry has the highest job-creating potential. In countries like Nepal and most of South Asia, the demographic dividend from the youth population will not be harnessed unless jobs are created. Nepal has gone down in terms of the relative productive capacity index.

Dr. Kumar pointed out that for LDC like Nepal, SDG is more about doubling the share of industry by 2030. If a country doubles the share of industry in the GDP and agricultural productivity, 70 million jobs can be created, and in the case of Nepal, 3 million jobs on top of business-created jobs. Moreover, nearly 4 million people can be lifted out of poverty.

On the ways of enhancing the share of industry, Dr. Kumar pointed out that harnessing the potential of regional value chains and integration were discussed. It hasn't been a great success but there are some success stories to draw lessons from. For example, lessons can be drawn from the 10 years of India-Sri Lanka free trade agreement and the kind of restructuring it has led to. Before the agreement, trade was highly imbalanced in favor of India—Sri Lanka imported 10 times more than India did. But over time, trade has expanded 400% and the imbalance has come down to 3:1. Sri Lanka today exports 1,500 more value adding products that are produced by Indian companies in Sri Lanka. For example, India used to import rubber from Sri Lanka and make tires in India, but now they have gone to Sri Lanka to produce tires right there. Likewise looking at Bangladesh, it has now become a huge magnate of textile and intra-regional industries. Bangladesh enjoys LDC preferences, so Pakistani and Indian companies go there. Nepal enjoys the same preferences and it can harness that. In the 1990's, Nepal had several joint-ventures like Dabur targeting the northern parts of India. A lot of them died out during the times of unrest. These industries created lots of jobs. Dabur still exports juice from Nepal to India. Since there is no more conflict in Nepal, this can be replicated. Another important point he made was that there is no need for special economic zones if industrial infrastructure is created across the country. He stressed that there is no reason why Nepal cannot become a hub for linkage of value chains in the north and south.

Interaction with the Audience.

Dr. Dilli Raj Khanal

How does inclusive growth come into play in this discussion? There are issues of rising inequality, exclusion, and labor market vulnerabilities. How can we make the course correction, so that we move towards inclusive growth and development?

Dr. Swarnim Wagle

Dr. Wagle clarified that the talk has been focused on long-term sources of growth in Nepal like agriculture and tourism. Job creation and decent wages for the youth will spread the fruits of prosperity. There have been new trends like global value chain and light manufacturing. Therefore, there is a need to focus on unconventional manufacturing; not just with a narrow focus on domestic market. Similarly, the character of industry is shifting. Industry is now more capital intensive and follows fragmented business processes. He reiterated that services industry now reflects the characteristics of manufacturing in the past, for example, retail and logistics. The channel for reducing inequality is through jobs. Industries with latent and intrinsic comparative advantage can be tied with national branding, for instance, zero-carbon Nepal. Ultimately, we need to focus on developing institutions.

Dr. Ajay Chhibber

Dr. Chhibber reminded that there has been a wide consensus on what needs to be done. Therefore, how to do it is the way forward.

Honorable Dr. Bibek Debroy

Dr. Debroy pointed out that distribution of income is not the only lens to look at inequality. For example, urbanization is correlated with economic development. One of the things that happens with the process of development is that agglomeration takes place. The villages become agglomerated with the nearest cities. Therefore, Dr. Debroy noted that spatial dynamic lens of inequality is inevitable, and it is more important than the personal income lens.

Dr. Nagesh Kumar

Dr. Kumar agreed with Dr. Wagle that Nepal's potential of becoming low carbon and zero carbon economy is a possibility. Nepal is endowed with one of the highest per capita hydro potential. For example, Bhutan is already trying to do that. They are now phasing out high carbon vehicles with electric ones. He concluded that Nepal can do that over time.

B. Energy (Hydropower) Development.

Presenter: Dr. Priyantha Wijayatunga.

Discussant: Prof. Dr. Govind Nepal, Chief Economic Advisor to Ministry of Finance.

Energy Sector Development for Socio-Economic Prosperity.

Dr. Priyantha Wijayatunga

Dr. Wijayatunga began by stressing that the objectives of the energy sector have to fall in line with Nepal's goal of becoming a middle-income country by 2030. Likewise, issues of socioeconomic development, affordability, environmental sustainability, and energy security have to be addressed as well. He urged the need to look at energy development from two angles—as an input to economic activities and as a commodity traded across borders. He pointed out that reaching those without access is critical as only 74% of households have access to electricity. He acknowledged that other renewable sources like solar and wind are important as well for energy security. There is an equal need to encourage energy resources diversification.

Dr. Wijayatunga mentioned four strategic interventions that will be required. The first one being sector reforms. He maintained that it is important that an independent regulator is established in the energy sector as soon as possible. This will create an enabling environment for development of the energy sector. The energy regulator could either be in the form of multi or single-sector. For example, Bangladesh and Sri Lanka have multi sector regulators. Second, separation of transmission and system operation is important. Unless there are independent transmission services, cross-border trade will be difficult. This has been in place in India for a long time, but Sri Lanka and Bangladesh still don't have this. Third-party access to transmission shall be ensured. Similarly licensing power trading is important as well. Liberalization of distribution services has happened in most of the countries in the region. There is a trend of decentralized generation these days.

The second intervention Dr. Wijayatunga suggested is about operational efficiency. He noted that the cost of electricity goes up if efficiency is compromised. He pointed out that loss reduction and quality improvement in terms of outages should be improved. There needs to be plans and targets to reach every household with equal focus on the supply and demand sides. He urged the policymakers to take special measures for awareness building and support for demand side management process. He noted that compact fluorescent lamp has brought efficiency on the demand side. He iterated that it is important to make sure what is generated is utilized efficiently.

Cross-border trade, according to Dr. Wijayatunga, is the other important strategic intervention that will be required. He urged the policymakers to enhance transmission and infrastructure capacity. He remarked that transmission corridors have never been discussed. Unless transmission corridors are developed, exporting electricity abroad will be difficult. He maintained that transmission network cannot be owned by multiple companies. Thus, the government has to own it to allow others to use it. There is also a need to establish a power trade company for aggregation of power. He urged that there is a need for proactive engagement under bilateral, and the South Asian Association for Regional Cooperation and South Asia Subregional Economic Cooperation frameworks.

Dr. Wijayatunga's next important strategic intervention was planning and execution. He advocated integrated resource planning in hydropower, solar, wind, and liquefied petroleum gas. He pointed out that even the United States of America has government agencies for energy planning. He reminded that large hydropower is controversial in terms of carbon financing. He acknowledged that Nepal needs storage plants to provide power during deficit periods. He remarked that sectoral reforms should be gradual. Speaking from the experience in Bangladesh and Sri Lanka, he concluded that sector reforms cannot come at once.

Comments by Prof. Dr. Govind Nepal, Chief Economic Advisor to the Ministry of Finance

Dr. Nepal started his discussion by emphasizing how energy is the prime mover of economic development and how it will be the key factor in the upcoming modern civilization. Since the seventies and eighties, Nepal has time and again invested a lot in hydropower. He noted that there were series of reports and feasibility studies undertaken in hydropower but it could not show results, probably because Nepal lagged while implementing the policies.

Dr. Nepal pointed out that despite the government's claim that energy development is its major priority, we couldn't see results. He reminded the audience of the energy crisis during the recent trade disruption, and that the government has declared a Electricity Development Decade. National Energy Crisis Alleviation 2072, a concept paper which attempts to address most of the issue that were raised by the private sector and the development partners, has also been endorsed by the government.

Dr. Nepal also announced that a new energy policy would be out in the next six months. The policy aims to develop the energy sector. It has targeted to produce 200MW this year, 850MW in the following year, and 400MW in the third year. The policy also encompasses solar energy, as it sets the base price at NRs.9.50 per unit.

Dr. Nepal acknowledged that Nepal faces a problem of governance, especially in terms of decision-making. He also noted that there were numerous policy inconsistencies, and that it is high time that the government solves this problem. In addition, he mentioned that channelization of remittance to hydropower was a consideration for the government.

Dr. Nepal ended his discussion by asserting that there were many issues such as those aforementioned that need to be tackled before we see hydropower development in Nepal.

C. Urban Development and Transport Connectivity.

Presenters: Ms. Yumiko Noda and Dr. Pradumna B. Rana.

Discussant: Honorable Dr. Sunil Babu Shrestha, Member, National Planning Commission, and Dr. Sumitra Amatya, Member, National Planning Commission.

Urban Development.***Ms. Yumiko Noda***

Ms. Noda shared a map of the Greater Tokyo area with the audience and elucidated how Tokyo's transport connectivity has contributed to the overall urban development and upliftment of the lives of people living in and around Tokyo.

The greater Tokyo area hosts a population of roughly 30 million people spread across a 60-kilometre diameter. Majority of the residents of the greater Tokyo area commute to central Tokyo for work; the central regions house most of the businesses and entertainment, politics, and cultural hubs. Ms. Noda observed that this has been made possible in Tokyo by its complex-looking, yet well-managed railway lines. There are a total of 158 railway lines operated by 48 different companies, including both government and privately-run. These lines are connected by 2,210 railway stations; the busiest one serving over 3.6 million passengers in one day. Ms. Noda further added that railway-based development is also more equitable than those based on other forms of connectivity for the fact that all kinds of people can use the railway service—rich and poor.

She then touched upon the payment mechanism in practice in Tokyo, and how that connects with all other day-to-day activities of its people. People use smart cards to pay for their commutes, but that is not where its usage ends. There are two types of cards in use, one government and the other one privately issued; and both can be used inter-changeably. These can be used to make payments in malls, the vending machines, and most of everything else. The card thus connects all kinds of services that are available in Tokyo.

Tokyo's development has largely been transit oriented, and private railway companies have played a big part within the transit service. There are 23 on-the-ground railway platforms. Ten of these are dedicated to 3 – 4 kinds of high-speed railway services offered by different companies, and 13 are dedicated to the local transportation. Besides this, there is a separate metro railway service which operates underground. Ms. Noda shared that despite the huge number of companies and railway lines that are in operation, the entire system is well coordinated and maintains a high degree of punctuality, reliability, and safety.

She specifically highlighted the decentralization of services within Tokyo. The main Tokyo centre is surrounded by a number of sub-centres all around, which are further surrounded by suburbs. This has made room for well-developed markets all around the busy centre, and has greatly contributed to dealing with the congestion problem, given the high population of Tokyo. From a very polluted city that it used to be in the 1960's and 1970's, such decentralized-and-connected approach has contributed the most to the development of Tokyo. She further stressed that Japan makes continuous efforts to upgrade its connectivity and makes sure that investments are being made in infrastructure—both private and public.

So what is Tokyo's formula to connectivity and urban development? Ms. Noda drew her deliberation to a close by sharing Tokyo's urban-development-and-transport-connectivity mantra:

- i. Leadership and clear vision in any long-term planning is very important
- ii. Prioritisation is the key. Governments have a tendency to want to do everything. But if government does everything, then there is too much to administer. It is, therefore, better to prioritise and pick a few issues at a time, strategically
- iii. Communication with the citizens is extremely important to engage them and realise the overall goal
- iv. Connectivity and integrated development approach is very important
- v. Private sector should be encouraged and incentivised. They are the ones that bring in innovations
- vi. Public Private Partnership (PPP) in terms of financing, depending on the demand-risk profile of each project

Comments by Discussant Honorable Dr. Sunil Babu Shrestha

Building on what Ms. Noda presented, Dr. Shrestha reflected over Nepal's current scenario. With a series of declarations of new municipalities, Nepal now has a total of 217 municipalities; however, most of these municipalities lack the necessary infrastructure.

Nepal requires NRs.372 billion to meet the urban infrastructure needs of the old 58 municipalities alone. As highlighted by Ms. Noda, the PPP model of financing can come in handy under the current situation.

There is an imbalance in the level of urban development among the newly defined 7 federal states. A railway connectivity-based urban development plan could be the way forward in dealing with this issue.

Alongside what Ms. Noda said in terms of creating sub-centres to foster demand across the region, Dr. Shrestha mentioned that the NPC has also been thinking of a one-city-one-identity plan. For example, Pokhara could be developed as a tourism city, Lumbini as a peace city, and likewise

In order for Nepal to achieve high economic growth, and ensure the growth is inclusive, it should focus on making its cities compact and boost urban economy, reduce pollution, meet the SDGs, protect agricultural land, and implement risk-sensitive land-use policy. Traditional urban development strategies are not relevant anymore.

Finally, Nepal should make sure that people and places, and new urban development and transport development are linked.

A Connectivity-Driven Strategy for Nepal.

Dr. Pradumna B. Rana

Dr. Rana shared his observations on the new trends in the Asia Pacific region and a number of his previous researches on the issue, and attempted to link the trends with possible lessons for Nepal.

He iterated that Nepal needs a connectivity-driven strategy, for two reasons:

- i. All countries have a relative comparative advantage in one thing or the other. So does Nepal. But in order for Nepal to be able to reap the benefits from its comparative advantage, Nepal should concentrate on connectivity and reduce the costs of trading and transportation. This would also widen the range of commodities over which Nepal has a comparative advantage, and considerably. Even Switzerland would not be the tourism and finance centre that it is today, without connectivity.
- ii. Nepal's current economy has been worryingly remittance-driven, with remittance amounting to as much as 30% of GDP. This is in itself a risky strategy, and the level of remittance inflow is already starting to fall.

He then introduced the two dimensions of connectivity—domestic and cross-border, and expounded on the cross-border connectivity issue.

Nepal should move forward as a land-linked country and strategically position itself as an economic corridor both within and beyond the borders. Nepal could become a land-link between all of South Asia, South-East Asia, Central Asia, and China. It is not an entirely new role for Nepal to play either. Nepal served as a strategic link in the Silk Route until the advent of the East-India Company. And now, there are compelling reasons to revive this land-link role of Nepal.

A number of studies in the recent times by ADB, Asian Development Bank Institute, and the International Monetary Fund have covered the connectivity story. Lao People's Democratic Republic, Mongolia, China, and even the United States of America in the 18th and 19th century with their railway connectivity, have benefitted immensely from a connectivity-driven strategy.

China is currently trying to revive the land-based northern Silk Road and the great maritime highway under the One-Belt-One-Road policy. Dr. Rana shared that his team—drawing from and building upon the research of several other people—has come up with a concept of South-Western Silk Road. The South-Western Silk Road is a circular Silk Road beginning from Yunan province in China, moving through Myanmar, Bangladesh, Nepal, Lhasa, and back to Yunan. Parts of this Silk Road have already been revived. China has already revived the Kulming-Lhasa section under its western development strategy; China and India are working together to revive the India-Bangladesh-Myanmar-China corridor. That leaves India-Nepal-China as the only missing link.

A lot of Nepali, Chinese and Western scholars have written about the historical India-Nepal, Nepal-Tibet, and India-Nepal-China trade connectivity. Today, we have a number of reasons once again, to revive these historical routes:

- i. Maritime Asia is slowly moving into Continental Asia, meaning, for Nepal, China is coming closer to Nepal
- ii. Tibet is emerging as a major transportation hub in China, with railroad among up to Shigatse. Now they are building a railroad from Chengdu to Tibet.
- iii. Similarly, India is moving eastwards
- iv. Myanmar, which is a node between South Asia and East Asia is opening up.
- v. Distances between major cities of India and those of China are shorter through Nepal.

Dr. Rana, based on these facts, concluded that a Trans Himalayan Economic Corridor is indeed a circuit worth reviving for Nepal. He clarified that his recommendation was conceptual, originating from a number of researches and required a detailed feasibility study. A computer-built general equilibrium

modelling analysis to estimate the benefits of this corridor to individual countries and the region is yet to be done. ADB has acted as a facilitator, financier, honest broker, and technical advisor in previous similar corridors, and hence, a similar role could benefit Nepal in the future.

Comments by Discussant Honorable Dr. Sumitra Amatya

Building on what Dr. Rana presented, Dr. Amatya added that Nepal should also focus on digital connectivity as that is where the world is currently headed. She also pointed out that given the presence of a large number of high velocity rivers in Nepal, we should also develop river connectivity.

Dr. Amatya also shared an update on road connectivity with the participants. Nepal currently has 8,000 km of Strategic Road Network, and by 2017, the government plans to expand it to 12,000 km. In the process, she stressed, Nepal will have to tackle a number of challenges—topography, funding gaps, brain drain, political instability, etc.

She then laid down some recommendations that could help Nepal tackle these challenges as it moves forward:

- i. Policy harmonisation should be the first priority. If existing rules and regulations contradict one another, they should be amended to make sure that development activities can be expedited.
- ii. Development of the construction industry should also be ensured. This might require investing in skills and capacity development of construction-related human resource.

Dr. Amatya informed the gathering that NPC has already identified priority sectors and therefore the Fourteenth Plan will focus mostly on how to implement the plans to attain the goals. She shared that programs like ‘Start-up Nepal’ and ‘Green Connectivity’ will be some of the highlights of the new plan.

D. Human Resource and Social Sector Development.

Presenter: Mr. John Henly.

Discussant: Honorable Professor Dr. Geeta Bhakta Joshi, Member, National Planning Commission.

Education Sector Vision - 14th Plan and Economic Development Strategy of Nepal.

Mr. John Henly

Mr. Henly started his presentation by giving his analysis of Nepal’s education sector, stating that the existing quality of education was not enough to achieve rapid economic growth. There is little connection between the curriculum and the skills needed in the society. In addition, although the access to primary level education is better, access to higher level is low. In times like these, there is practically no innovation, since there is a strong relationship between technological readiness and higher education.

Mr. Henly pointed out that the number children out of school is high, and that the quality across all levels is low and regional and global benchmark is absent. Furthermore, the School Leaving Certificate results are poor and huge differences exist by region and type of school (public and private). In addition, he pointed out that graduates not being equipped with relevant skills and competencies, underqualified and underpaid teachers, low rate of completion, insufficient investment, and little coordination among agencies to be the challenges in Nepal’s education system. Subsequently, he proposed two solutions—bringing in international perspective and standards and identifying and linking skills needed now and in the future.

Mr. Henly also presented the lessons Nepal could learn from Korea, Singapore and Bangladesh. Korea’s initial emphasis was on ensuring high quality basic education. Public support for basic education complemented by private support for secondary, technical education and vocational training, and higher education was vital in Korea’s move from labor to capital to technology to knowledge-intensive economy.

Singapore, on the other hand, moved from labor to capital-intensive and then to knowledge-intensive economy, which moved parallel with basic education to secondary skills and to development to higher education.

Similarly, in Bangladesh, education improved through strengthening of government systems, results-based financing, treasury model, institutional capacity building, full-circle information management, and decentralization. Training of teachers to produce students with proper skills; and capacity building, including finding a way to have capacity sustained (e.g., continuing evaluation after project funds run out) are also important considerations.

Likewise, Nepal can also learn from other countries' policies such as China's universal basic education up to grade 9; India's Ministry of Skills Development, National Skills Development Corporation, and National Skills Development Agency to consolidate and coordinate skills development; and United States of America's model of granting land to universities to boost agriculture, and research grant to enable innovation and entrepreneurship.

Vision for Nepal

- i. Universal basic education completion by 2025
- ii. All who leave school after grade 8 to receive at least six months of skills training
- iii. Grade 10 completion rate : 90%
- iv. Grade 12 gross enrollment rate : 80%
- v. Higher education gross enrollment rate : 35%
- vi. Science, Technology, Engineering and Mathematics (STEM) enrolment share at grade 9-12: 50%
- vii. STEM enrolment share at higher education: 30%
- viii. Global benchmarking established in education
- ix. Overall ranking of best university: top 1,000 or better in partnership with regional/international universities
- x. PPP to increase funding, reduce inequity, and promote innovation and quality
- xi. E-learning and universal access to ICT
- xii. Major shift to entrepreneurship, ICT, and university incubation to support start-ups, SMEs, expansion of existing ventures, and attracting FDI

To achieve the aforementioned vision, Mr. Henly explained that it was important to create a responsive institution building; promote community strength and ownership; have effective coordination; take a results and evidence-based planning approach; have quality assurance through frameworks, institutions, and compliance; and have effective financing through PPP, transparent allocation that is linked to performance.

Mr. Henly furthermore presented three models, which Nepal could use for skills development, namely (i) developmental state model, adopted by Singapore, Korea, and Taiwan; (ii) Social Partnership model adopted by Finland, Sweden and Netherlands; and (iii) Sector-based Approach adopted by the United States of America, Canada and the United Kingdom.

Mr. Henly, concluded his presentation by acknowledging that making changes is not simple, and that social constructs are complex and overlooked. Therefore, a holistic approach is needed. Developing system thinking skills among human resource and providing meaningful incentives could be a wise decision.

In his final note, he pointed out that the biggest challenge for Nepal is that of emigration of labor, large-scale brain drain, huge skills gap within Nepal, and the urgency to turn this situation around.

Comments by Discussant Honorable Professor Dr. Geeta Bhakta Joshi

Dr. Joshi stressed that adequate investment in human capital is needed for economic growth and development. Good recruitment, training, decent wages and salaries, proper working conditions, and welfare are some of the important factors in human resource development. In addition, Nepal also faces challenges in the field of education, health, and women empowerment that results in poor human capital. The task now is to ensure the proper utilization of resources; reduction in maternal mortality rate; elimination of HIV, tuberculosis, and malaria; reducing the gap between public and private schools; and preventing discrimination, which still remains despite efforts. Also, while the country can only train one hundred thousand people, more than four hundred thousand unskilled laborforce enter the labor market each year.

Dr. Joshi also noted the International Labor Organization Social Security Convention, and the importance of benefits like maternity, medical care, and sickness.

Dr. Joshi concluded his discussion by suggesting a way forward for Nepal. He emphasized that FDI should be an important element in the new budget, and the significance of the private sector's investment in social sector development. Also, a national social protection framework that is comprehensive and consolidative should be prepared to make human capital more productive.

E. Agriculture.

Presenter: Mr. Amnon Golan.

Discussants: Dr. Joon-Kyung Kim, and Dr. Min Bahadur Shrestha.

Transforming Agriculture into a High-Value Competitive Industry.

Mr. Amnon Golan

Mr. Golan pointed out the significance of agriculture transformation, especially in a country like Nepal. Agriculture transformation is a process by which small subsistence farms shift to specialized commercialized production. A smaller agriculture share of GDP facilitates transformation as agriculture can be integrated with other sectors for a broader transformation. In addition, structural transformation, a process by which increasing shares of a country's employment and output are accounted for by sectors other than agriculture, should be the end goal as it reduces agricultural importance, although the sector and food systems continue to grow absolutely.

It is easier to undergo agriculture transform when farming is more specialized, reaches economies of scale, and agriculture is integrated into a broader economy. In addition, having a strong supply arrangement, along with good quality seeds and pesticides, is also essential.

Mr. Golan also made a point that a larger urban and industrial demand is also necessary to process the agricultural produce while undertaking this transformation.

Furthermore, Mr. Golan pointed out that inclusive growth; the role of the government for managing value chains; land security for on and off-farm capital improvement and access to credit; and the involvement of private sector in agricultural investment were some issues Nepal should consider as it transforms. Overlooking the environmental considerations could also lead to an irreparable damage, as seen in Brazil and Indonesia.

Mr. Golan also emphasized the possible challenges Nepal could face as it transforms. Since agriculture provides livelihood for 70% of the population and accounts for one-third of GDP, this might complicate the transformation—other sectors might not be ready to process agricultural products. Also, because farmers are risk averse, motivating them to switch from cultivating rice to high value crops

is vital to this project. Higher percentage of remittance being used in consumption than investment, the difficulty of farming in mountainous regions, increased risk of climate change, limited demand for processed agriculture products by the urban population (20% of the total), limited scope for exports, and difficulty in commercialization of agriculture due to low adult literacy at 60% (2011) are some other challenges Nepal might face. In addition, improvement of value chains and higher investment in irrigation by the private sector could be an ideal option for Nepal. Improving connectivity, better access to finance and information technology, and reducing out-migration should also be a key consideration of Nepal.

Mr. Golan further suggested that although additional work on the “vision” was needed, what is more urgent is an implementation strategy. Also, to have a successful structural transformation, it is vital to initiate an overarching transformation jointly with other sectors. Additionally, Nepal can negotiate agreements on water sharing, power generation, and expedited transits with India. Determining an appropriate balance between transformation and food production (which does not lead to excessive self-sufficiency policies); assessing prospects for higher exports; reviewing current imports of food products; assessing competitiveness of domestic production; introducing programs to shift remittances from consumption to agricultural investments; intensifying construction of all-weather roads and irrigation system to support production of high value crops; and loss prevention by introducing a mechanism to assist the “losers” in the transformation process.

Comments by Discussants.

Dr. Joon-Kyung Kim

Dr. Kim talked about how Korea increased agricultural productivity within a decade, which stood lower than that of Japan in 1960s, eventually surpassing it by 1970s. He attributed Korea's success to green revolution, irrigation, land consolidation, and farm mechanization. The government also played a major role in this process. Government officers were trained in the International Rice Research Institute, Philippines, who in turn provided technical assistance to individual farmers on how to cultivate new rice crops (which were brought from the United States of America). New farming methods of leveling, seeding, and transplanting, along with new irrigation methods were taught to the farmers.

Dr. Kim ended his presentation by concluding the implication of Korea's experience was inclusive and shared growth.

Dr. Min Bahadur Shrestha

Dr. Shrestha acknowledged the importance of agriculture sector for Nepal's economy. He noted that eighty per cent of the population depends on agriculture as their main source of income, and that Nepal couldn't grow without agriculture transformation. Agriculture development could also help to reduce poverty as compared to other sectors. In addition, as Nepal is a net importer with high trade deficit, higher agriculture production can potentially address the deficit. Taking a macroeconomic view, he pointed out that inflation is mainly driven by food prices; therefore, boosting agriculture could also help Nepal control inflation, as well as maintain macroeconomic stability and growth.

Dr. Shrestha also acknowledged that Nepal's plans and policies have not been effective so far, and pointed out that implementation could be one of the reasons for the failure. He concluded by expressing a hope that new plans and policies would be designed in such a way that Nepal could achieve the desired results.



Session V: Perspectives from Nepal's Development Partners

Moderator: Mr. Baikuntha Aryal, Joint Secretary, Ministry of Finance.

Remarks by Panelists.

Dr. Gail Marzetti, Head, Department for International Development (DFID)

Dr. Marzetti noted that bilateral donors like DFID are government entities themselves. She shared DFID's willingness to support GoN's plans to achieve the SDGs. She stressed that it is important for donors to make sure that most is made out of every dollar of their taxpayer's money to make a difference. She informed the participants that they plan to leave the country when Nepal graduates from the LDC status.

She lauded GoN for taking the long view by looking forward to 2030. Speaking from experience of working as the Head of DFID in Nepal for the last two and a half years, she reflected that it is easy to overestimate what can be done in the short term and underestimate what has been done in the medium and long term. She reminded that looking back 10-15 years, Nepal has made huge advances in politics, gender inclusion, economic development, and governance. She affirmed that bilateral donors want to be right behind the government in creating a more equitable society.

Dr. Marzetti notified the attendees that DFID is aware of Nepal's development challenges like political instability and interference in markets, regulatory and bureaucratic hurdles, infrastructure deficit, or uncompetitive market behavior. She drew attention of the session to the three main themes that were touched during the conference. First, Nepal's geopolitical positioning is a key opportunity, the area along the Terai being the most populous land in the world which creates a massive opportunity for business. She agreed with the previous speakers about creating political stability and reducing interference.

Second, Nepal's rich biodiversity is important. It is not only conducive for hydropower, tourism, and niche agriculture but also critical for sustainability of Nepal's economy over the long run.

Third, Nepal's demography, especially the fact that two-thirds of the population is working age, is also an asset. She maintained that the whole world wants to employ Nepal's citizens and it is important to keep them here to support and develop Nepal's economy.

In her concluding remarks, she highlighted the importance of making the strategy comprehensive and giving enough space for all the sides. She reminded the attendees that Nepal has made very good commitments in the past but has failed to deliver them. She urged the participants to stop producing just reports and start having some action. Nepal's development, according to her, should be job-centric as Nepal is

heavily reliant on jobs abroad, which is fragile as we have seen with Malaysia. It is critical to create jobs internally increasing investment including FDI. Thus, there is a need to boost investor confidence through political and institutional stability. Similarly, emphasis should be on developing export market linking up regional markets in sectors like energy, agriculture, and infrastructure. For instance, the railway from Chinese border to Kathmandu can be a game-changer. Nepal can build up on previous achievements while ensuring adequate investment in health, education, and human capacity development. Finally, she reminded that Nepal's natural beauty is also associated with disaster. Nepal is also vulnerable to climate change and weather patterns that cause droughts, floods, landslides, and avalanches. She noted that post earthquake reconstruction is an opportunity to build back better infrastructure, institutions, and communities. She affirmed that bilateral donors like DFID are willing to support Nepal in these areas.

Mr. Renaud Meyer, Country Director, United Nations Development Programme (UNDP)

Mr. Meyer pointed out that SDGs are a very important framework but this is not the first framework the global community has adopted. There were MDGs before which focused on improving lives of people and on social values. However, it missed out goals and indicators on growth. There was a huge gap in MDG such as the absence of governance without which it is difficult to manage a country and development. He noted that SDGs fill the gaps of MDGs, and this commitment is very important. He stressed an equal need to localize the SDGs and make them Nepali. Equally important is the cost and financing strategy as SDGs are ambitious. He pointed out that relying on official development assistance alone will not be enough; Nepal needs to come up with innovative local funding solutions. Nepal can access the 'Green Climate Fund' as it has the Himalayas. Likewise, as Nepal still has the LDC status, it can mobilize financing from other sources.

Mr. Meyer maintained that there will not be growth without the private sector. The weakness is the absence of private sector—even in this seminar. Policymakers need to learn from the private sector about what they consider to be the prerequisites for investment; they need stability and predictability. Nepal lacks political stability not only at the national level but also at the technocratic and administrative level—the officials rotate too often. He noted that it is difficult to ensure coherence and consistence when there is no technocratic stability. Likewise, capacity to spend has been hurting Nepal, for instance in the case of reconstruction. Nepal needs to explore innovative ways to develop better spending capacity. Nepal also has pending older commitments like the Paris agreement on climate change and gender and women empowerment commitments.

In his remarks about the new constitution, he reflected that as per the mandate of the constitution, inequalities should be addressed. Unless Nepal incorporates this into the design of the vision not only the targeting, stability will be jeopardized. Referring to the recent earthquake, he maintained that the past year has proven critical for countries to make resilience the bedrock of development. Nepal should develop not only resilience against disasters but also social and governance resilience. The other essential element is social cohesion as Nepal is a diverse country. Prevalent instability and contemporary history call for social cohesion. Inclusion is important for social cohesion. Finally, wealth and richness of the Nepali society has to be factored in while envisioning Nepal.

Mr. Damir Cosic, Senior Country Economist, World Bank

Mr. Cosic began with some practical pieces of advice on how to conduct long term strategic exercise. He identified connectivity and infrastructure as proximate constraints but he urged that they aren't the roots of the constraints. He also advised the attendees to keep these strategic visions actually strategic. He urged the government to keep strategies as simple as possible while targeting a number of interventions. As Nepal starves for capital investment, he urged to make sure there is an enabling environment. Finally, he concluded that unless there is an enabling environment and a capacity to actually implement vision documents, growth will come in spurts and not be sustainable.

Session VI: Closing Session

Remarks by Mr. Wencai Zhang, Vice President, Asian Development Bank

Mr. Zhang expressed his sincere thanks to all the speakers, participants, and discussants for their important contribution to Nepal's long-term planning exercise. He also congratulated NPC for having successfully organized the much-needed conference.

Mr. Zhang then shared some of the highlights and his takeaways from the day. During the day, participants discussed Nepal's comparative advantage, challenges, and opportunities due to the geography, transportation, connectivity, regional cooperation and integration, among many. He reiterated that ADB was very happy to be supporting the strategic exercise. He assured the participants that their inputs will be incorporated into the new plan, and a solid mechanism for implementation, monitoring and evaluation will be devised and put in place.

He stressed that the event did see a low participation of the private sector. He recommended NPC to organize some forums in the future to engage the private sector and incorporate their views in the strategy.

Moving forward, Nepal will require resources and support in terms of finance, institutions, human resource, regulatory framework, etc. Mr. Zhang concluded his closing remarks by stating that ADB stands ready to, and will continue to, support the government during the implementation phase of the strategy—both financially and through technical assistance.

Remarks by Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission

Dr. Khatiwada thanked all the participants for their contribution to the Envisioning Nepal 2030 exercise. He shared that the process in itself had been a good capacity building exercise. He assured the participants that as NPC works further on the strategy paper, the team would draw lessons from what the participants had shared during the day, incorporate them in the paper, and use the inputs of the participants as guidelines.

He shared that the day-long event was just an inception of the discourse for envisioning what Nepal could look like in the next 15 years. Through various sessions in the day, NPC also tried to understand how other countries did their strategic planning, what they focused on, and how they planned and implemented their development programs.

Dr. Khatiwada clarified that almost all stakeholders, including representatives from Non-Government Organizations, civil society, cooperatives, and private sector had been invited to the event. He also stated that NPC will be further engaging with the DPs and getting their inputs and support.

Dr. Khatiwada then went on to explain why NPC had picked the year 2030. He stressed that the government could not just be making vision documents. He shared that the government wants to build on the visions that have already been prepared in the past, secure the finances, and then move on to implementation of those visions. He also shared that one of the reasons behind picking the year 2030

was that the government wanted to synchronise the vision 2030 with SDG 2030.

He iterated that the strategy paper will be a dynamic document which could be updated as per the new administrative set-up of the country, if needed. He also shared that the upcoming periodic plan will be broadly based on some of the issues identified during the day's exercise. With strong legislation and monitoring and evaluation, the government should be able to successfully implement the new plan, he opined.

He concluded by expressing his gratitude towards the Rt. Hon. Prime Minister and Hon. Minister of Finance for gracing the event with their presence, and thanking the colleagues at both NPC and ADB for their effort and successfully organizing an important conference from Nepal's development point of view.

DINNER TALK

Implementing a Long-term Development Strategy: Challenges and Possibilities.

Dr. Ajay Chhibber

Dr. Chhibber began his presentation with a quote "vision with action can change the world". This was followed by an analogy of the road to prosperity with the climb to Mt. Everest. He asserted that the goals that were envisioned would not be accomplished overnight. To reach the summit one first reaches Lukla, then Namche Bazaar, and so on. Similarly, goals would be met one after another until Nepal reaches the summit. On the way to the summit, teamwork is essential. A good expedition team made sure Hilary and Norgay reached Mt. Everest that day. There has to be a consensus among major political parties when they share this common goal. This is very essential to Nepal. In addition, the path is never linear, Nepal should factor in possible economic and political shocks, through good leadership and planning so that it can get back on its feet and continue the climb. In addition, Nepal should remember that while moving forward on achieving the goals, the environment does not get degraded. If Nepal wants to sustain economic growth, environmental considerations are very important. His analogy ended with a note that a good expedition is well funded, and that the international community should come together and help Nepal achieve its goals.

Dr. Chhibber pointed out the importance of local community's involvement in this project. He noted that they should know about this document, and participate in this process. NPC should make sure they do, possibly through visual mediums. Similarly, the involvement of the private sector is also vital to ensure success.

Dr. Chhibber's closing remarks pointed that Nepal could leap frog in many areas by avoiding mistakes other countries made while pursuing similar endeavors. He ended his presentation with a quote by Micheal Angelo: "The greatest danger is not that we aimed too high and missed it, but we aimed too low and reached it".

Annexures

Annex I: Program Schedule

International Seminar on
Envisioning Nepal 2030
28 March 2016
Kathmandu

27 March 2016

18.00-20.00 Reception meeting (by Invitation only).

28 March 2016

Session 1

09:00 – 10:30

Inaugural.

Welcome Remarks by the Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission.

Remarks by Mr. Wencai Zhang, Vice President, Asian Development Bank.

Statement by the Honorable Mr. Bishnu Prasad Paudel, Minister of Finance.

Address by the Right Honorable Mr. K.P. Sharma Oli, Prime Minister.

Vote of thanks by Mr. Lal Shanker Ghimire, Joint Secretary, National Planning Commission Secretariat.

10:30 – 10:45

Coffee break.

Session 2

10:45 – 11:45

Experiences of Asia's Development.

Chair: Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission.

Honorable Dr. Bibek Debroy, Member, NITI Aayog, India.

Transformation of India and Implications for Prosperity across South Asia.

Prof. Justin Yifu Lin, former Chief Economist, World Bank.

Structural Transformation and the Process of Catch-up in Asia.

Dr. Joon-Kyung Kim, President, Korea Development Institute.

Korea's Development Experience and Its Relevance to Other Countries.

Q & A.

Wrap up by the Chair.

Session 3

11:45 – 13:00

Nepal's Long Term Development Perspective.

Moderator: Mr. Harinder Kohli, Centennial Group and Emerging Markets Forum.

Presenter: Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission.

Envisioning Nepal 2030.

Presenter: Dr. Bindu Nath Lohani, former Vice President, Asian Development Bank.

Roadmap to Prosperity: Relevance of Regional Experiences to Nepal.

Panelists: Prof. Justin Yifu Lin, Dr. Joon-Kyung Kim, Dr. Shankar Prasad Sharma, and Dr. Dilli Raj Khanal.

Q & A.

13:00 – 14:00

Lunch break.

Lunch hosted by Honorable Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission.

Luncheon Speaker: Mr. Harinder Kohli, Centennial Group and Emerging Markets Forum.

Global Practice of Long Term Strategy and Visioning Exercise.

Session 4

14:00 - 16:30

Thematic Presentations

Moderator: Professor Dr. Bishwambher Pyakuryal.

Accelerating Inclusive Growth.

Presenter: Dr. Swarnim Wagle, former Member, National Planning Commission

Discussants: Honorable Dr. Bibek Debroy, Mr. Ajay Chhibber, and Mr. Nagesh Kumar.

Q & A.

Energy (Hydropower) Development

Presenter: Dr. Priyantha Wijayatunga

Discussant: Prof. Dr. Govind Nepal, Chief Economic Advisor to the Ministry of Finance.

Q & A.

Urban Development and Transport Connectivity.

Presenters: Ms. Yumiko Noda and Dr. Pradumna B. Rana.

Discussant: Honorable Dr. Sunil Babu Shrestha, Member, National Planning Commission, and Dr. Sumitra Amatya, Member, National Planning Commission.

Q & A.

Human Resource and Social Sector Development.

Presenter: Mr. John Henly.

Discussant: Honorable Professor Dr. Geeta Bhakta Joshi, Member, National Planning Commission.

Q & A.

Transforming Agriculture into a High-value Competitive Industry.

Presenter: Mr. Amnon Golan

Discussant: Joon-Kyung Kim, and Dr. Min Bahadur Shrestha.

Q&A

16.30-16.45

Coffee break.

Session 5

16.45-17.30

Perspectives from Nepal's Development Partners.

Moderator: Mr. Lok Darshan Regmi, Secretary, Ministry of Finance.

Panellists: Dr. Gail Marzetti, DFID, Mr. Renaud Meyer, UNDP & Mr. Damir Cosic, World Bank

Session 6

17:30 – 18:00

Closing.

Remarks by Mr. Wencai Zhang, Vice President, Asian Development Bank.

Remarks by Honorable Dr. Yuba Raj Khatriwada, Vice Chairman, National Planning Commission.

18:00 – 20:00

Reception and dinner hosted jointly by the National Planning Commission and Asian Development Bank.

Dinner Speaker: Dr. Ajay Chhibber.

Implementing a Long-term Development Strategy: Challenges and Possibilities.

Annex II: Profiles

Session 1

Inaugural.



Prime Minister
K.P. Sharma Oli

Right Honorable Prime Minister K.P. Sharma Oli began his political career in 1966 having been influenced by Marxist and Leninist philosophies. He became a member of the Communist Party of Nepal in February 1970. He was involved in revolutionary politics in contradiction of the tyrannical party-less Panchayat System. He became the District Committee Member of the Party in 1971 and the Chief of the Jhapa Movement Organizing Committee in 1972.

Mr. Oli was arrested and imprisoned for 14 consecutive years from 1973 to 1987 for being involved in the movement. After being released in 1987, he became a Central Committee Member of the Communist Party of Nepal - United Marxist and Leninist (CPN-UML). Following the 1990 democratic movement that brought down the Panchayat regime, Oli became a popular political figure in the country. In 1991, he became the Founding Chairman of Prajatantrik Rastriya Yuwa Sangh. He then took the charge of Foreign Department of the party.

He became Member of Parliament in the House of Representatives (HoR) from Jhapa District constituency no 6 in the year 1991. He was again elected as the MP from Jhapa constituency no. 2 in 1999. He became the Home Minister from 1994 to 1995. During the Interim Government in 2006-2007, Mr. Oli became the Deputy Prime Minister and Foreign Minister of Nepal. Mr. Oli won the election of the Second Constituent Assembly from Jhapa constituency no. 7 in 2013. Then he was designated as the Chief of the International Department of the CPN-UML Parliamentary Party.

Mr. K.P. Sharma Oli was elected as the Prime Minister of Nepal on 11 October 2015. He is the First Prime Minister of Nepal after the promulgation of the Constitution of Nepal 2011.



Finance Minister
Mr. Bishnu Prasad Paudel

Honorable Finance Minister Mr. Bishnu Prasad Paudel comes from Syngja district of the Western part of Nepal. He was appointed Minister for Finance on 5 November 2015. Mr. Paudel was elected to the Constituent Assembly (Legislative Parliament) member from Rupandehi district two times (2008-12, 2013-17) and the Member of House of Representative from Palpa district (1994-1999). Earlier, Mr. Paudel assumed the portfolio of Minister of Defense (2011), Minister of Water Resources (2009), and Minister of Youth, Sports and Culture (1996). He served the Communist Party of Nepal (UML) as a Deputy-General Secretary and other positions such as the Secretary of Central Committee (2009-14), Member of Standing Committee (2003-15), and Member of Central Committee (1990-2015). Mr. Paudel is associated with the Communist Party (ML/UML) since 1978.



Vice Chairman
Dr. Yuba Raj Khatiwada

Honorable Dr. Yuba Raj Khatiwada is currently Vice Chairman of National Planning Commission. He was the Governor of the Nepal Rastra Bank (central bank) from March 2010 to March 2015. Prior to serving the central bank, he had served the National Planning Commission as the Vice Chairman from June 2009 to March 2010 and as a Member of the same from November 2002 to June 2005. He has also served as a Senior Economist the United Nations Development Program serving Asia and the Pacific for three years. Dr. Khatiwada has been a career central banker and development planner. He has been involved in numerous research projects and published several books and many research papers. He has been a resource person to several regional and global development discourses. He holds Master's degrees in Economics and Public Administration from Tribhuvan University, and a PhD in Monetary Economics from Delhi School of Economics, University .



Vice President
Dr. Wencai Zhang

Dr. Wencai Zhang holds the position of Vice President of the Asian Development Bank since December, 2013. Mr. Zhang is responsible for ADB operations in the South Asia and the Central and West Asia regions. Prior to joining ADB, he was the Director General of the Department of External Economic Cooperation at the Ministry of Finance (MoF) of China. Dr. Zhang served as the Deputy Director General at MoF from July 2004 to July 2012 and was in charge of bilateral and multilateral economic and financial cooperation between China and many other economies, such as China-US strategic and economic dialogue, G20, ASEAN+3, etc. He was the Executive Director of China at the ADB from April 2007 to September 2009.



Joint Secretary
Mr. Lal Shanker Ghimire

Mr. Lal Shanker Ghimire is the Joint Secretary of the Economic Management Division of the National Planning Commission Secretariat. Mr. Ghimire has more than two decades of experiences in mobilizing and managing Official Development Assistance (ODA), planning and budgeting. Mr. Ghimire also served as an Advisor to the Executive Directors of the Board of Directors of the Asian Development Bank. Studied at both Tribhuvan University of Nepal and the University of Bradford of United Kingdom, Mr. Ghimire was a Lead Focal Point for the preparation of Post Disaster Needs Assessment (PDNA) following the April 2015 earthquake, and currently, under the guidance of Honorable Vice Chairman Dr. Yuba Raj Khatriwada of the National Planning Commission, coordinates the preparation of the 14th Plan (2016/17-2018/19) and Envisioning Nepal 2030.

Session 2

Experiences of Asia's Development.



Honorable Dr. Bibek Debroy

Honorable Dr. Bibek Debroy is an economist and a full time Member of NITI Aayog of India. He was educated in Ramakrishna Mission School, Narendrapur; Presidency College, Kolkata; Delhi School of Economics and Trinity College, Cambridge. He has worked in different professional bodies like Presidency College, Kolkata (1979-83), Gokhale Institute of Politics and Economics, Pune (1983-87), Indian Institute of Foreign Trade, Delhi (1987-93), as the Director of a Ministry of Finance/ UNDP project on legal reforms (1993-98), Department of Economic Affairs (1994-95), Rajiv Gandhi Institute for Contemporary Studies (1997-2005), PHD Chamber of Commerce and Industry (2005-06), Centre for Policy Research (2007-2015). He has authored/edited several books, papers and popular articles and has also been a Consulting/Contributing Editor with several newspapers.



Professor Justin Yifu Lin

Professor Justin Yifu Lin is professor and honorary dean, National School of Development, and Director of Center for New Structural Economics at Peking University. He was the Senior Vice President and Chief Economist of the World Bank, 2008-2012. Prior to this, Mr. Lin served for 15 years as Founding Director and Professor of the China Centre for Economic Research (CCER) at Peking University. He is Councillor of the State Council, a member of the Standing Committee, Chinese People's Political Consultation Conference, and Vice Chairman of the All-China Federation of Industry and Commerce.



Dr. Joon-Kyung Kim

Dr. Joon-Kyung Kim is President of the Korea Development Institute (KDI) and the KDI School of Public Policy and Management. Previously, Dr. Kim was the Senior Vice President of KDI and a Professor at the KDI School. He established the Development Research and Learning Network at KDI where he oversaw research and knowledge sharing initiatives on Korea's development experience. Dr. Kim held senior policy-making position in government, serving in the President's Office of Economic Affairs for Financial Policy. He was a co-chair of the Financial Supervision Reform Committee and a member of the Presidential Economic Policy Advisory Council. Dr. Kim had held teaching positions at Virginia Tech, Columbia University, and University of Hawaii at Manoa. He was also a consultant at the World Bank and contributed in the preparation of "The East Asian Miracle." He has a B.S. in Computer Science and Statistics from Seoul National University and a PhD in Economics from the University of California at San Diego.

Session 3

Nepal's Long Term Development Perspective



Dr. Bindu Nath Lohani

Dr. Bindu Nath Lohani currently serves as Global Head, Climate Change Policy at Centennial Group, USA; Distinguished Fellow, Institute of Global Environmental Studies, Japan; Chief International Advisor, K-Water, Korea and Distinguished Adjunct Faculty and Senior Adviser to President, AIT, Bangkok. Prior to these positions, he held positions like Vice President for Knowledge Management and Sustainable Development, and Vice President for Finance and Administration at Asian Development Bank until June, 2015.



Dr. Shankar Prasad Sharma

Dr. Shankar Prasad Sharma, former Ambassador of Nepal to the United States has a PhD in economics from the University of Hawaii. He was the Vice-Chairman of the National Planning Commission, Nepal from 2002 to 2006. Before joining the National Planning Commission as a Member in 1997, he was a Senior Economist in the Institute of Southeast Asian Studies and was also an editor to ASEAN Economic Bulletin and a consultant editor to Hydrocarbon Asia, both published from Singapore for about seven years.



Dr. Dilli Raj Khanal

Dr. Dilli Raj Khanal, a former Member of Parliament and National Planning Commission, is in research, teaching and social works after PhD in economics in 1986. He is the founder Chairman of the Institute for Policy Research and Development (IPRAD) established in 1995. He teaches advance macroeconomics to M. Phil. students in the Central Department of Economics, Tribhuvan University. He has published several books, policy papers and reports individually and jointly to his credit. He has worked extensively with many international and regional agencies. His pioneering contributions include input/output and macro modeling in Nepal. His recent research and writing works are focused on political economy aspects of socio-economic development and transformation.



Mr. Harinder S. Kohli

Mr. Harinder S. Kohli is the Founding Director and Chief Executive of Emerging Markets Forum as well as Founding Director, President, and CEO of Centennial Group International, both based in Washington, D.C. Prior to starting his current positions, he served over 25 years in various senior managerial positions at the World Bank. He has written extensively on the emergence of Asia, Latin America, Africa and other emerging market economies, financial development, private capital flows, and infrastructure. Mr. Kohli is the editor and co-author of the latest book *The world in 2050: Striving for a just, prosperous and harmonious global community* which will be released in Paris on April 12.

Session 4

Thematic Presentations

Honorable Dr. Sunil Babu
Shrestha

Honorable Dr. Sunil Babu Shrestha is a Member of National Planning Commission, Nepal. He also served in the same position in 2009. He earned his PhD in Environmental Development Engineering from Japan and has experience working in various organizations including in the projects of UNDP, World Bank, ADB and GIZ in the capacity of Urban Planner, PPP Expert, Environmental Expert, and Solid Waste Management Expert. He authored a book titled 'A Sustainable City Planning Methodology for 21st Century (Concept of Food Green City)' and has a number of peer reviewed articles. He was honoured with many medals and prizes for his special contribution in the field of science and technology, environment, and engineering.



Honorable Dr. Sumitra Amatya

Honorable Dr. Sumitra Amatya has more than 17 years' experience in lead positions with wide knowledge in design of multi-disciplinary public/ private buildings and master plans, periodic plans of cities in Nepal and abroad. She is well-acquainted with micro-macro enterprise development, and women and youth empowerment. She worked in Pulchowk Engineering Campus from 2003 to 2009. From 2009- 2015, she worked as a CEO/Executive Director in Solid Waste Management and Resource Mobilization Centre/ MoFALD, Nepal. She has published many research papers and articles in the field of architecture and waste management. She has introduced 'green economy', creating many green jobs in waste management. She believes in economic architecture and moving from linear to circular economy for sustainable development. Her major interest area is preserving ecosystem in Nepal and globally. She is now a Member in the National Planning Commission, Nepal.

Honorable Professor Dr. Geeta
Bhakta Joshi

Honorable Professor Dr. Geeta Bhakta Joshi is a Member of National Planning Commission. He worked as the Social Sector Development Planner and Administrator with strategy and planning skills that encompass government agencies, universities, student organizations, civil society, and international development partners. He worked as the Registrar of Tribhuvan University (2003–2006), Advisor to the then Prime Minister of Nepal (2002-2003), and Professor of Mathematics (Applied) at the Institute of Engineering (TU). He has several professional research papers to his credit, published in national and international journals.



Professor Dr. Govind Nepal

Professor Dr. Govind Nepal a Professor of Economics at Tribhuvan University, is a Chief Economic Advisor to the Ministry of Finance. Prior to this, he had served as a Member of National Planning Commission (NPC), where he looked after energy, urban development and disaster management portfolio. He provided technical leadership and guidance in the preparation of Post Disaster Needs Assessment (PDNA) after devastating earthquake. Three four years back, he coordinated the entire preparation process of 12th National Development Plan (2010/11-2012/13); led a multidisciplinary team of experts that prepared a concept paper on National Development Vision 2030 for Nepal and also led the preparation of MDG Needs Assessment for Nepal 2010. He was the lead author of the National Report to Rio+ 20 United Nations Conference on Sustainable Development. Prof. Nepal has authored/co-authored four books in the areas of welfare economics, development planning, poverty and energy.



Professor Dr. Bishwambher Pyakuryal

Professor Dr. Bishwambher Pyakuryal taught economics at Tribhuvan University for 39 years. He holds double Masters and PhD from Nepal and USA and also completed Post-doctoral Research in economics from the University of Maryland at College Park, USA. Professor Pyakuryal was a professional Associate at the East-West Center; a Scholar-in-Residence of the Rockefeller Foundation in Italy; and a visiting scholar at the International Food Policy Research Institute (IFPRI) in Washington, D.C. Dr. Pyakuryal was the Chairman of Nepal Industrial Development Corporation, a member of the board of Nepal's central bank, Chairman of High-level Public Expenditure Commission of the Government of Nepal, and a member of the advisory board of the Office of Auditor General. He has co-authored and edited thirteen books and published research articles in accredited national and international journals. He is a freelance international consultant



Dr. Swarnim Waglé

Dr. Swarnim Waglé served as a Member of the National Planning Commission (NPC), Government of Nepal between May 2014 and November 2015. In the aftermath of the April/May earthquakes in Nepal in 2015, he co-led the preparation of the Post Disaster Needs Assessment (PDNA) and headed the country delegation to the Third UN Conference on Financing for Development. Dr. Waglé has worked for more than 15 years on policy assignments in over 20 countries, most recently as Senior Economist at the World Bank in Washington, D.C. He trained as an economist at Australian National University, Harvard University and London School of Economics. He was born in Gorkha.



Dr. Min Bahadur Shrestha

Dr. Min Bahadur Shrestha is the Executive Director of the Research Department of Nepal Rastra Bank (central bank). He is also the Senior Economist and Visiting Research Economist at the South East Asian Central Banks Research and Training Centre (SEACEN). He has led and conducted a number of researches for Nepal Rastra Bank, universities, and the SEACEN. He has authored 7 books and published several research papers in peer-reviewed international journals on financial development, monetary policy, capital flows, international migration, and time series econometrics. Dr. Shrestha holds a Master's degree in Public Administration, Master's degree in Political Science, an MBA, and a PhD in Economics.



Dr. Ajay Chhibber

Dr. Ajay Chhibber is a Visiting Distinguished Professor at the National Institute for Public Finance and Policy and Visiting Scholar at George Washington University. He was India's first Director General of Independent Evaluation with the status of Minister of State. He served as UN Assistant Secretary-General in New York and in senior positions at the World Bank, managing its programs in Vietnam, and Turkey, in Indonesia, and the Pacific. He was the lead author of the 1997 World Development Report on the Role of the State. He has a PhD from Stanford University, a Masters from the Delhi School of Economics, and advanced management programs at Harvard University and at INSEAD, France.



Dr. Nagesh Kumar

Dr. Nagesh Kumar is Director and Head, UNESCAP's South and South-West Asia Office, New Delhi. Previously, he was Chief Economist of UNESCAP based at its headquarters in Bangkok. Prior to joining UN in 2009, Dr. Kumar was Director-General of the Research and Information System for Developing Countries (RIS), a New Delhi based policy think-tank of the Indian Government during 2002-09. Dr. Kumar has served on the boards of the EXIM Bank of India, the International Centre for Trade & Sustainable Development (ICTSD), Geneva. A PhD from the Delhi School of Economics (1988), Dr. Kumar is recipient of the EXIM Bank of India's first Trade Research Award and a GDN Research Medal.



Dr. Priyantha Wijayatunga

Dr. Priyantha Wijayatunga, Principal Energy Specialist, Asian Development Bank, obtained his PhD in Power System Economics from Imperial College, London. Prior to joining ADB he was the founder Director General of the Public Utilities Commission of Sri Lanka and a Senior Professor of Electrical Engineering. He was one of the lead authors of Sri Lanka Energy Policies and Strategies of 2008/09 and a key contributor to the Sri Lanka Electricity Act of 2009. He was the Chairman, South Asia Forum for Infrastructure Regulation in 2006. He is a Chartered Electrical Engineer and has been leading and contributing to processing key energy sector loans in South Asia. He was the ADB focal point for South Asia regional energy cooperation for many years and has co-authored over 75 publications including the ADB publication on "Power Trade in South Asia: Opportunities and Challenges".



Ms. Yumiko Noda

Ms. Yumiko Noda is a Partner of PwC Japan, leading Infrastructure and Public-Private-Partnership (PPP) practice. She also leads Cities Solution Centre in Japan as well as Cities Infrastructure Solutions Centre for PwC Global, which is located in Singapore. She is recognized as a pioneer who introduced PFI/PPP concepts into Japan and contributed to the Development of Japan's PFI/PPP market, advising governments and private sector companies on policies, strategies, and financing. Between 2007 and 2009, she served as Deputy Mayor of Yokohama City, where she was responsible for business and economy, tourism, transport, water, international strategy, city branding, and PPP. During her career in Yokohama, she spearheaded the initiative of newly creating PPP unit and transferring Yokohama's urbanization" experience to Asian cities. She is a member of Urban Solution Advisory Panel, Centre for Liveable Cities in Singapore as well as World Cities Summit Young Leaders. She has served many public positions in Japan. She currently serves as a member of "Future City Initiative" under Cabinet Secretariat, Government of Japan.



Dr. Pradumna B. Rana

Dr. Pradumna B. Rana is Associate Professor and Coordinator of the International Political Economy Programme at the Centre for Multilateralism Studies (CMS) of the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU). Prior to this, he worked for 25 years at the Asian Development Bank. His last appointment at the ADB was Senior Director of the Office of Regional Economic Integration. He has authored/edited 15 books, and published over 60 articles in peer-reviewed international academic journals. His forthcoming book is entitled *Jump-starting South Asia: Round Two of Reforms and Look East Policies*. He has a PhD in economics from Vanderbilt University.



Mr. John Henly

Mr. John Henly is an independent education consultant. He has designed and led education development studies and evaluation projects in many countries investigating progress and impact of development programs. John has worked closely with Ministry of Education directorates in Indonesia, Bangladesh, Kosovo, Vanuatu, Eritrea and others to advise on sector policy and prepare context-based development plans aligned with national priorities. Mr. Henly is currently supporting Bangladesh Ministry of Education to design and implement its secondary education SWAp, and to prepare the country strategy for achievement of the SDGs by 2030. John's current position is as Team Leader: Effective Planning, Management, and Coordination Specialist for the Secondary Education Sector Investment Program for the Directorate of Secondary and Higher Education, Ministry of Education, Bangladesh.



Mr. Amnon Golan

Mr. Amnon Golan worked in the World Bank from 1965 to 1994. During that period, he held various management positions including Director of Industry Department (1984 – 1987), Director of Technical Department Asia Region (1987 – 1990), and Director of Economic Development Institute (1990 – 1994). Following his retirement from the Bank, he managed a private investment firm (1994–1997). From 1997 to 2011, he worked as Senior Advisor with the World Bank's Quality Assurance Group and as a consultant with the IMF Institute, IFAD, the Australian Government, and Centennial. He has MA degrees in International Economics and Law and Diplomacy from the Fletcher School-Tufts University.

Session 5

Perspectives from Nepal's Development Partners



Mr. Lok Darshan Regmi

Mr. Lok Darshan Regmi is currently Secretary in Ministry of Finance. He started his career in Ministry of Home affairs and has more than two decade of extensive experience in civil service at various levels in the Ministry of Industry, Commerce and Supply, Ministry of Forest and Soil Conservation, Ministry of Environment, Science and Technology, and Ministry of Land Reforms and Management. Mr. Regmi holds Master's degrees in Public Management from Tribhuvan University and in Institutional and Human Development from Denmark



Mr. Baikuntha Aryal

Mr. Baikuntha Aryal has been serving as a Joint Secretary at Ministry of Finance for past 4 years. Prior to this, he served in the Office of the Prime Minister and Council of Ministers and National Planning Commission. He holds a PhD in Development and Resource Economics from Norwegian University of Life Sciences, Norway. Besides his regular job he has been involved in series of research in development economics and macroeconomics area.

Session 6

Closing

Annex III: Speeches

Opening Remarks by Hon'ble Dr. Yuba Raj Khatiwada, Vice Chairman, National Planning Commission, Government of Nepal

Right Honorable Prime Minister,
Honorable Finance Minister Mr. Bishnu Prasad Paudel,
Vice President of the Asian Development Bank Mr. Wencai Zhang,
Distinguished Delegates and Participants,
Media Colleagues, Ladies and Gentleman,

On behalf of the National Planning Commission and the Government of Nepal, I would like to welcome you all to this international seminar on Envisioning Nepal 2030, particularly to all the distinguished scholars and policy decision makers and participants who have joined us to contribute to Nepal's development visioning process.

This is an opportune moment for engaging in Nepal's long-term socio-economic transformation for several reasons. First, we are embarking on the stage of implementation of the New Constitution of Nepal promulgated in September 2015 which has clearly enshrined the goals of perpetual peace, prosperity and equitable development, and good governance, with fundamental rights of the citizens on food, education, health, etc being assured. Second, Nepal has also committed graduating from the least developed country status by 2022 and becoming a middle income country by 2030. Third, as the massive earthquake of May 2015 and before we could recover from the trauma, a 4 month long blockades at the border to our predominant trading partner country have exposed our vulnerability to the development we have achieved so far calling for a long term visioning of the development. And fourth, we have taken up Global Sustainable Development Goals as also our goals to be achieved by 2030 and this is time now to draw a long term strategy for their implementation.

A clear long-term development roadmap is needed to achieve the SDGs and their targets, setting out a clear strategy, actions, and programs to placing Nepal on a high, inclusive, and sustainable growth path, while protecting clean environment and building resilience against the risk of natural disasters and climate change. Such long-term strategy will also guide the 14th Periodic Plan that is to be adopted by the Government and put for implementation right from the next Fiscal Year.

As we look ahead and craft a vision on how to move forward, it is imperative that we remain grounded on our past experiences. Past is indeed prologue, and we must ensure that we build upon our accomplishments and learn from our mistakes.

An important feature of Nepal's development in recent years has been the progress in reducing poverty and inequality, and a success to achieving a majority of the Millennium Development Goals. Amid GDP growth averaging just over 4 % during the past decade, social outcomes are encouraging; and now the challenge remains to grow faster and not only to change but to transform the society and the economy.

As we chart our way forward, we must remain cognizant of the unique advantages that we, as a nation, have been blessed with. We are a young country, and one with considerable natural, human, and physical endowments. Rapidly growing neighboring countries with burgeoning middle-class population provides tremendous opportunities and markets that will be an important determinant to our success.

Agriculture, water resources, and tourism have been important pillars of Nepal's economy, the potential of which has been vastly underutilized. Agriculture holds a key for inclusive growth, while tourism can promote jobs and enhance economic activities. Taking advantage of the significant untapped potential of water resources including in hydropower will have spillover effects in various facets of the economy, enabling the country to prosper.

Reducing poverty and inequality more rapidly requires much higher and inclusive economic growth, and there is no doubt that our vision should be driven by higher growth process by scaling up investment on infrastructure and in other productive sectors and improving the business environment. Better transport systems and connectivity within the country and beyond will facilitate

access to markets extending value chains for higher value products. The need for reconstruction and new construction after the earthquake will also provide an impetus to boost and sustain capital expenditure and support to building resilience to disasters.

However, the vision must also sincerely tackle the serious disparities and inequalities embedded in our society. Our socio-economic transformation must address the most disadvantaged groups, to fully complete the political transition and reconciliation process and to open the door for a bright and harmonious future.

During the course of the seminar, we eagerly look forward to hear from the national and international development experts present here, especially from our neighboring countries. We want to learn how we can best overcome our constraints with opportunities to achieve faster and inclusive growth that can be sustained over time. The insights and experience on the world's best practices and state-of-the art innovations will definitely help us close the gaps much faster, which is the purpose of this seminar. While there are many important topics to discuss, we aim to focus today on a few and in some depth, considering the limited time.

At the end of the day, we hope to have broadly identified key strategic priorities as the building blocks for the formulation of long term development strategy of the country. We intend to proceed to the specific studies and deliberation during the next several months to prepare the strategy and its implementation action plan. This process will be led by the National Planning Commission; and government ministries, private sector, cooperative sector, and a range of other stakeholders across the country will also be involved in this process.

Lastly, we also need to ensure that the Envisioning Nepal 2030 must be an implementable endeavor. To assure this, the plan needs to be clear, focused, and prioritized, and backed by sufficient human and financial resources, and technical and managerial expertise to effectively implement them. From this perspective, I would like to seek the active participation of development partners, to assist in formulating the long term development strategy consistent with the Sustainable Development Goals, with equal commitment to assisting its implementation.

I look forward to a productive and invigorating day, and hope that this will mark an important milestone in the development endeavor of Nepal.

Thank you.

Opening Remarks by Mr. Wencai Zhang, Vice-President (Operations 1), Asian Development Bank

I. Introduction

Right Honorable Mr. K.P. Sharma Oli, Prime Minister, Government of Nepal,
 Honorable Mr. Bishnu Prasad Paudel, Minister of Finance,
 Honorable Dr. Yuba Raj Khatriwada, Vice Chairman, National Planning Commission,
 Honorable Ministers, Government of Nepal and Members of Parliament
 Distinguished guests, participants, ladies and gentlemen,
 Good morning.

It is a great honor for me to join this important seminar to start the preparation of the Envisioning Nepal 2030. At the outset, On behalf of the Asian Development Bank, I would like to congratulate the Government of Nepal for the promulgation of the new Constitution under the leadership of the Right Honorable Prime Minister, and for pursuing a full consensus and initiating its implementation. Political and social stability is the foundation for long-term development. The new Constitution has indeed paved the way to a new era for Nepal, to meet the people's aspirations of perpetual peace, development and prosperity, good governance, and social justice to ensure equitable development, as enshrined in the new Constitution.

In this context, ADB appreciates the recent decision by the Government of Nepal to establish a long-term socio-economic development vision and strategy. This is expected to set out clear pathways for achieving the country's aspiration of graduating from the least developed country status by 2022, achieving the Sustainable Development Goals and becoming a prosperous middle-income country by 2030. We are happy to facilitate its preparation, together with other development partners. We are encouraged that strong political and bureaucratic leadership is already here to drive this process.

II. Long-term Vision and Strategy to Drive Accelerated and Inclusive Economic Growth

Looking back at the past 50 years or so, Asia has made remarkable progress in economic development and poverty reduction. Rapid growth initially took place in Japan, and was followed by South Korea and the Asian tigers. Then it took place in the People's Republic of China and several Southeast Asian countries, and now it is emerging in India. For the example of Korea, its per capita GDP stood at about mere \$100 in early 1960s but now reaches above \$27,000. In the case of China, its per capita GDP increased from less than \$200 in 1980 to more than \$8,000 today.

In many of these countries, the remarkable progress made has been underpinned by rapid structural transformation of the economies from low-value to high-value industries. This process often came about as a result of deliberate and determined economic reforms and investments, which were led by a clearly stipulated vision and actionable strategies. Transformations took several phases, normally starting from initially an agriculture-based economy to export-oriented and labor-intensive manufacturing, and gradually to high-value industries. The governments played an important role during the process with strong leadership, by enhancing infrastructures, promoting private sector development, emphasizing human capital development, and attracting foreign capital inflows to finance investments. In ADB's experience with the developing member countries in the region over the last 50 years, having a clear vision and strategy for the future can be an important step to initiate a rapid economic growth and structural transformation process in any country. The successes of China, Korea as well as Malaysia and Singapore, among others, are testament to this.

III. Contexts for Nepal

Turning our eyes to Nepal, the country has made commendable socio-economic development progress. Poverty decreased from 31% in 2004 to 25% in 2011, and is declining further. Inequality also declined. Nepal also achieved a majority of the Millennium Development Goals. However, to achieve SDGs and middle income country status by 2030, the country's economic growth rate needs to be much higher than the 4.1% recorded over the last decade.

Since I assumed ADB's Vice President in December 2013, I am impressed by a number of studies available on Nepal, such as growth diagnostics, and various sector strategies and plans. Thus, we are clear about (i) country's key growth constraints, such as infrastructure, human capital, policy uncertainties, and enabling business environment; and (ii) development potentials, including high-value agriculture, hydropower, tourism, and other competitive services and industries. Necessary steps to address the constraints and tap the opportunities have also been studied, with various degrees of specificity and time frame of actions.

In my view, these serve as building blocks for formulating a clear and inspiring vision for the nation and its key result areas; strategic directions and actions in those defined areas; and prioritized programs and projects, which can guide the nation to achieve the vision.

As regional cooperation and integration is one of ADB's key strategic agendas in our charter and corporate strategy, I would like to underscore the importance of regional dimension in this country specific long-term strategy. Given the landlocked and relatively small market and the limited economic base, positioning itself into broader and deeper regional cooperation and integration would be particularly important for Nepal to turn itself from a landlocked country into a land-connected country, and unleash its huge growth potential.

IV. Conclusion – International Seminar on Envisioning Nepal 2030

Excellencies, distinguished delegates, ladies and gentlemen,

ADB is pleased to be assisting the National Planning Committee in organizing this international seminar on Envisioning Nepal 2030 strategy, inviting a group of highly renowned and respected scholars and policy makers. Your advice for Nepal on ways to accelerate economic structural transformation, and sharing of experience from other Asian economies which Nepal can learn from, would be extremely valuable. I look forward to in-depth discussions on identifying Nepal's mid and long-term growth drivers and priority sectors, sequence of reforms, roles in regional connectivity and global value chain, and ways to catalyze private investments. I am sure that your insights can be embedded to make the country's new long-term strategy truly inspirational and innovative, and yet well suited to the today's context of Nepal.

In conclusion, I would like to express ADB's willingness to further assist the government in formulating the Envisioning Nepal 2030 along with other development partners. This is indeed a first vital step towards achieving Sustainable Development Goals and becoming a middle income country by 2030, thereby accomplishing the aspirations of the Constitution. ADB also stands ready to help strengthen implementation capacity at both the central and local levels, which is critical to the success of the long-term strategy toward a prosperous future for the country.

Thank you.

**Address by Right Honorable K.P. Sharma Oli
Prime Minister of Nepal**

Honorable Ministers,
Vice Chair of National Planning Commission,
Vice President of the Asian Development Bank,
Excellences,
Distinguished Participants, and
Ladies and Gentlemen,

I am pleased to address this august gathering here today, to envision Nepal's socio-economic development in the next 15 years. I am also very encouraged to see such a high-level participation, including eminent scholars and policy makers from across the world, and a wide spectrum of leaders, officials, and professionals from the Nepalese society. This event is taking place at the right time of our sole attention and efforts being geared towards economic development and prosperity along with the promulgation of new constitution and settlement of political stalemates. I thank the National Planning Commission for having initiated Nepal's long term development discourse in the new national and global context.

Nepal is on the threshold of change—a change for the better Nepali lives. As the new Constitution has heralded a new era of people's sovereignty, democracy and fundamental rights, political empowerment of the citizens has been secured. Then the main challenge before us is to economically and socially empower the people through the expedited implementation of the economic and social agenda enshrined in the Constitution. This would be possible through structural transformation of existing economic and social institutions, production relations, and social values. We have to accomplish this task with strategic reorientation of our existing development policies, plans and implementation mechanisms. While doing so, we need to chalk down a long term development strategy which will guide our development for the prosperity of Nepali people. I am confident that events like this will provide an opportunity for us to learn from success stories and best practices of our friendly countries and shape up our own development strategy.

Nepal's unique geographical location between two most populous and rapidly growing economies of the world, abundant natural resources including water, biodiversity and landscape, growing educated and skilled labour force, widening and deepening connectivity within and across borders, and international cooperation provide us the opportunity to move faster in the path of strong, self-reliant, and prosperous economy. Time has come now to unleash these potentials through credible domestic economic policies and international cooperation. In this context, I would like to recall my recent state visits to our neighbouring countries Republic of India and People's Republic of China which have opened up new avenues for bilateral and trilateral cooperation for accelerating our development and uplifting the lives of our peoples.

Distinguished participants,

You will agree with me that Nepal has tremendous economic potential, such as in high value agriculture and agro-industries, hydropower, and tourism. Nepal's liberal taxation, trade, investment, and foreign exchange regimes provide vast opportunities for foreign investment while the large markets across the border offer huge export potentials for the agro and manufacturing products. The potentials for tourism are even higher with large and growing middle class across the border. Now is the time to seriously start materializing these untapped potentials with much more vigor and passion, which are now available with political stability and resolution of constitutional transition.

Let me also mention that Nepal aspires to graduate from the status of least developed country as soon as possible, and this is only possible with expedited economic growth. For this to happen, our annual investment must at least be doubled; we have to build essential infrastructure including transportation, communication, and electricity. Focus must be on addressing the crippling energy crises that hold key to unleash rapid growth of many industries, as well as on connectivity to reach all Nepalese villages within the country, and the vast markets of the neighboring countries. Our government is making best efforts to meet basic electricity demand within a year and ensuring sufficient electricity within two years. Our effort to widen and deepen connectivity within and across the border through transportation networks is taking a shape with the initiative of implementing strategic road network within the country and with the agreements made with our neighbouring countries for the development of electricity, road and railway networks across the border. We want to use this opportunity to bridge or link the connectivity between our two neighbours India and China - Nepal being the transit point for their trade in goods and services.

Ladies and Gentlemen,

A key and urgent agenda before us is not only accelerating economic growth but also making the growth equitable, employment intensive, and sustainable. In this respect, I recall our commitments to achieve by 2030 the Sustainable Development Goals – briefly known as the SDGs. While we would be implementing programs designed to achieve the SDGs through periodic plans and annual budgets, we expect higher level of global cooperation for financing the development programs and building national capacities to deliver. This will definitely require a convincing and credible long term development strategy based on the SDGs and our collective efforts to mobilize all available resources, including the knowledge resources; and, this conference will definitely provide a platform to share such resources.

Over the past decade, despite prolonged political problems, Nepal was able to reduce poverty, achieve most of the Millennium Development Goals, and make significant social development particularly in health and education. However, we have not yet been able to fully address exclusion, deprivation, and inequality across social groups, gender and geographical regions. As the Constitution of Nepal mandates us that nobody should be left out of the development process, the long term development strategy should now embrace inclusive development to ensure that those who have been excluded from the development mainstream are no more so. This is extremely necessary to avoid conflict, strengthen peace process and to achieve inclusive economic development with social justice.

Distinguished Participants,

The recent earthquake has unfolded our vulnerability to natural disasters and the need for higher efforts to disaster risk reduction including preparedness and response to disasters. As we are working hard to provide relief to the victims of earthquake and expediting reconstruction with the principle of 'build-back-better', we also feel that long term strategy towards disaster risk management is urgently needed. I urge the National Planning Commission to ensure that the long term development strategy being formulated in the spirit of sustainable development be mindful of the disaster risks - also being triggered by climate changes. As we know that the risks of climate change and its implication on sustainable development can only be addressed through global cooperation, I want to mention that Nepal will make its sincere efforts to join hands with the global community to cope this challenge. Our efforts towards harnessing renewable energy, reducing carbon emissions, promoting climate change responsive development activities, and discouraging unsustainable consumption are some of the steps in this regard.

Let me also mention that after I assumed the Prime Minister's position, we have started several actions towards long term development. To promote sustainable agriculture, a 20 year Agriculture Development Strategy has been approved by the cabinet and is ready for implementation. In the power sector, an action plan on national energy crisis prevention and electricity development decade has been launched, to eliminate load shedding within 2 years, remove transmission bottlenecks, and produce 10,000 MW of electricity in the next 10 years with focus on alternate energy sources including solar and wind. The government has also come up with several strategies to make development environment friendly. I do hope that the long term development strategy being formulated will encompass all these works and integrate the initiatives towards achieving the development goals.

Ladies and gentlemen,

Today, Nepal is at an important juncture in its history that will determine our future wellbeing. We should seize the economic opportunities for early graduation from the least developed country, achieving the SDGs by 2030, and becoming a middle-income country by 2030. To ensure timely achievement of these goals, the government is determined to craft a comprehensive long-term development vision and socioeconomic development strategy, termed as "Envisioning Nepal 2030". I understand that this seminar is a first major step towards preparing the vision. We want to make this vision inspirational and futuristic, capturing the aspiration of the common people and arousing their enthusiasm and ambition, and instilling in them a sense of confidence – with a "we can do" attitude and spirit. It should motivate all segments of society to greater efforts to collectively achieve the common goals. The vision will also help synchronize actions of the government, the private sector, the cooperative and community sector, and civil society organizations.

I hope that this seminar will set the tone for a strategic visioning exercise. I assume the vision preparation will be participatory, where different groups of stakeholders from different parts of the country contribute their innovative ideas. I request our distinguished and well-wishing experts to share with us the experience and lessons from the development process of their own countries and advise how Nepal can accelerate socioeconomic transformation. I am confident that we will immensely benefit from your insights and advice. I wish the conference a grand success.

Thank you.

Remarks by Honorable Mr. Bishnu Prasad Paudel, Minister of Finance

Right Honorable Prime Minister,
Honorable Vice Chair of National Planning Commission,
Mr. Wencai Jhang, Vice President of ADB,
Distinguished Delegates and Participants,
Media Persons,
Ladies and Gentlemen.

This program holds a significant importance in setting out a long-term vision for Nepal's development. We have already formulated and implemented 13 periodic plans in the course of 60 long years of planned development, against which we have made some progress. Most of MDGs have been attained, absolute poverty has been reduced, and most of macroeconomic indicators are largely positive. However, these progresses are not satisfactory. Therefore, we are seeking a plan that ensures additional commitment and a clear long-term vision to achieve the outstanding outcomes of our development process. In this context, I would like to thank and congratulate the National Planning Commission for organizing this timely seminar.

Nepal is a country of immense potential for socioeconomic development. I am confident that we can make Nepal a prosperous country in a short span of time by utilizing our natural and other resources.

After the promulgation of the Constitution in September 2015, economic development and prosperity are our prime agenda. For this, we need to develop all three sectors—agriculture, industry, and service in a balanced way. We aim to attain high and sustainable economic growth through modern and commercial agriculture, competitive industrial outputs, and efficient and quality service sector development. In order to guarantee the availability of development outputs to all citizens, we need to start formulating a plan with due priority to inclusive growth and social justice.

Various socioeconomic goals and targets need to be achieved in coming 15 years to make Nepal a prosperous country. We have to attain 7 to 8 percent economic growth in five years and sustain it thereafter. All necessary infrastructures for the LDC graduation by 2022 have to be developed. Poverty has to be lowered to a single digit. We have to construct quality and modern roads, airports, irrigation systems, hydropower plants and transmission lines. Further, to tap the enormous potential for tourism development, we need to invest more in developing tourism products and relevant infrastructures. The IT infrastructure should be developed and expanded in order to reduce the production and transaction costs. In the social infrastructure, quality and accessible education, health, and drinking water facilities need to be developed and expanded.

Governance reform is an important aspect of development. Institutional, structural, legal, and policy reforms are needed for this purpose. I believe the focus should be on effective service delivery, smart and efficient public finance management, transparent and accountable public procurement process, minimized fiduciary risks and service-oriented government mechanism.

Our internal resource alone may not be sufficient for the economic growth and development that we have envisaged. However, the financial resource will not be a constraint, if we mobilize bilateral and multilateral assistance. We have enough possibility of utilizing our own fiscal space. Mobilizing all these available resources, we have to accelerate the pace of economic development. It is needed to increase the domestic and foreign investment by coordinating with development partners, private, and nongovernmental sectors. The plan should focus on completing these tasks successfully.

I am confident that we will get concrete suggestions from the intense discussions on the papers to be presented here. I wish you all for a constructive discussion. I would like to extend my gratitude for your participation in this seminar. I wish the program a great success.

Thank You!

Vote of Thanks by Lal Shanker Ghimire
Joint Secretary, National Planning Commission Secretariat

Right Honorable Prime Minister,
 Honorable Minister of Finance,
 Honorable Vice Chairman of the National Planning Commission,
 Respected Vice President of the Asian Development Bank,
 Excellencies, Distinguished Ladies and Gentlemen:

On behalf of the National Planning Commission, I would like to sincerely thank you all for making the time to join us at this important seminar today. We expect this event to launch a rigorous, participatory process of preparing a blueprint for the kind of Nepal we envision in 2030. This event comes at a time when Nepalis are eagerly looking forward to a more promising future -- after decades of political upheaval, and more recently a very difficult year of 2015.

For contributing to this event meaningfully, I thank all the dignitaries on the dais. Your presence is symbolic of the importance the national leadership and our international allies attach to the agenda of sustained progress in Nepal.

We are glad that the Right Honorable Prime Minister endorses the need for a long-term development vision along the lines sketched in the new constitution. I express my sincere gratitude to the Right Honorable Prime Minister for his valuable presence and address to making the vision inspirational and forward-looking while responding to the angst and aspirations of all Nepalis. Our youth in particular need to believe that their best days are still ahead.

I would like to thank the Honorable Minister of Finance for encouraging the formulation of a long-term development vision for Nepal, building on our political and socio-economic achievements so far. We take on board your strategic advice of improving the quality of public and private investment, accelerating post-quake reconstruction, and mobilizing resources to accelerate broad-based growth.

I thank the Honorable Vice Chairman of the National Planning Commission for your intellectual leadership in steering this process. The big ideas that will be discussed today will form the contours for a detailed road map. I am grateful for your stewardship of not just this long-term vision, but also in efforts to align our strategies to graduate from the status of LDC and becoming a middle-income country while meeting the Sustainable Development Goals by 2030. In pursuing these milestones, policy coherence is what is important, and we at NPC will meet this expectation under your guidance.

I would also like to express our gratitude to the Asian Development Bank and its Vice President Wencai Zhang for the strong support and commitment to drive this process with the full ownership of the Government of Nepal. We thank you also for the insights on the development experience from across Asia.

Finally, I thank all the distinguished resource persons and participants for your keen interest in this seminar. We have planned a tight series of sessions throughout the day. The idea is to immerse in a rich set of deliberations on the perils and possibilities of charting an ambitious development trajectory for Nepal. Welcoming you all again, I wish you a productive day.

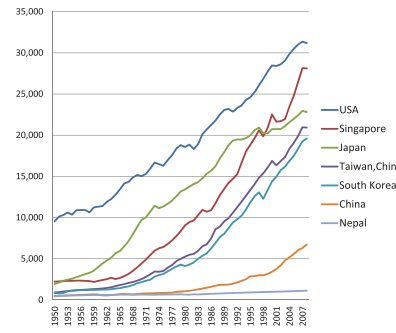
Thank you and Namaste.

Annex IV: Presentations

Structural Transformation and the Process of Catch Up in Asia : Implication for Nepal

Justin Yifu Lin
Center for New Structural Economics
Peking University

Per Capita GDP in 1990 Dollar



- Poverty is not a destiny. A few East Asian economies are able to catch up the US after WWII.
- However, most developing countries in the world, including Nepal, are trapped in poverty

- All countries were poor and relied on agriculture and resources for living at the beginning
- The path for prosperity is diversification and continuous industrial upgrading so as to increase labor productivity and income
- Nepal is still poor as it has not diversified from agriculture.
- **How to achieve diversification and continuous industrial upgrading?**

The Industrial Policy and A Facilitating State

- The structural transformation will not happen spontaneously because
 - The externality issue confronting the first movers
 - A new industry often needs sector-specific hard and soft infrastructure
- The industrial upgrading and diversification requires the government to play a facilitating role to overcome the externality and coordination issues
- The industrial policy is an essential measure for a facilitating state.
 - Contents of coordination may be different, depending on industries.
 - The government's resources and capacity are limited. The government needs to use them strategically

4

Latent Comparative Advantage and Picking Winners

- However, most industrial policies in the past had failed
- For an industrial policy to be successful, it should target sectors that confirm to the economy's latent comparative advantage:
 - The latent comparative advantage refers to an industry that the economy has low factor costs of production but the transaction costs are too high to be competitive in domestic and international markets
 - Firms will be viable and the sectors will be competitive once the government helps the firms overcome coordination and externality issues to reduce the risk and transaction costs.
- In the past most industrial policies failed because they targeted sectors which defied the economy's comparative advantages
- **But how can the government pick the sectors that are in line with the economy's latent comparative advantages?**

5

What Can Be Learned From History?

- Historical evidences show that successful countries in their catching-up stage all used industrial policies to facilitate their industrial upgrading and their industrial policies targeted industries existing in dynamically growing countries with a similar endowment structure and moderately higher per capita income:
 - Britain targeted the Netherlands' wool textile industries in the 16th and 17th centuries; its per capita GDP was about 70% of the Netherlands'.
 - Germany, France, and the USA targeted Britain's industries in the late 19th century; their per capita incomes were about 60% to 75% of Britain's.
 - In Meiji restoration, Japan targeted Prussia's industries; its per capita GDP was about 40% of Prussia's. In the 1960s, Japan targeted the USA's industries; its per capita GDP was about 40% of the USA's.
 - In the 1960s-80s, Korea, Taiwan, Hong Kong, and Singapore targeted Japan's industries; their per capita incomes were about 30% of Japan's.
 - In the 1970s, Mauritius targeted Hong Kong's textile and garment industries; its per capita income was about 50% of Hong Kong's.
 - In the 1980s, Ireland targeted information, electronic, chemical and pharmaceutical industries in the USA; its per capita income was about 45% of the USA's.
 - In the 1990s, Costa Rica targeted the memory chip packaging and testing industry; its per capita GDP was about 40% of Taiwan's, which was the main economy in this sector.
- **Unsuccessful industrial policies, in general, targeted industries in countries where their per capita GDPs were less than 20% of the targeted countries**

6

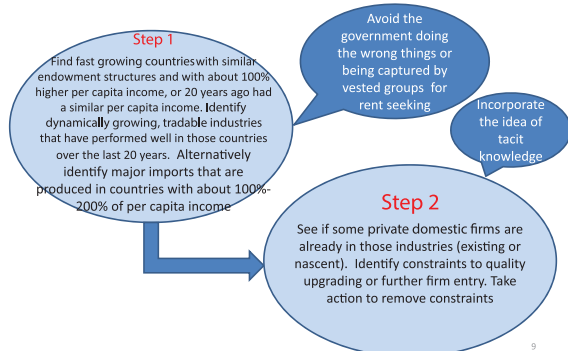
Why should successful industrial policies target industries in dynamically growing countries with a similar endowment structure and somewhat higher income?

- Countries that have a similar endowment structure should have similar comparative advantages.
- A dynamically-growing country's industries should be consistent with the country's comparative advantages. Some of its industries will lose comparative advantage as the country grows and its endowment structure upgrades. Those "sunset" industries will become the latent comparative advantage of the latecomers.
- For countries with a similar endowment structure, the forerunners' successful and dynamic industrial development provides a blueprint for the latecomers' industrial policies.

7

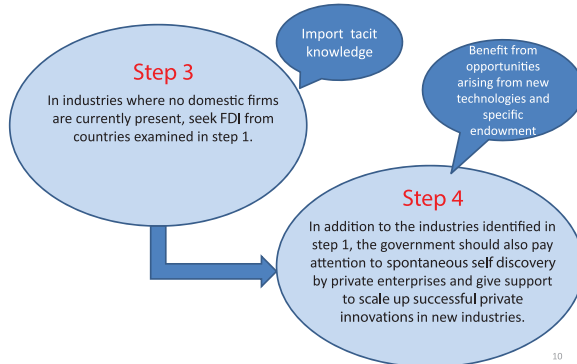
Growth Identification and facilitation: A New Structural Economics approach for industrial policy

Growth Identification and Facilitation



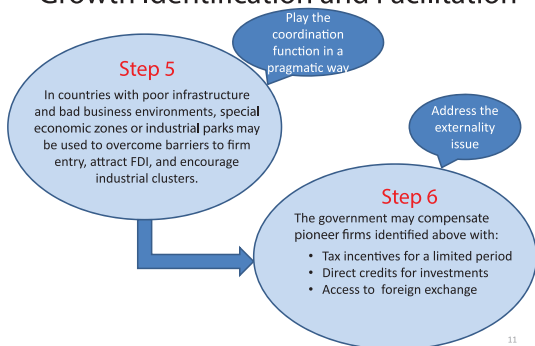
9

Growth Identification and Facilitation



10

Growth Identification and Facilitation



11

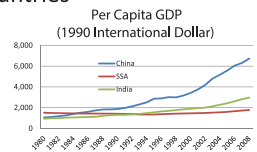
Golden Opportunity for Nepal's Industrialization

12

- A key for the few successful catching economies in the East Asia is that they captured the window of opportunities arising from the relocation of light manufacturing in the world to jumpstart their industrialization and structural transformation
 - Japan in the post WWII
 - The four East Asian Tigers in the 1960s
 - China in the 1980s

The Rise of China as well as other emerging market economies and the opportunity of Industrialization for other countries

- 30 years ago, China and Nepal had about the same per capita income level. China grew dynamically in the past 30 years.
- China has absorbed the surplus labor. The wage increase in the coming years will induce China to move up the industrial ladder from the labor-intensive industries to more capital-intensive industries.
- With 85 million manufacturing jobs, China's upgrading to higher industries will leave a huge space for MANY low-income developing countries to enter a labor-intensive industrialization development phase.
- If India, Brazil, Indonesia and other large MICs continue their current pace of growth, a similar pattern will arise.
- The growth identification and facilitation will be a good framework for Nepal and other developing countries to capture this opportunity



	Year	GDP per capita, constant USD		Manufacturing	
		2000 (USD)	2007 (USD, PPP)	as % of Total Value Added	employees in millions
China	2007	226	620	48%	17.94
Japan	1980	585	675	38%	9.94
South Korea	1982	570	612	28%	3.4
	1982				1.4

Does the idea work?

Shoes Factory: A quick win in Ethiopia



- The World Bank's Light Manufacturing in Africa project found that Ethiopia had factor cost advantages in shoe industry and the binding constraints
 - Infrastructure
 - business environment
 - international buyers' confidence about Ethiopia's ability to deliver products with consistent quality timely
- An industrial park can overcome the first two constraints. The FDI can overcome the third constraint.
- I reported the findings to PM Meles in March 2011 and suggested him to come to China to personally invite shoe manufacturers to invest in Ethiopia's Eastern Industrial Park.
- Huajian visited Addis Ababa in October 2012, decided to make the investment on the spot and recruited 86 workers to be trained in China.
- Two production lines with 600 employees were set up in January 2012.
- The first shipment for export to the US was made in March 2012, by May Huajian became the largest shoe exporter in Ethiopia. Huajian became profitable in October 2012. The employment expands to 2000 by Dec. 2012. Huajian's exports consisted of 57 % of Ethiopia's total leather export in 2012.
- Huajian employed 3,500 workers by the end of 2013.
- The success of Huajian produces a snowballing effect on attracting FDI to Ethiopia. The 22 factory units in a new industrial park were leased out in just three in 2013.

Garments Factory: A quick win in Rwanda



- Encouraged by the success of Huajian in Ethiopia, President Kagame actively attracts light manufacturing FDI to Rwanda.
- C&H Garments decided to invest in the Kigali Special Economic Zone in 2014
- Training of 300 Rwandan workers to produce protective clothing and T-shirts for export started in March 2015. The employment increased to 500 in July.
- The shipment of protective clothing for export started in August
- The C&H Garments plans to increase the employment to 1000 by March 2016.
- The success story is expected to have a snowballing effect on attracting FDI to Rwanda as well

Concluding Remarks

- Poverty is not a destiny
- Nepal can grow as dynamically as any successful countries in East Asia, if the government play an enabling role to facilitate private firms to capture the window of opportunity of industrialization from the pending relocation of light manufacturing due to rising wages in China and other emerging market economies

Korea's Development Experiences and Its Relevance to Other Countries

2016, March 28
Joon-Kyung Kim,
KDI President

1. Main results of Korea's broad-based development

2. How did Korea deliver results:

Implementation matters

"Development is 1% planning and 99% implementation"

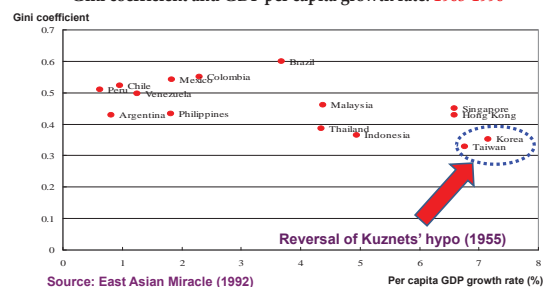
3. Conclusion and lessons

1. Main results of Korea's broad-based development

□ Korea's rapid & broad-based development

► Korea's "shared growth" cited as one of few countries that grew rapidly with relatively low income inequality.

<Gini coefficient and GDP per capita growth rate: 1965-1990>



□ Narrowing income gap between urban and rural in Korea

► In Korea, per capita income in rural and urban HH was roughly equal in 1963.
During 1965-69: Avg. income growth of urban HH: 14.6%
Avg. income growth of rural HH: 3.5%


Income Comparison between urban and rural HHs (Unit, 1000 won)

Year	Avg. income for urban HH (A)	Avg. income for rural HH (B)	Ratio (B/A)
1970	381	256	67%
1971	452	356	79%
1972	517	429	83%
1973	550	481	87%
1974	645	674	104%
1975	859	873	102%
1976	1,152	1,156	100%
1977	1,405	1,433	102%

Source: Ministry of Internal Affairs, 1978 Saemaul Undong, p113

<Box> Korea's Top 10 Exports: Evidence on Industrial Upgrading

	1960	1970	1980	1990	2014
1	Iron Ore	Textiles	Textiles	Electronics	Semiconductors
2	Tungsten Ore	Plywood	Electronics	Textiles	Petrochemical Products
3	Raw Silk	Wigs	Iron and Steel Products	Footwear	Automobiles
4	Anthracite	Iron Ore	Footwear	Iron and Steel Products	Ships
5	Cuttlefish	Electronics	Ships	Ships	Wireless Telecommunication Equipment
6	Live Fish	Fruits and Vegetables	Synthetic Fibers	Automobiles	Automobiles Parts
7	Natural Graphite	Footwear	Metal Products	Chemicals	Display
8	Plywood	Tobacco	Plywood	General Machines	Textile Fabrics
9	Rice	Iron and Steel Products	Fish	Plastic Products	Iron and Steel Products
10	Bristles	Metal Products	Electrical Goods	Containers	Electronics



2. How did Korea deliver results: *Implementation Matters*

"Development is 1% planning and 99% implementation"

□ Going from policy ideas to results (1/5): *Implementation matters*

▶ Korea's policy implementation took **results-based monitoring and evaluation** approach

- This means setting clear and measurable **targets**.
- Supported by a robust **monitoring and evaluation** system.
- Moreover, a new **culture** of doing things was promoted to ensure new policies or reforms being sustainable.

▶ World Bank President Jim Yong Kim, call this "**Science of Delivery**."

□ Going from policy ideas to results (2/5): – Case study 1: Tax Reform and Anti-corruption

▶ **Tax Administration Reform** in 1966 marked the **turning point** in Korea's development.

- Between **1966-69**, tax revenues increased by **51%** on average per year.
- * Tax burden ratio (tax revenue/GNP) :
1964 (7.3%) → 1969 (14.6%)

Share of Domestic and Foreign Sources of
Government Revenue (Billion won, %)

	1957		1965		1966		1970		1974	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Total	42.5	100	105.5	100	153.8	100	445.9	100	1,046.4	100
Domestic Tax Rev.	20.0	47.1	69.4	65.8	115.4	75.0	422.2	94.7	1,046.4	100
Foreign Aid	22.5	52.9	36.1	34.2	38.4	25.0	23.7	5.3	0	0



- Tax reform included **anti-corruption** efforts by promoting personnel based on **integrity**: So personnel changes targeted all levels including senior managers who were either demoted or relocated, or chose to quit.

- As such, a new **culture** based on the value of **integrity** was established. National Tax Service adopted a new motto of :

"See Gold as a Stone (見金如石)"
or do not fall prey to greed.

Clear Target of Tax Revenue **70 billion Won** for 1966 and
Car License Plate of the Director, National Tax Service



□ Going from policy ideas to results (3/5): – Case study 2: Export promotion policy

▶ Monthly Export Promotion Meeting

- Export growth **targets** were set on annual and monthly basis.
- Every detail and figure on export performance was **monitored and evaluated** for every region and every product at the monthly meeting.
- The monthly meeting was **chaired by President Park Chung-Hee** and attended by top policymakers and industrialists.
- The monthly meeting facilitated **real time feedback** which resulted in better policy coordination, i.e., **trouble shooting**.

Monthly Export Promotion Meeting

9



Achieved 10 Billion \$ of Export Volume in 1977
(World export share: 1%, # of exporting countries: 133 countries,
of exporting products: more than 1,200)



Newsweek June, 1977,
Cover Story:

"Koreans are working hard to industrialize and improve the living standards like the US and Japan. ...

... Koreans work so hard that they make the Japanese look lazy."

□ Going from policy ideas to results (4/5): – Case study 3: Reforestation Policy

12

▶ 100% committed to monitoring and evaluating the tree planting process from start to finish.

- Only 40 years ago, Korea's land laid bare of trees due to over-logging.
- * Previous policy efforts to re-plant trees failed to deliver the results due to lack of monitoring and evaluation.
- Local government inspectors had to physically inspect a sample of trees periodically and measure the tree's survival rate, that was linked to inspectors' performance
- Moreover, "cross inspections" were carried out where government inspectors from one province inspected trees in another province.



Between 1973 and 1978, a total of 2.9 billion trees were planted with a **survival rate of 90%**.



A cross inspection on the results of the spring reforestation in Pungjeong-ri in Bonghwa-gun, Gyeongbuk Province in 1976 by inspectors from Tongyeong-gun and Ulju-gun, Gyeonnam Province.



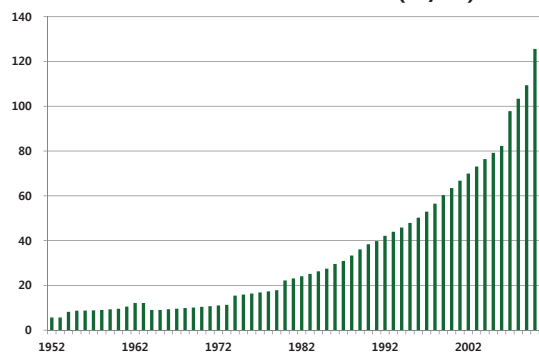
A cross inspection on the results of the spring reforestation in Pungjeong-ri in Bonghwa-gun, Gyeongbuk Province in 1977 by inspectors from Jinan-gun, Jeonbuk Province.

□ Culture Building through training and education of Government Tree Inspectors



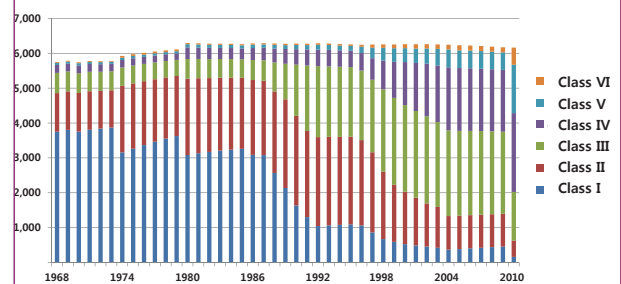
<Box> Rapid Reforestation

Stock Volume of Trees (m³/ha)



<Box> Sustainable Reforestation

Age Class Distribution of Trees and Total Forest Area (unit: 1000 ha)



Class I (1-10 years), Class II (11-20 years), Class III (21-30 years), Class IV (31-40 years), Class V (41-50 years), Class VI (over 51 years)

□ Going from policy ideas to results (5/5): – Case study 4: New Village Movement (1/2)

21

▶ *New Village Movement* was a community driven development that sought to improve living standards and reduce income gap between rural and urban.

- It was a **grass-root** movement based on principles of **self-help, diligence and cooperation**.
- **Merit-based approach** on rewarding performance: Government material support (cements and **electricity**) were given only to the **self-help villages**

▶ In 1973, the government set a target of increasing rural income by **3.3 times within 8 years** (420 thousand won → 1,400 thousand won).

- Village's performance was **rated** based on various indicators.

<Box> New Village Movement Projects

22

Types of community development projects



1. Village access roads
2. Old bridges
3. Village roads
4. Sewage system
5. Thatched roofs
6. Old fence of farm house
7. Traditional Wells
8. Village halls
9. Banks of brook
10. Feeder roads
11. Rural electrification
12. Village owned telephone
13. Village owned hot bath
14. Children's playground
15. Cloth washing place
16. Planting of trees

Measurable *Targets* and Rewarding Performance during implementation of *New Village Movement*

Project	Required Factors	
	Self-help Village	Self-reliant Village
1. Farm Roads	• Completion of village roads	• Completion of main road to village
	• Improvement of village Roads	• Construction of bridges less than 20 meters
2. Housing Environment	• Roof renovation for 70% of village houses	• Roof renovation for 80% of village houses
	• Embankment of creeks	• Fence-Remodeling for 80% of village houses
3. Farming Base	• Irrigation of farmland : over 70%	• Farmland Irrigation : over 85%
	• Reclamation of streams in villages	• Reclamation of streams surrounding villages
4. Cooperative Life	• must have one or more of the following: town hall, warehouse, workshop, etc.	• must have two or more of the following: town hall, warehouse, workshop, etc.
	• Total assets in village fund must be over 500,000 Won	• Total assets in village fund must be over 1 million Won
5. Income Projects	• must have one or more community income creation project	• Creation of non-farming income project
	• Average annual income per household: over 800,000 Won	• Average annual income per household: over 1.4 million Won

In 1972, the share of H-class (Self-Reliant) village was only 7% of all villages. By the end of 1979, the share of H-class villages reached 97% of all villages.

< Rating of villages according to the performance in *New Village Movement* projects, % >

	Self-Reliant village (High-class)		Self-Help village (Medium-class)		Basic village (Low-class: underdeveloped)		Total number of village	
	No. of village	%	No. of village	%	No. of village	%	No. of village	%
1972	2,307	7	13,943	40	18,415	53	34,665	100
1973	4,246	12	19,763	57	10,656	31	34,665	100
1974	7,000	20	21,500	62	6,165	18	34,665	100
1975	10,049	29	20,936	60	4,046	11	35,031	100
1976	15,680	45	19,049	54	302	1	35,031	100
1977	23,322	67	11,709	33	0	0	35,031	100
1978	28,701	82	6,114	18	0	0	34,815	100
1979	33,893	97	976	3	0	0	34,871	100

<Box> Merit-based Approach: Rural Electrification

25

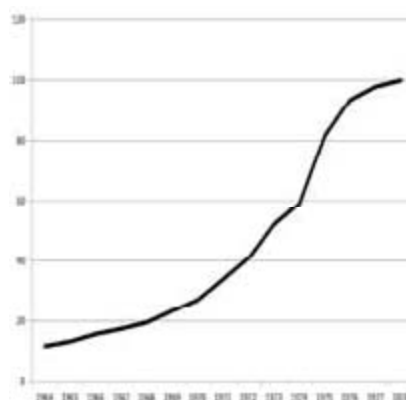
▶ President Park's instruction at a meeting in April 1972 with emphasis related with the **Electricity Supply Policy** linked to the performance of *New Village Movement*.

- President Park's instruction (at a meeting in April 1972)

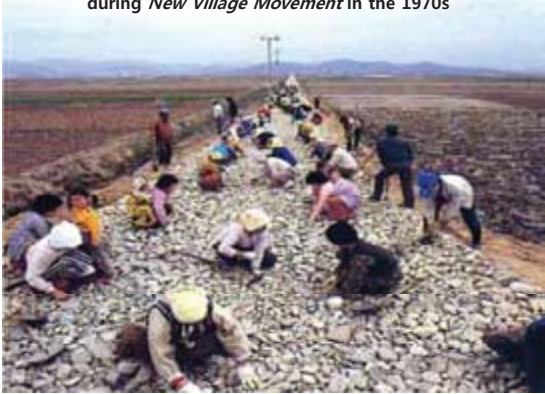
☞ "When I see round the country, I find some villages which are doing the *New Village Movement* well, some which are not doing so well, and some which are sleeping as if they are not interested at all. I will encourage and support only the villages which are doing well now and help them to advance more, not caring about the others."

☞ "I think electricity is the most urgent for the modernization of the agricultural villages. If electricity is installed in a highly motivated hard working villages, it will create several times more benefits than the government budget support. However, **if not, the villagers will play cards and gamble or do other worthless things under the electric lights**. So, the electricity should be installed preferentially at the villages which are successfully doing the *New Village Movement*.

Rural Electrification Rate (%)
(Share of villages with electricity access)



Village access road and power supply during *New Village Movement* in the 1970s



Public List of Land Donors

경지 공해사 회기분들				
무소	영평	외빈	구부	조현석
55	朴春連	335	萬	15평
56	申海均	365	萬	30
57	林國忠	208	萬	5
58	朴春連	354	萬	5
59	申鉉南	356	萬	10
60	金仁度	044	萬	20
61	金洪起	375	萬	30

- Usually the first land donor was also the wealthiest village member. After first donation, others followed and created virtuous cycle.
- *New Village Movement* helped to build social capital (trust) and to change belief system

- Going from policy ideas to results (5/5):
– Case study 4: New Village Movement (2/2)

29

▶ Preventing corruption and misallocation of resources (eg. cements)

- A lot of policy effort and hard work went into tracking the procurement and use of cements when implementing rural development policy.
- “Every bag of cement in every village” was checked and verified by the local government and village.



← Distribution Log for Cement in Chulpo-Ri Village in 1972

“Every empty bag of cement should be returned”

3. Conclusion and lessons

□ Lessons from Korea's Experience

37

▶ Governance and (informal) education were critical to the implementation of policies and reforms, and ultimately Korea's transformation.

- Good governance means setting clear and measurable targets, and monitoring and evaluation.
- Moreover, a new culture of doing things was promoted to ensure new policies or reforms being sustainable: such as rewarding performance, promoting accountability in government, and policy coordination.



**Importance of Capacity Building
in the Public Sector to Deliver Policy Results**

2016. 3. 28
Joon-Kyung Kim
KDI President

□ Post-Korean War Capacity Building in Korea ¹

► After the Korean War (1950-53), numerous **foreign training opportunities** that were provided to officials/ professionals working in a broad range of public sector

- **Source of funding:** **US Aid (technical assistance)** as well as programs sponsored by various UN agencies, including the **World Bank (EDI) and the IMF**
- During 1954-62, US AID technical assistance provided Korea with training for **2,148** participants.
- * Of these, **384** received training in the field of **Public Administration**, and half of those, 194, were trained in the Public Budgeting and Finance Administration.
- * Qualified and motivated candidates were chosen through **strict selection process**.

US colleges that participated in US Aid program for Asia ²

	US colleges that provided technical assistance
India	Columbia Univ, Berea, Illinois, Kansas State, Missouri State, Tennessee, Wisconsin
Pakistan	Colorado, Indiana, Southern California, Texas A&M, Washington State
Korea	Vanderbilt, Minnesota, Washington State, Syracuse, Indiana, Oregon
Indonesia	California, Indiana, Kentucky
Japan	Massachusetts, Michigan State
Vietnam	Wyoming
Afghanistan	Columbia, Wyoming
China	Michigan State, Purdue
Philippines	New York State
Sri Lanka	Texas A&M
Thailand	Colorado, Hawaii, Indiana
Cambodia	Georgia

Total amount contracts: 97.2 million dollars, 96 contracts, 33 countries, 53 US colleges (as of September 1960)

Vanderbilt University: Graduate Program in Economic Development for public sector students from Korea 1956-70 ³

Mr. Yie Joon Chang 1956-57
Minister of Energy and Resources

Mr. Chang-Nak Choi 1958-59
Vice Minister, Economic Planning Board, Minister of Energy and Resources Governor, Bank of Korea

Mr. Chae Suk Chung 1958-59
Vice Minister, Economic Planning Board, Minister of Transportation, Deputy Prime Minister and Minister of Economic Planning

Mr. Chuk Kyo Kim 1960-61
Research Director, KDI, President, KIEP

Dr. Kie Wook Lee 1962-63
Bureau Chief, Economic Planning Board, Vice Minister, Ministry of Finance

Mr. Suk Joon Suh 1964-65
Assistant Minister for Planning, Economic Planning Board
Deputy Prime Minister and Minister of Economic Planning

□ Impact of *Appropriate* Training in Korea

▶ Korea clearly benefited from **appropriate** training !

- The Korean experience shows how a strong national leadership and **well trained and motivated government officers** are critical to successfully implement policies and reforms.

▶ Now, Korean government, through **KDI**, provides the **capacity building** programs to support developing countries in designing and implementing policies and reforms.

International Development Cooperation: 1st IDEP training 1982. 6.1-12



Since 1982, more than 8,000 officials from 160 countries participated in IDEP training

One participant in the 1st training program is now serving as the Minister of Finance in Brunei.

IDEP site tour



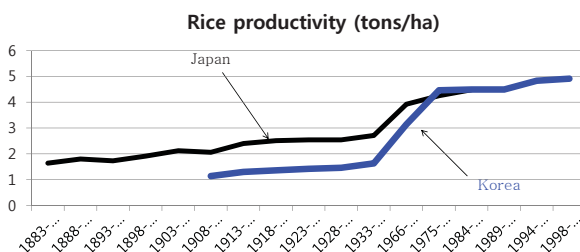
Korea's Experience in Developing The Agricultural Sector

2016. 3. 28

Joon-Kyung Kim
KDI President

□ Rapid increase in productivity in agricultural sector

- ▶ 1) **New crops** through green revolution, 2) **irrigation**, 3) **land consolidation**, and 4) **farm mechanization** maximized synergy effects in increasing rice productivity in 1970s.



RDA (Rural Development Agency) personnel participated in capacity building programs by International Rice Research Institute

Objectives		1960's	1970's	1980's	Total
Training course	Job-related	15	28	15	58
	Group	-	19	32	51
	Collaborative research	-	1	25	26
Thesis course	MSc.	4	9	4	17
	PhD	-	5	14	19
Conference		5	22	39	66
Project consulting		10	41	44	95
Materials collection		9	53	49	111
Seed multiplication		3	27	32	62
Dispatched scientist		1	1	7	9
Total		47	206	261	514

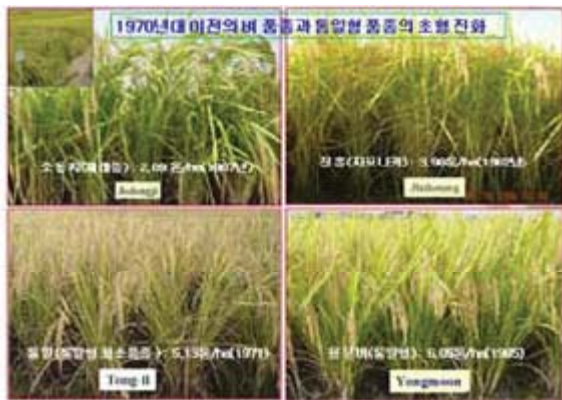
The International Rice Research Institute at Philippines ³



Transportation of seeds of "Tong-il" variety by Korean Air Line in Manila International Airport, Philippines ⁴



Evolutionary changes in rice farming in Korea ⁵



Establishment of New farming and irrigation methods ⁶



Farmers were educated and trained on new crops and farming methods ⁷



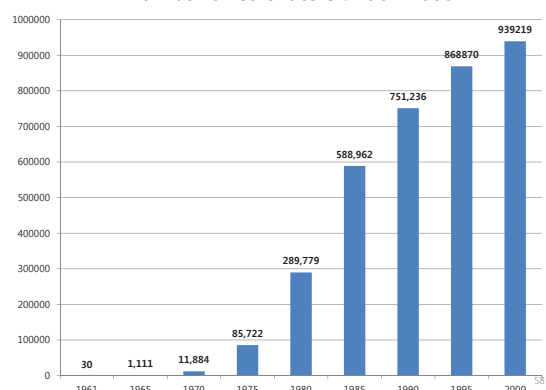
Extension workers provided technical assistance to farmers ⁸



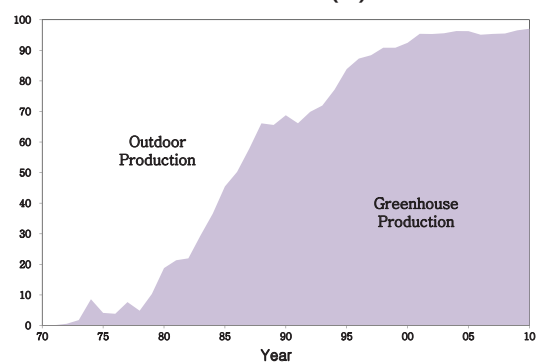
Extension workers provided technical assistance to farmers⁹



< Number of Cultivators : 1961-2000 >



Share of Greenhouse Strawberry Production (%)



Envisioning Nepal 2030

Nepal's Long Term Development Perspectives

Dr. Yuba Raj Khatiwada
Vice Chairman
National Planning Commission
28 March 2016

Contents

- Background: Why this initiative ?
- Nepal's Geographic Challenges and Opportunities
- Road-map to Accelerate Growth
- Key Drivers of Inclusive Growth
- Major Transformation Initiatives
- Key Development Indicators for 2030
- Way Forward for Long Term Development

Background: Why this initiative ?

- New Constitution and State Restructuring
- Sustainable Development Goals 2030
- LDC Graduation Strategy 2022
- Exposed to disaster risk following earthquake with huge loss of lives and assets
- Economic shocks from the trade blockade at southern border following the New Constitution
- People's aspirations for socio-economic transformation and prosperity

Nepal's Geographic Challenges and Opportunities

- Transaction and development costs associated with land-locked country:
 - reduced access to markets and other facilities including basic services, hinders adoption of modern production technologies, higher risks of natural and water induced disasters.
- Unique advantages: closest access to the fastest growing middle-class people in the world, trade, tourism, and labour market opportunities.
- Higher South-South cooperation in infrastructure development, financing for development, and technology transfer.

Road-map to Accelerate Growth - I

- Trapped in a low-investment, low-growth equilibrium, political instability, infrastructure deficit, and poor policy environment to be pertinent factors, also geography and non-functioning markets.
- Require to step-up and sustain a growth rate, at least 6-8% to make meaningful headway in uplifting the standard of life of our people.
- Public (capital) expenditure much lower than South Asian and fast growing East Asian economies, public investment equivalent to 8.5% of GDP required each year to bridge infrastructure deficit.

Road-map to Accelerate Growth- II

- Proposed high growth and transformation consists of two components:
 - Key Growth Drivers (KGDs)
 - Major Transformation Initiatives (MTIs).
- KGDs focus on sectors or industries where growth will be focused - Agriculture & Forestry, Energy, Tourism, Education, Health, Transport, Industry (including SMEs), and Urban Development.
- Some other potential drivers: ICT and Wholesale and Retail Trade.

Key Growth Drivers - I

Agriculture & Forestry:

- Movement away from traditional agriculture to modern one & into other sectors a feature of growth process, as productivity is low vis-à-vis other sectors.
- In short to medium term, commercialization of agriculture and vertical integration initiatives into high value-added products important drivers of growth.
- High potential to increase the contribution of forestry in GDP through promotion, optimal utilization, and value addition of forest resources.

Key Growth Drivers - II

Energy

- Water resources grossly underutilized; hydropower, the 'white gold' to provide a major boost to Nepal's economy and society for generations.
- Ideal candidate for low cost long term carbon financing.

Tourism

- Area of Nepal's comparative advantage, creates more jobs, income and exports.
- Growing connectivity with the world and recovering global economy paves way for at least doubling tourist arrival within next five years

Key Growth Drivers- II

- **Other drivers of growth:**
 - Education and Health, Transport, Urban Development, Industry (including SMEs).
- **Some other potential drivers include:**
 - ICT, Wholesale and Retail Trade
- Some of the KGDs are low-hanging fruits that produce tangible outcomes in the short-run:
 - agriculture & forestry, tourism, small energy schemes, and natural resource based industries and enterprises.
- Other KGDs will have a longer gestation period, and will bear fruit only in the medium to long run, but should be emphasized nonetheless.

Major Transformation Initiatives – I

- MTIs to remove structural constraints, institutional weaknesses that hinder growth of the KGDs, to serve as enablers, unleashing unexploited potential in the KGDs and allow them to prosper.
- Some of the MTIs identified are:
 - Knowledge & Technology,
 - Competitiveness and Innovation,
 - Job Creation & Skill Development,
 - Social Inclusion (gender, caste/ethnicity, & disability),
 - Resilience to Disaster and Other shocks,
 - Reduction of Income Disparity & Regional Differences.

Major Transformation Initiatives- II

- Other enablers for driving the high and inclusive economic growth process:
 - Public Service Delivery,
 - Public Financial Management, and
 - Good Governance at all levels of the state are
- Deepening finance is important:
 - Financial deepening for driving growth process, also feedback from growth to financial development;
 - increasing access to finance for the poor and small holders critical for both economic growth and transformation
 - access to modern technology for raising productivity contingent to financing facilities.

Key Development Indicators, 2030 - I

Indicators	2014	2020	2025	2030
Pop below national poverty line %	23.8	17.1	11.5	6.0
Per capita GNI (US\$)	772	1363	2029	2500
Prop of SP Exp . in total budget (%)	11.3	12.7	13.8	15.0
Employment to pop ratio (%)	78.3	77.1	76.0	75.0
Prop of employed people living < US\$ 1.25/day	22.0	13.8	6.9	0.0
Share of bottom 20% in cons (%)	8.0	8.6	9.8	12.0
Economic Vulnerability Index (EVI)	24.6	22.5	20.7	18.9

Key Development Indicators, 2030 - II

Indicators	2014	2020	2025	2030
Prevalence of undernourishment (0-59 m) (%)	41.0	26.0	13.5	1
HHs with inadequate food consumption (%)	36.1	22.9	12.0	1
MMR (per 100,000 live births), No.	281	127	99	70
Net enrolment rate in primary education, %	95.3	100	100	100
Gender Parity Index (GPI)	0.62	0.76	0.91	1.0
Human Assets Index (HAI) (%)	67.0	70	72.8	76
HHs with access to piped Water Supply (%)	49.5	66.6	80.8	95

Key Development Indicators, 2030 - III

Indicators	2014	2020	2025	2030
Per capita energy consumption, GL	16	19	21.5	24
HHs using solid fuels, energy (%)	74.7	50.4	30.2	10
Proportion of population with access to electricity (%)	74	83.4	91.2	99
Income inequality (Gini)	0.46	0.34	0.28	0.23
Social Empowerment Index	0.41	0.52	0.61	0.7
Economic Empowerment Index	0.34	0.47	0.59	0.7
Political Empowerment Index	0.65	0.67	0.68	0.7
Multidimensional poverty (%)	44.2	31.8	21.4	11

Way Forward for Long Term Development - I

- The focus of moving forward to implementation; key process drivers in implementation reform: Regulatory, Organizational, Financial, and Programmatic.
- *Regulatory reform*: appropriate laws, regulations, and rules needed to bring about change;
- *Organizational process*: delineating institutional structure, including the roles, responsibilities, and accountability in place for implementing agencies;
- *Financial process*: flow of resources and matters of budgetary allocation;
- *Programmatic process*: specific programs and projects to be implemented to bring about the envisioned changes.

Way Forward for Long Term Development - II

- Need to develop adequate implementation and monitoring mechanisms & benchmarks of progress.
- Feedback and evaluation systems needed to ensure steady progress is made and course correction methods are in place if needed.
- A prosperous Nepal can only be achieved by 2030 with credible partnership of the public sector with private sector, cooperative sector, and communities.
- Development partners to support in inclusive development and effective service delivery.

Roadmap from Recovery to Prosperity: Relevance of Regional Experiences to Nepal

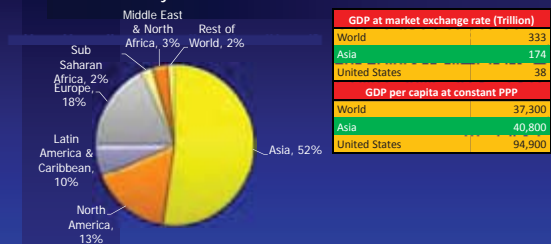
Bindu N. Lohani

International Seminar on Nepal 2030: Development Perspectives
28 March 2016
Kathmandu, Nepal

1

The Asian Century: Where is Nepal?

Asian Century Scenario: 2050



Asian century driven by Asia 7: India, Indonesia, Japan, Malaysia, PRC, Republic of Korea, and Thailand projected to account for 90% of Asia's growth between 2010 and 2050.

Source: ADB

2

Regional and Global Mega Trends :

What they mean to Nepal?

3

REGIONAL

Asia 2050: Asia faces 6 MEGA Challenges

Addressing Inequities and Disparities

Disparities across Countries and Subregions

Avoiding the Middle Income Trap

Global Competition for Finite Resources

Global Warming and Climate Change

Massive Urbanization

Source: ADB

4

Global Mega Trends

- 1. Demographics:** An aging and stable population
- 2. Urbanization:** Toward a predominantly urbanized world
- 3. International trade:** Increasingly intertwined economies worldwide
- 4. Globalization of finance:** Towards larger, more integrated financial markets and massive private capital flows
- 5. Transformation of the global economy:** Steady rise of the emerging economies
- 6. Rise of a massive middle class:** Towards societies driven by the values and aspirations of the middle class
- 7. Natural resources:** Competition for finite natural resources
- 8. Technological progress & development:** Potential solutions to the world's evolving challenges
- 9. Climate change:** Time to act is now and to do so jointly
- 10. Communications revolution:** Fueling and satisfying rising aspirations

Source: Emerging Market Forum, 2015

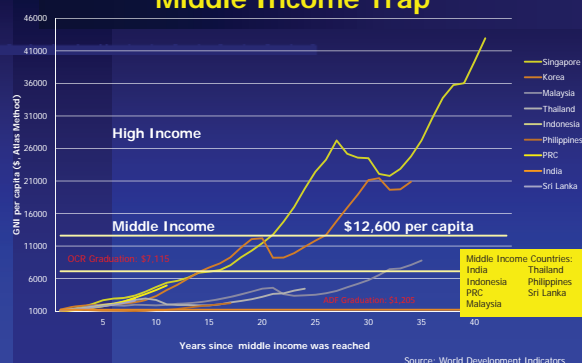
5

Selected Mega Trends: Relevance to Nepal

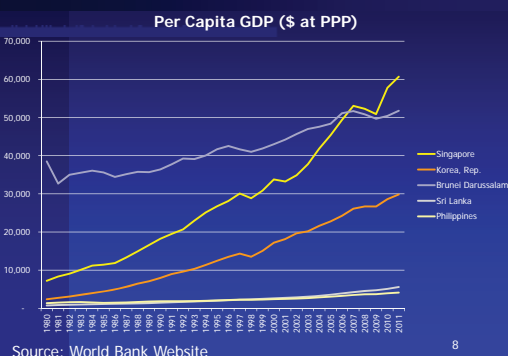
- Urbanization: Making cities livable, clean, green and smart,
- Demographic and social change: Aging & young population
- Global climate change and environment and natural resources management (pollution, ecosystem protection, etc)
- Use of technologies and ICT to change the way of life
- Focus on middle class (to be a middle income country and take steps now to void the trap)
- Economic transformation, integration and convergence
- Regional cooperation and integration (special focus on India, China, SE Asia)

6

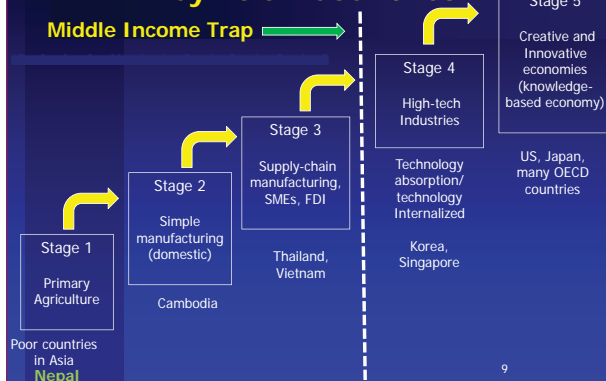
Asian Economic Growth and the Middle Income Trap



Asia and Middle Income Trap



Stages of Development Followed by Asian Countries



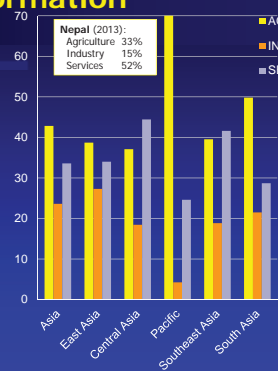
STRUCTURAL TRANSFORMATION IS REQUIRED



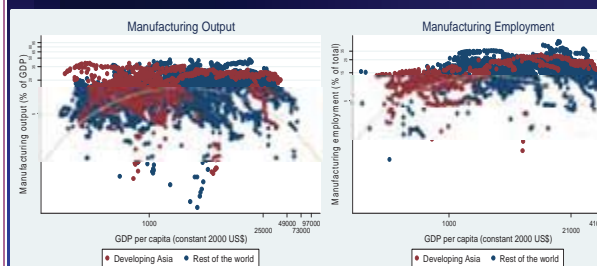
Source: ADB

LEARNING from Asia's Structural Transformation

- Agriculture is still the largest employer
 - Over 700 million farm workers
- High manufacturing output shares but low manufacturing employment shares
- In many countries, transformation is from agriculture into (low-productivity) services.
- Diverse transformation, with varying:
 - degrees of diversification, upgrading and deepening
 - speeds



The Most Important Aspect of Structural Transformation is Industrialization



A country is industrialized if it achieved 18% (in 7-year moving average) for both manufacturing output and employment shares.

Source: ADB

The OECD Case

- The members of OECD industrialized long ago and have clearly deindustrialized during the last 3 decades or so.
- Their manufacturing output and employment shares peaked at about 25% during the 1970s—in some cases reaching 30% and above.
- The share then declined to about half of that.

OECD

Figure 1.1: Share of manufacturing share in output and employment, 2010 countries

Country	Output			Employment		
	Share share	Year share highest	Value of the highest share	Share share	Year share highest	Value of the highest share
Australia	2010	2010	25.1	2010	2010	28.4
Austria	2010	2010	24.9	2010	2010	25.9
Belgium	2010	2010	24.9	2010	2010	26.1
Canada	2010	2010	23.4	2010	2010	23.9
Denmark	2010	2010	24.1	2010	2010	25.1
Finland	2010	2010	24.1	2010	2010	25.1
France	2010	2010	24.1	2010	2010	25.1
Germany	2010	2010	24.1	2010	2010	25.1
Greece	2010	2010	24.1	2010	2010	25.1
Italy	2010	2010	24.1	2010	2010	25.1
Japan	2010	2010	24.1	2010	2010	25.1
Korea	2010	2010	24.1	2010	2010	25.1
Malaysia	2010	2010	24.1	2010	2010	25.1
Netherlands	2010	2010	24.1	2010	2010	25.1
New Zealand	2010	2010	24.1	2010	2010	25.1
Norway	2010	2010	24.1	2010	2010	25.1
Portugal	2010	2010	24.1	2010	2010	25.1
Spain	2010	2010	24.1	2010	2010	25.1
Sweden	2010	2010	24.1	2010	2010	25.1
Switzerland	2010	2010	24.1	2010	2010	25.1
Taiwan	2010	2010	24.1	2010	2010	25.1
United Kingdom	2010	2010	24.1	2010	2010	25.1
United States	2010	2010	24.1	2010	2010	25.1
OECD Average	2010	2010	24.1	2010	2010	25.1

Source: ADB

Asia

Figure 1.1: Share of manufacturing share in output and employment, Asian countries

Country	Output			Employment		
	Share share	Year share highest	Value of the highest share	Share share	Year share highest	Value of the highest share
Armenia	2010	2010	25.1	2010	2010	28.4
Azerbaijan	2010	2010	24.9	2010	2010	25.9
Bangladesh	2010	2010	24.9	2010	2010	26.1
Belgium	2010	2010	23.4	2010	2010	23.9
Canada	2010	2010	24.1	2010	2010	25.1
Denmark	2010	2010	24.1	2010	2010	25.1
Finland	2010	2010	24.1	2010	2010	25.1
France	2010	2010	24.1	2010	2010	25.1
Germany	2010	2010	24.1	2010	2010	25.1
Greece	2010	2010	24.1	2010	2010	25.1
Italy	2010	2010	24.1	2010	2010	25.1
Japan	2010	2010	24.1	2010	2010	25.1
Korea	2010	2010	24.1	2010	2010	25.1
Malaysia	2010	2010	24.1	2010	2010	25.1
Netherlands	2010	2010	24.1	2010	2010	25.1
New Zealand	2010	2010	24.1	2010	2010	25.1
Norway	2010	2010	24.1	2010	2010	25.1
Portugal	2010	2010	24.1	2010	2010	25.1
Spain	2010	2010	24.1	2010	2010	25.1
Sweden	2010	2010	24.1	2010	2010	25.1
Switzerland	2010	2010	24.1	2010	2010	25.1
Taiwan	2010	2010	24.1	2010	2010	25.1
United Kingdom	2010	2010	24.1	2010	2010	25.1
United States	2010	2010	24.1	2010	2010	25.1
OECD Average	2010	2010	24.1	2010	2010	25.1

Source: ADB

Who Reached 18% (in Manufacturing)? Industrialization, De-industrialization and Non-industrialization in Asia

	...and de-industrializedand have not de-industrialized	did not industrialize
OUTPUT	Armenia, Azerbaijan, Hong Kong, China, Japan, Kyrgyzstan, Mongolia, PRC, Taipei, China, Tajikistan, Turkmenistan, Uzbekistan	Cambodia, Indonesia, Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Viet Nam	Afghanistan, Bangladesh, Georgia, India, Kazakhstan, Lao PDR, Nepal, Papua New Guinea
EMPLOYMENT	Azerbaijan, Hong Kong, China, Japan, Korea, Singapore, Taipei, China	Malaysia, Sri Lanka	Armenia, Bangladesh, Cambodia, China, Georgia, India, Indonesia, Kazakhstan, Kyrgyzstan, Mongolia, Nepal, Pakistan, Papua New Guinea, Philippines, Tajikistan, Thailand, Viet Nam

Source: ADB

A Key Message is:

Challenge of reallocating labor to manufacturing and high productivity sectors – **BECOMING A KNOWLEDGE-BASED ECONOMY WILL HELP ACHIEVE THIS.**

LEAPFROGGING OPPORTUNITY: Where and How?

BUILDING KNOWLEDGE-BASED ECONOMIES

Knowledge-based Economies

- Today's most technologically advanced economies are truly knowledge-based.
- Use of knowledge generation is key to wealth creation.
- Major OECD countries, where more than 50% of GDP are knowledge-related, exemplify this.

Source: OECD, 1996. The Knowledge Economy.

19

What are some success stories in building knowledge-based economies?

20

Success Stories: Korea

- R&D as % of GDP: from 0.5% in 1965 to 2.5% in 1997 to 3.7% in 2010.
 - Korea intends to increase this to 5.0% of GDP
- Super ministry combining science and technology and IT: Ministry of Science, ICT and Future Planning
- Government for R&D
 - Republic of Korea Advanced Institute of Science and Technology and Korean Institute of Science and Technology
 - Government incentives for private sector
 - Fiscal and trade policies: tax credits, accelerated depreciation, lowered import tariffs
- Education: 35% of all Korean tertiary graduates earned degrees in engineering, manufacturing or construction disciplines (1999)

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Success Stories: Singapore

- From **labor-intensive** growth to **skill-intensive** growth to **technology-intensive** growth to **knowledge and innovation economy-based** growth
- R&D expenditure was 0.5% of GDP in the initial years and has steadily grown to 2.3% of GDP.
 - The country intends to increase it to 3.5% of GDP by 2015.
- Role of Government: Economic Development Board (EDB) and Agency for Science, Technology and Research (A*Star)
- Singapore emerged as a hub of services and further developed new high-growth services capabilities

22

Success Stories: Finland

- 1950s: Finland was still an agriculture-based economy.
- 1990s onward: country firmly established as an innovation-based knowledge economy.
- Broad-based and engaging approach to formulating the education, research, and innovation policy agenda
- 2010-2015: R&D to reach 4% of GDP by 2015
- Support to the ICT sector used a multipronged approach linked funding for R&D.
 - enhanced education and human capital development specifically for IT
 - support to state technology agencies and other institutions
 - central focus on ICT as a competitive sector for the economy

23

Planting Seed and Moving Towards Knowledge-based Economy

Focus on the following:

- Economic incentives & institutional regime
- Effective & appropriate system of education (higher) & skills
- Effective information & communication technology (ICT)
- Effective R&D and Innovation

Role of the Government is Critical

24

Investment in Knowledge is Critical

- Investment in R&D
- Investment in higher education
- Investment in IT
- Investment in innovation
- Use of new technology

Role of the Government is Critical

25

Thank You !!

26

Accelerating Shared Growth *Adapting Global Lessons to Nepal*

Swarnim Waglé

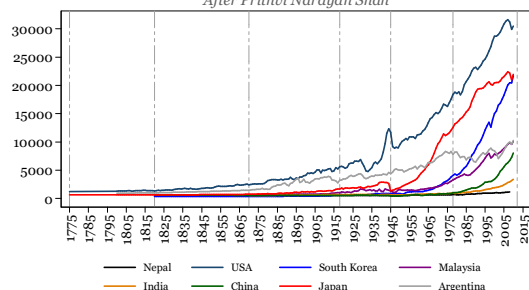
March 28, 2016

1. Why grow? What kind of growth?

- 1 Growth raises “quality of life” and organizes society tightly
 - Sen: freedom of capability to do and to be
- 2 Growth used to be rare
 - Out of 100,000 years, 99,800 had 0% in 1 d.p.
- 3 Growth must not be:
 - Jobless, ruthless, rootless, futureless, and voiceless (HDR 1996)

2. Nepal hasn't grown (relatively)

Sluggish growth over 200 years
After Prithvi Narayan Shah



Source: Illustrated by Swarnim Waglé based on Robt. J. and J. L. van Zanden (2013), New Maddison Project Database
Note: 1. Y-axis values in per capita (Geary-Khamis International \$ 1990)

3. spurts and accelerations

- 1 After 1820: West and Western Offshoots
 - Followed by PIGS
- 2 Post-War Group of 13
 - Grew >7% for 25 years (Growth Commission)
- 3 83 episodes of growth accelerations, 1957-1992 (HRP 2005)
 - Per capita GDP growth of 2% point > 7 years

4. What do we learn?

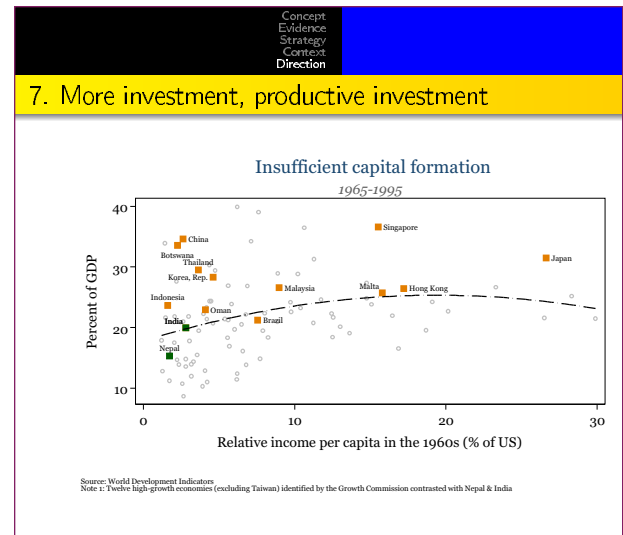
- 1 Sustaining high growth is possible, but hard
 - What did the G-13 have in common?
- 2 Triggering growth is easier, but idiosyncratic
 - It's about relieving the most binding constraints
- 3 Quality of growth matters
 - S. Asia: PAK 1962/1979; LKA 1979; IND 1982
- 4 In the long run, non-extractive institutions rule (Acemoglu et al.)
 - Legal enforcement, restraints on expropriation, predictability
 - But cause or result? “To be Sweden, have Swedish institutions?”

5. Aren't we all dead in the long run?

		Pace of structural transformation	
		LOW	HIGH
Institutional capabilities	LOW	Stagnant growth (SSA, Nepal)	Episodic growth (G-83)
	HIGH	Slow growth (LAC)	Sustained growth (E. Asia)

Source: Rodrik (2013)

Concept Evidence Strategy Context Direction
<h2>6. Is this time different?</h2> <ol style="list-style-type: none"> 1 Irreplicability of the Great Inventions, 1870-1970 2 Slowing West 3 Reduced policy space and levers 4 Changing nature of industries 5 Environmental concerns



Concept Evidence Strategy Context Direction
<h2>8. What do we do?</h2> <p>Need an “Economic War Room” to:</p> <ol style="list-style-type: none"> 1 Launch the next wave of reforms <ul style="list-style-type: none"> ■ Over 30 acts or amendments pending 2 Engineer a big push in infrastructure 3 Manage private savings and public expenditures 4 Reorient production and exchange 5 Introduce smart social security <ul style="list-style-type: none"> ■ “Paper-less, presence-less, cash-less”

Energy Sector Development for Socio-Economic Prosperity

Priyantha Wijayatunga, PhD
Principal Energy Specialist
Asian Development Bank

Envisioning Nepal 2030
Kathmandu
28 March 2016



The Outline

- The Vision
- Vision to Reality
- Constraints to address
- Strategic interventions
- Final Remarks

2

The Vision

- Middle income country by 2030
- 100% energy access by 2030
- Needs to encompass
 - Socio-Economic Development
 - Affordability
 - Environmental Sustainability
 - Energy Security

Affordable energy for enhanced socio-economic prosperity through the development of indigenous energy sources with emphasis on environmental sustainability and energy security

3

Vision to Reality

- Reaching those without access
 - rural and the poor
- Developing clean energy
 - Hydropower, solar, wind
- Encouraging energy resource diversification, fuel switching
 - Different primary energies
 - LPG to electricity

4

Vision to Reality

- Improving quality and reliability
 - 24/7 supply
 - Less planned and unplanned outages
 - Right voltage and frequency
- Promoting cross-border trade
 - Adequate cross-border infrastructure
 - Conducive investment environment

5

Constraints to Address

- Low energy access and quality of supply
- Inadequate policy and regulatory environment
- Inadequate generation capacity and single source dominance
 - Shortages, hydropower dominance
- Transmission and distribution bottlenecks
 - Underutilization of available generation

6

Constraints to Address ...

- Inefficiency in delivery and use
 - High T&D losses, insufficient DSM
- Limited cross-border power trade
 - Inadequate infrastructure
- Challenges in alternative energy sources
 - Cost effectiveness?, intermittency, poor awareness
- Inadequate planning
- Inadequate project preparation and execution capacity

7

Strategic Interventions

8

1. Sector reforms

- Establishing a regulator
 - Multi-sector?
- Separating transmission services and system operation
 - Ring-fencing to full separation
- Third party access to transmission services
 - Cross-border trade to internal wheeling

9

1. Sector reforms ...

- Licensing power trading
 - Power trading company
- Liberalize distribution services
 - PPP and community owned and operated
- Encourage distributed generation
 - Grid connection
 - Mini-grids, net-metering

10

2. Operational Efficiency

- Loss reduction
- Quality improvement
- Plans and targets to reach every household
- Specific measures for awareness building and support for DSM

11

3. Cross-border trade

- Enhanced transmission infrastructure capacity
 - Cross-border, in-country corridors
- Third party access to transmission
- Establishing a power trading company
 - Aggregation of power
- Proactive engagement under bilateral, SAARC and SASEC frameworks

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4. Planning and Execution

- Integrated resource planning
 - Hydropower, solar, wind, LPG
 - Fuel switching
- River basin-wide planning of hydropower
 - Due attention to environmental issues

13

4. Planning and Execution

- Optimal generation planning
 - Fuel diversification
 - storage vs run-of-the-river plants
 - Centralized vs distributed
- Transmission and distribution master plans
 - Due attention to cross-border flows
 - Centralized vs distributed generation
 - Grid-connected vs Off-grid

14

Planning and Execution

- Improved project readiness
 - Safeguards, initial designs
- Enhanced capacity
 - Planning
 - Project management
 - Procurement

15

Final Remarks

- Sector reforms needs to be gradual
 - Regulator and transmission services critical
- Operational efficiency improvement
 - Immediate
- Cross-border trade needs to be vigorously pursued
- Planning and execution capacity
 - Immediate

16

Thank you

Priyantha D C Wijayatunga
E-mail: pwijayatunga@adb.org



17

Envisioning Nepal 2030

Urban Development and Transport Connectivity

March 28th, 2016

Yumiko Noda
Partner, Head of PPP and Infrastructure
President, Cities Solution Centre

pwc

Greater Tokyo – connected by rail



PwC

Seamless travel with smart card

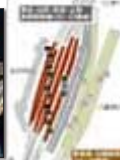


PwC

Not just travel...



Tokyo Station – Multimodal transport node



- JR East operates:
 - 23 platforms
 - 4,100 trains per day for JR
 - 415,000 passengers per day
 - 8 seconds and 48 seconds delay for HSR and local lines, respectively
- Connected to 4 metro lines via underground

PwC Source: <http://www.asahi.com/travel/tokai/tokai.html>
<http://www.suica.org/en/tokai/tokai.html>

5

Tokyo Station – a “town” in the underground



PwC

出典: <http://www.jreast.co.jp/investor/factsheet/>

Transit Oriented Development led by private rail company

Example: Tokyu Corporation

a successful model of integrating rail, new-town, and retail development



PHC
S.A. KASBAP

"Through service" without change of trains



PHC

Tokyo - Before



PHC
Source: Tokyo Metropolitan Government

Tokyo: "Transit & Walk oriented Megalopolis"

Challenge of building a sustainable mega city, overcoming rapid urbanization

Challenges	Solutions	Achievement
<p>Post-war -1950s</p> <p>Rapid urbanization Lack of infrastructure</p> <p>→ Congestion & motorization → Pollution</p>	<p>Transit Development</p> <p>Decentralization and connect top end</p> <ul style="list-style-type: none"> Urban center: Build main transit network Sub-centers: Connect urban center and sub-centers by rail Suburban: New town development with new rail lines 	<p>Walkable city</p>
<p>1960s</p> <p>Mature society Lifestyle change</p>	<p>Residential Construction</p> <p>Common IC cards</p> <p>Through service</p>	<p>Economic Growth</p> <p>Tokyo per capita GDP 1960=447% 2010=843.04%</p>
	<p>Sophistication in land use</p> <p>Higher and denser Skyways, Underground mall, in-station retail</p> <p>Sophistication Culture and arts, Hotels, Recreational facilities</p>	<p>Low carbon growth, air quality</p>

PHC

Source: Metropolitan Tokyo, MIT, J.R. Inst, Sector Studies

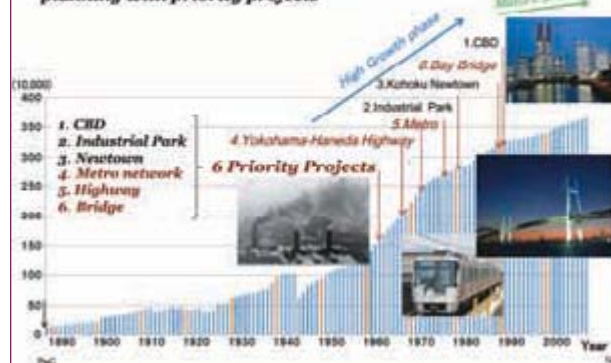
Rail is the major mode of passenger transport

Passenger Transport Mode Share in the Tokyo metropolitan area



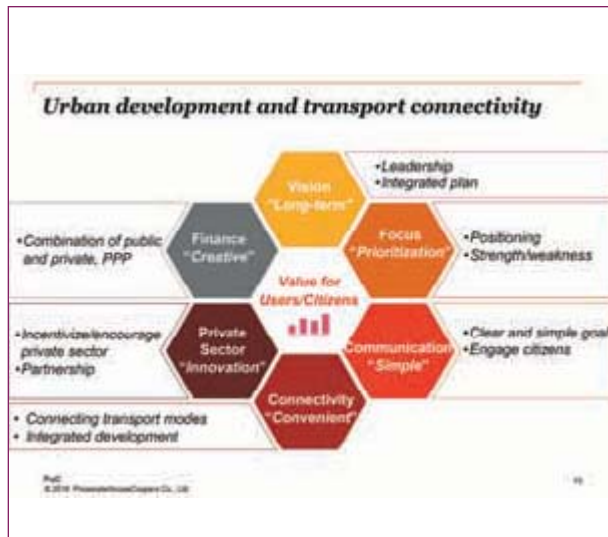
PHC
Source: Tokyo Metropolitan Government

Yokohama - a smart and livable city based on long-term planning with priority projects



PHC

12



A Connectivity-Driven Strategy for Nepal: The Case for Reviving Nepal's Land-Link Role

**Presentation at the Inception
Seminar for Nepal 2030 Study
28 March 2016, Kathmandu**

Pradumna B Rana
Associate Professor
S. Rajaratnam School of International Studies
Nanyang Technological University

Ponder the Improbable



Outline

- I. Why such a strategy for Nepal?
- II. Case for Reviving Nepal's Role as Land-Linked State
- III. Proposed Trans-Himalayan Economic Corridors

Ponder the Improbable



Presentation based on:

- (i) P. B. Rana and B. Karmacharya, 2016. "Nepal: A Connectivity-driven Development Strategy" in *Connecting Asia: Infrastructure for Integrating South and Southeast Asia* (ed) (ADB/ADB) M Plummer, and P Morgan, and G Wignaraja (Edward Elgar)
- (ii) P.B. Rana and W.M. Chia. Forthcoming 2016 book. *Jump-starting South Asian Economies: Round Two of Economic Reforms and "Look East" Policies*

Ponder the Improbable



Key Messages

- Vision 2030: Nepal as a land-link (economic corridors both within and regional countries) not only between India and China but all of South Asia, Central Asia, and East Asia
- Nepal was an important land-link on the South-western Silk Road in the bygone era until the advent of the British East Company: There are now very compelling reasons to revive the land-link role of Nepal

Ponder the Improbable



I. Why such a strategy for Nepal?

- Nepal is a strategically located land-locked country facing high trading costs and would benefit significantly from improved connectivity (both within and regional): What if remittances stop?
- Neighboring countries in South Asia and China would also benefit: economic integration in SA would also be revived
- This is not a new strategy, Nepal was a node in the little known Southwestern Silk Road
- Various ADB/ADB/ERIA studies have found that cross-border corridors can drive economic growth and lead to win-win for all but especially for landlocked countries
- Nepal's GDP could double if it could export energy to India (Kelegama and Ghani 2010)
- Laos, Mongolia, China now and US in 19th century had also adopted a connectivity-driven strategy

Ponder the Improbable



Nepal's strategic location



Source: Rana (2013)

I. Why such a strategy for Nepal?

- In the bygone era, there were the (i) Land-based Northern Silk Road, and (ii) The Great Maritime Highway that China is now attempting to revive under its new geo-political strategy, the “One Belt, One Road” policy

Ponder the Improbable



China's OBOR



Ponder the Improbable



I. Why such a strategy for Nepal?

- In addition, based on the research by Yang (2009), Singhal (1969), Frank (1998), and ourselves we have found that there was the less well-known circular South-Western Silk Road (SSR) that linked the Yunnan province of China with Myanmar, Bangladesh, Nepal, Lhasa, and looped back to Yunnan

Ponder the Improbable

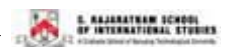


South-western Silk Road



Rana (2013)

Ponder the Improbable



- Historically, linkages between Nepal/India, Nepal/Tibet, and India/Nepal/China (entrepot role of Nepal) were strong and Nepal was a link state (e.g. M Rana 2016, Lohani 2005, Pandey 2010 and various Chinese and Western authors)
- This entrepot role of Nepal declined significantly after late 18th century for a number of reasons (Pandey 2010):
 - The British shifted focus on opium trade with the eastern coast of China
 - Discovery of the Nathu La pass in Sikkim

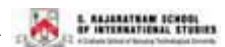
Ponder the Improbable



II. Case for Reviving Nepal's Role as Land-Linked State

- From Maritime Asia to Continental Asia, mainly because of China's "Go West" policies in 2000 and the recent OBOR policy: Lhasa in Tibet is emerging as a major transportation hub in Western China: China recently announced that it would build another railway to connect Lhasa with Chengdu: Geographically Chinese growth centers/manufacturing hubs are moving closer to Nepal

Ponder the Improbable



China: Highways and Expressways



Source: Rana and Chia (2016)

China: Railways and Pipelines



Source: Rana and Chia (2016)

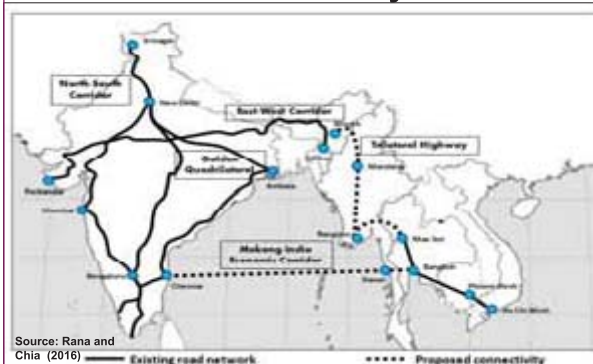
II. Case for Reviving Nepal's Role as Land-Linked State

- (ii) India, from "Look East" to "Act East" policy: India-ASEAN Connectivity (Mekong-India Economic Cooperation (MIEC) and the Trilateral Highway) and BCIM Economic Corridor

Ponder the Improbable



"Look East" India -ASEAN Connectivity



Source: Rana and Chia (2016)

II. Case for Reviving Nepal's Role as Land-Linked State

- (iii) Encouraging but gradual political and economic reforms in Myanmar, a node between SA and EA
(iv) Supply chains and production networks and need for efficient service links between production blocs have revived the case for land and even air transportation: For bulky items sea-freight, for less bulky and high value-added items other forms
(v) Shorter distances between major Indian cities and growing inner cities of China are through Nepal: Land/sea/land route from New Delhi to Chongqing is more than 3x longer than the land route through Nepal

Ponder the Improbable



Distance between Indian Cities and Inner Cities of China (in kilometers)

From \ To	Via Sea and Land Route (through Hong Kong)			Via Land Route (through Nepal)		
	Kunming	Chongqing	Chengdu	Kunming	Chongqing	Chengdu
New Delhi	10345	10669	10437	2887	3151	2911
Chennai	6841	6745	7004	3540	3804	3564

Note: Sea distances are actual, land distances based on straight line method.
Sources: www.searates.com and www.freemaptools.com

Ponder the Improbable



III. Proposed Trans-Himalayan Economic Corridors

- We propose the concept of 4 multi-modal Trans-Himalayan Economic Corridors for seamless Pan-Asian Connectivity: Feasibility studies still to be done
- Next steps: CGE/Geographical Simulation model studies (to assess regional benefits) and Feasibility analysis
- Together with Nepalese counterparts, the ADB should play a key role as a "facilitator, financier, honest broker, and technical advisor" role as in the GMS, CAREC, and MIEC

Ponder the Improbable



1. South Asia to Central Asia
2. Central Asia to East Asia
3. South Asia to East Asia
4. South Asia to Central Asia

Ponder the Improbable



Thank you

Ponder the Improbable



Education Sector Vision

14th Plan and Economic Development Strategy of Nepal

March 28, Kathmandu

Outline of Presentation

- Asia's rise and Context
- Power of Human Capital Development
- Nepal's Achievements and Challenges
- Lessons from Other Economies & Models
- Vision 2030
- How to get there—options?

Asia's Rise

- Asia Pacific Region one of the most dynamic
- 50% of global population
- 40% global output
- 2/3 of global growth
- 3 of the top 5 workforce and GDP (PRC, India and ASEAN)
- Improving Global Competitiveness Index
- Improving Global University Ranking

Context

- Most Asian developing countries at middle income and positioning to accelerate growth
- Demographic changes (many with growing youth population and some beginning to age)
- Rapid technological changes creating new opportunities and challenges (e.g. automation)
- Rapid urbanization (becoming regional hubs)
- Globalization and regional integration

Nepal's Education Achievements

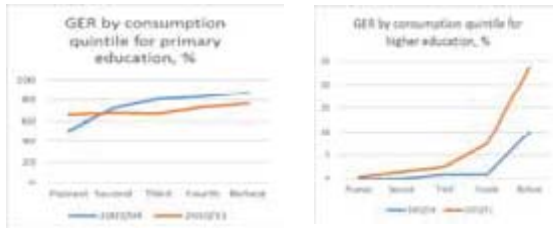
- Nepal is a late starter: from less than 1% literacy in 1951 to significant quantitative achievements at all levels
- Grade 1-5 NER from 3.7% in 1954 to 96.2% in 2014
- Grade 1-8 NER reached 87.6% in 2014
- Grade 9-10 NER from 44.8% in 2002 to 70.1% in 2014
- Grade 11-12 GER from 23.6% in 2009 to 32.9% in 2014
- Higher education GER from 4% in 2000 to 17% in 2014
- Average years of schooling from 0.99 yrs in 1990 to 4.23 yrs in 2010

Challenges: Quality Imperative

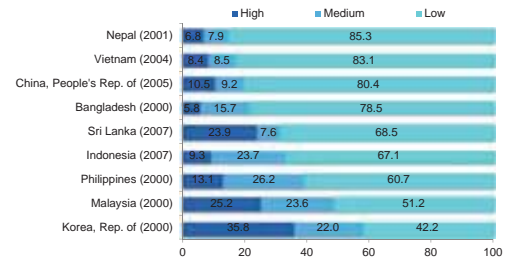
- The number of out of school children is still high (cumulative number is 562,000 for past 10 years)
- Quality across all levels is low and regional and global benchmarking is absent
- Major gaps exist in early grade readings and writing skills in Nepal
- School Leaving Certificate results are poor and huge differences exist by region (mountain, hill and terai) and type of schools (public/private)
- Global university ranking is very low

Challenge: Equitable Access to Higher Levels

- Access to primary level is much better but higher level is low



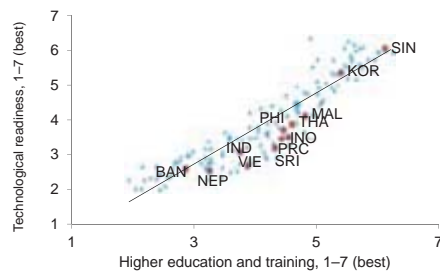
Challenge: Expanding to Higher Skills



Note: High skilled workers include professionals, technicians and associate professionals, clerks. Medium skilled workers include craft and related trade workers, plant and machine operators and assemblers. Low skilled workers include those in agriculture and elementary occupations and others.
Source: ILO (2011).

Challenge: Higher Education for Technological Readiness

Global Competitiveness Index

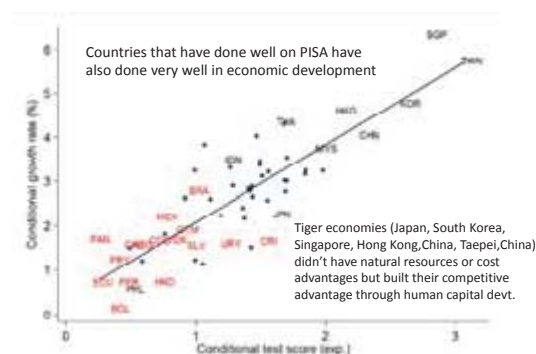


Scores are normalized into a 1-to-7 scale.
BAN = Bangladesh; IND = India; INO = Indonesia; KOR = Korea, Rep of; MAL = Malaysia, NEP = Nepal; PHI = Philippines; PRC = People's Rep. of China; SIN = Singapore; SRI = Sri Lanka; THA = Thailand; VIE = Vietnam.
Source: Schwab and Sala-i-Martin (2014).

Challenges: Education's elusive results

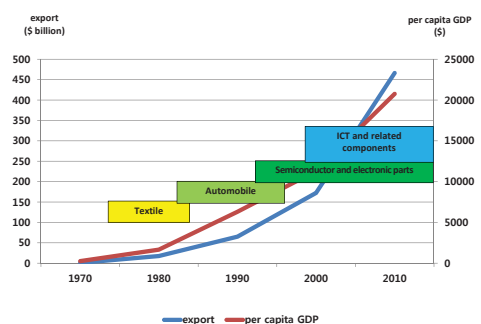
- Graduates are not equipped with relevant skills and competencies
- Teachers are underqualified and underpaid
- Completion rates are low
- Investment is insufficient
- Little coordination among agencies
- How to get to a "virtuous cycle?"

Lessons: Strong Relationship between Human Capital and Economic Development



Source: Hanushek and Woessmann (2008)

Lessons: Republic of Korea's Strategy



Source: H. Choi, 2011

Lessons: Republic of Korea's Strategy

Understanding Korean Economic Development and TVE

	Mid 1970s	Mid 1990s	Mid 2000s	Recent
Main Industry	Labor-intensive	Capital-intensive	Tech-intensive	Knowledge-based
Economic Growth	Early Stage	Rapid Expansion	Recession due to Financial Crisis	Slow Recovery from the Recession
Economic Development Paradigm	Establishment of Solid Basis	Quantitative Expansion	Transition from the Expansion to Qualitative Development	Deepening the Qualitative Development
Level of Technology	Adoption	Development	Innovation	Technology Convergence
Core Workforce	Low-skilled Workers	Technicians	Engineers	Engineers and Scientists
Main TV Education Supplying the Core Workforce	TV High School Level	Junior College Level	University Level	Cooperation between Industry and University
Related TVE Policies	Expansion of TV High School Education	Expansion of Junior Colleges	Expansion of Colleges and University	Strengthening School-Industry Research Collaboration

Source: H. Choi, 2011

Lessons from Singapore's Experience



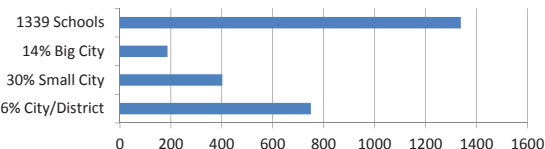
Source: Dr. Law Song Seng, Former CEO, Institute of Technical, Singapore,

- From labor intensive to capital intensive and then to knowledge intensive
- From basic education to secondary and skills development to higher education
- Various institutions established and developed: National Institute for Education for school education, Institute for Technical Education for vocational skills and Singapore National University for higher education
- Skills Development Fund and Workforce Development agencies are also world class
- Singapore's performance on PISA consistently at top 5 for 15 years

Indonesia Quality Improvement Strategy: International Standard Schools (RSBI)

- Internationally competitive citizens
- Develop competencies to capitalize on opportunity
- Stimulate innovation
- Develop 21st Century Relevant skills

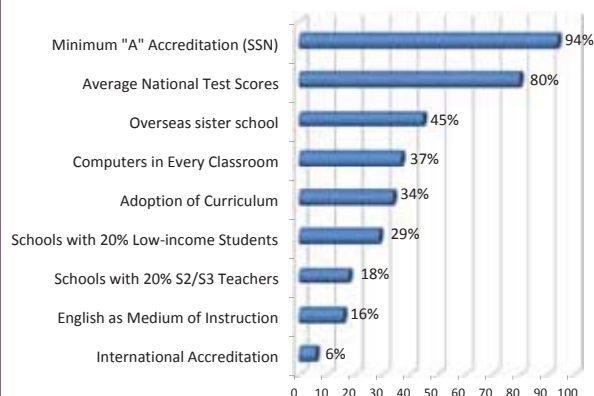
Numbers



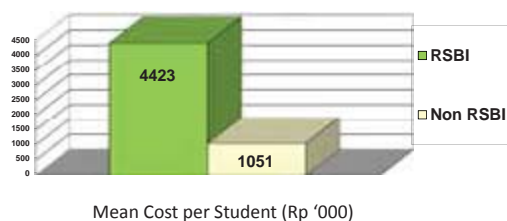
Distribution



Overview of RSBI Compliance



Comparison of Non-Salary Expenses



Data Source: Field Study

RSBI (n=70)

Non-RSBI (n=9)

Bangladesh's Achievements

- Pre-primary education mainstreamed (coverage: 78 % in 2014).
- Primary Net Enrolment Rate (NER) reached 97.7% in 2014
- Enrolment in secondary education is 62.25%
- Enrolment in Technical and vocational education increased about 5 folds since 2000.
- Adult (15-45) literacy rate increased from 47.9 % in 2001 to 59.8% in 2013.
- Gender parity in the primary and secondary level
- Pupil/teacher ratios declined.
- At the primary level around 83% and at the secondary level 73 % teachers are trained.

* Data from BANBEIS, ASR 2014, and 2015 EFA Report Statistics

Lessons from Bangladesh

- Strengthening of government systems
- Results-based financing
- Treasury Model
- Institutional capacity building
- Full-circle information management
- Capacity Building
- Decentralization

Lessons from other countries

- Kyoto University model of project based teaching and learning and extension services in addition to teaching and research
- PRC's universal basic education up to grade 9, move to universal and diversified secondary education, massification of skills development and development of top 400 universities
- India's Ministry of Skill Development and establishment of National Skill Development Corporation and National Skill Development Agency to consolidate and coordinate skills development
- US model (land grant universities to boost agriculture, research grant to enable innovation and entrepreneurship)

Vision for Nepal

- Universal basic education completion by 2025
- All who leave school after grade 8 to receive at least six month skill training
- Grade 10 completion rate : 90%
- Grade 12 GER : 80%
- Higher education GER : 35%
- STEM enrolment share at grade 9-12: 50%
- STEM enrolment share at higher education: 30%
- Global benchmarking established in education
- Overall ranking of best university: top 1000 or better in partnership with regional/international universities
- Public-Private Partnerships to increase funding, reduce inequity and promote innovation and quality
- E-learning and Universal Access to ICT
- Major shift to entrepreneurship, ICT and university incubation to support start-ups, SMEs, expansion of existing ventures and to invite FDI

Vision: Enabling Environment

- Responsive institutions building
- Promote community strength and ownership
- Effective Coordination
- Results-based/evidence planning
- ICT Enabled Accessible, reliable and valid data
- Quality Assurance: Framework, Institutions and Compliance
- Financing: Public-Private, Budget Norms, Transparent Allocations, Linked to Performance

Types of Approaches for Skills Development

- Developmental State model (Singapore, Korea, Taiwan)
 - Identify priority sectors for future development & types of skills needed
 - Assumes that growth strategies and education/skills dev. Strategies aligned
 - Assumes neutrality (sincerity) of civil servants
- Social Partnership model (Finland, Sweden, Netherlands)
 - Decisions agreed on by social partners
 - Consensus building among social stakeholders
- Sector-based Approach (USA, Canada, UK)
 - Assess direction of priority sectors
 - Ensure skills are aligned

Diffusion of Innovation (Everett Rogers)

- Making changes not so simple
- Social constructs are complex and overlooked
- Holistic approach is needed
- Diffusion research: Early adopters, late adopters, laggards
- Develop systems thinking skills among human resource
- Provide incentives that are meaningful

Some examples requiring transformation

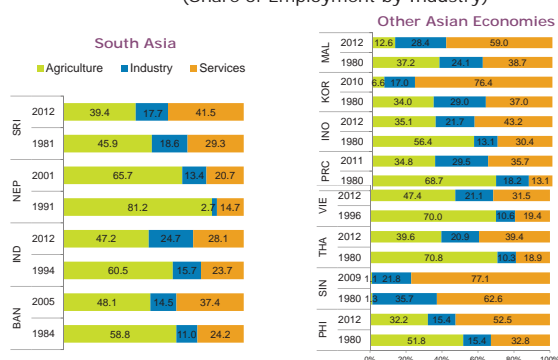
Challenges	Option
Students mostly fail in science, math and English in SLC examinations	How to get science and math graduates to teach?
Institutions get funding regardless of performance	How to establish credible and up to date M&E system to link funding to performance
Quality of teaching and learning is generally poor	How to use ICT along with instructional strategies to transform teaching and learning?
TVET is fragmented, supply driven, under-funded and under-managed	How to promote employer engagement and link funding to employment results?
Higher education is detached from development, unit cost is one of the lowest, and STEM education is very low	How to enhance the rating of universities, improve governance and engage universities in project based teaching and learning?
There is a big divide between public and private institutions.	How to combine public and private contributions?

Biggest Challenge

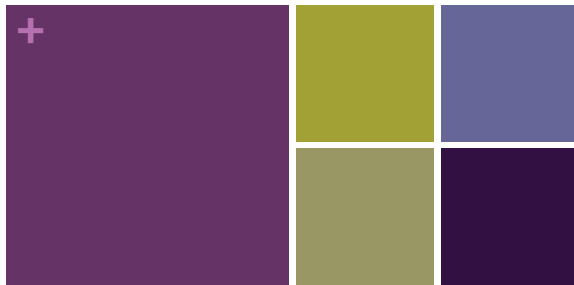
- Massive reliance on migrant labor and remittance (25% of GDP) but employment mostly at low skills levels
- Large scale brain drain at higher levels
- Major skills-gap within Nepal (wages are rising due to shortage of workers following post-earthquake reconstruction)
- How to turn around this situation urgently?

Thank you!

Challenges: Economic Development and Structural Change (Share of Employment by Industry)



Sources: WDI Online and Groningen Growth and Development Centre 10-Sector Database.



AGRICULTURAL TRANSFORMATION An Agenda for Action

+ PRESENTATION OBJECTIVES

- Explaining Agricultural Transformation
- Connecting Agricultural with Structural Transformation
- Agricultural Transformation – Key Considerations
- Nepal's Transformation Factors
- Transformation agenda

+ AGRICULTURAL TRANSFORMATION

- Process by which small subsistence farms shift to specialized commercialized production
- A smaller agricultural share of GDP facilitates transformation

+ AGRICULTURAL TRANSFORMATION (con't)

- Strengthening commercial input and output delivery systems
- Integrating agriculture with other domestic and international sectors
- Farming is more specialized, benefits from economies of scale, and integrated into broader economy

+ AGRICULTURAL TRANSFORMATION (con't)

- Technical and institutional changes in value chains (i.e. off-farm elements of the food chain)
- To succeed, agricultural transformation requires a concurrent Structural Transformation in other parts of the economy

+ Structural Transformation

- A process by which increasing shares of a country's employment and output are accounted for by sectors other than agriculture
- Transformation reduces agricultural importance though the sector and food systems continue to grow absolutely

+ Agricultural Transformation - Key Considerations

- **Inclusive growth** – Must include all rural sector's segments [examples: Brazil; Turkey; Indonesia; Philippines]
- **Public sector's role** – Governments lack business acumen for managing value chains [Example: Soviet Union; Commodity Boards in East Africa]

+ Key Considerations (con't)

- **Private sector** – Value chains require strong and effective private sector management and ownership [Thailand; Malaysia; Indonesia]
- **Land security** – Title security is important for on and off farm capital improvements and expedites access to credit
- **Environment** – Overlooking environmental considerations can lead to irreparable damage [Brazil, Indonesia]

+ Nepal's relevant conditions

- **Poverty** - Nepal is among the poorest and least developed countries in the world
[farmers are risk averse]
- **Remittances** – an important factor accounting for nearly 30% of GDP [mostly geared to consumption not investments]

+ Nepal's relevant conditions (con't)

- **Agriculture** – Provides livelihood for 70% of the population and accounts for one-third of GDP [complicates transformation]
- **Industrial activities** - Mostly processing agricultural products
[limited employment opportunities]

+ Nepal's relevant conditions (con't)

- **Mountain region**- Accounts for 64% of total land area; the lowland Terai 17% [complicating inclusiveness]
- **Climate change** – Adds challenges to raising crop yields and a reliable supply of agricultural commodities
[increased risks]

+ Nepal's relevant conditions (con't)

- **Land holdings** – Small and fragmented
[hinders economies of scale]
- **Adult literacy** – Around 60% in 2011
[complicates the commercialization process]
- **Urban population** – About 20% of the total
[limited demand for processed agricultural products]

+ Nepal's Relevant Conditions (con't)

- **Exports** – Annually \$860 million with limited scope for significant widespread income impact
- **Value chains** – Recent development efforts have had limited impact
- **Irrigation** – Gravity based in Terai is promising but faces constraints in mountain regions

+ Nepal's relevant conditions (con't)

- **Connectivity** – Despite recent improvements access to all-weather roads remains an issue in hill areas and mountain regions
- **Rice consumption** – Farmers cultivate rice to survive; switching to high value crops will be difficult and risky [Philippines]
- **Out-Migration** – Affects rural economy positively but has negative impact on agricultural productivity [Cambodia]

+ Transformation Agenda

- **Transformation vision** – Additional work on the “vision” is needed but more urgent is an implementation strategy
- **Structural transformation** – Jointly with other sectors initiate an overarching structural transformation process
- **India** – Negotiate agreements on water sharing, power generation, and expedited transit arrangements

+ Transformation Agenda (con't)

- **Balance** – Determine an appropriate balance between transformation and food production
- **Food security** – Must not lead to excessive self sufficiency policies [Indonesia - rice and meat; Philippines - rice and sugar]

+ Transformation Agenda (con't)

- **Private sector** – Improve environment for domestic and foreign investments in agriculture
- **Import substitutions** - Review current imports of food products and assess competitiveness of domestic production
- **Exports** – Assess prospects for increasing exports from commodities already being exported and new ones

+ Transformation Agenda (con't)

- **Remittances** – Introduce programs to shift remittances from consumption to agricultural investments
- **Infrastructure** – Intensify construction of all-weather roads and irrigation systems to support production of high value crops

+ Transformation Agenda (con't)

- **Loss prevention** – Consider the introduction of a mechanism to assist the “losers” in the transformation process

Annex V: Photo Gallery









GOVERNMENT OF NEPAL
NATIONAL PLANNING COMMISSION



ASIAN DEVELOPMENT BANK