



Efforts of Nepal's Least Developed Countries (LDC) Graduation and Its Challenges

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Abstract

The primary objectives of this study are to examine the initiatives undertaken by the government of Nepal for LDC graduation, identify challenges faced during process, and discuss the potential impact of graduation. This study is based on qualitative analysis of secondary data obtained from diverse domestic and international sources. Major sources include literature reviews, government policies, reports, and international declarations. Comprehensive desk review on the issue shows that Nepal has undertaken a strategic plan for LDC graduation, prioritizing investments in human capital, infrastructure, and healthcare, while addressing income disparities., Nepal has already achieved two requirements; HAI and EVI, and Nepal fell significantly short of the LDC graduation threshold of a per capita GNI. The plan includes achieving Sustainable Development Goals (SDGs) and progressing from a lower-middle-income to an upper-middle-income nation by 2030.Despite progress, Nepal faces challenges in achieving graduation, including political instability, governance issues, and environmental vulnerabilities. The country lags in good governance rankings, which could hinder its development efforts. Nepal's commitment to SDGs is seen as a potential driver for LDC graduation, focusing on sustainability, gender equality, clean energy, job creation, and economic development. Nepal aims to become a high-income

country by 2043, emphasizing poverty reduction, trade balance improvement, and overall quality of life enhancement. Leaving the LDC category will bring opportunities but also challenges, including the loss of special market access that was provided to the least developed countries like Nepal. Other challenges may involve growing trade and market capacity and strengthening the global competitiveness of internal production. Internally, intersectional variations of inequalities and poverty among and between regions, castes and ethnic groups in Nepal may generate challenges meeting LDC graduations and its sustainability.

Keywords: LDC graduation, poverty, inequality, post-graduation, challenges.

Introduction

The term "LDCs," which stands for "less developed countries among the developing countries," has been used by the UN to refer to a subgroup of low-income developing countries since the category was formally established by a United Nations (UN) resolution in 1971 (Bhattacharya and Borgatti 2012). Bhattacharya and Borgatti have further explained that the number of least developed nations (LDCs) has nearly doubled since the category's inception in 1971, accounting for 48 members by 2011.

The United Nations Conference on International Development and Trade (UNCTD) made various recommendations on the premise that developed nations and regional international organizations should support poor countries. Then in 1969, the United Nations General Assembly prepared an international development strategy. In which measures were sought to help the less developed countries. Along with this, in 1971, the list of least developed countries was determined. It was based on the total national income of the country. Along with that, Nepal has been on the list of low-income countries since 1971. In the beginning, only social and economic dimensions were included in the standards of low-income countries, but later the United Nations General Assembly has been modifying it. In the year 1999, even the standards related to environmental risk were included as indicators (Acharya 2023). By increasing income growth, developing quality human capital, and lowering economic vulnerabilities, Nepal is projected to move from the category of least developed nation (LDC) to that of developing country by the year 2022. By meeting the Sustainable Development Goals (SDGs), a lower-middle-income country will be promoted to an upper-middle-income country by 2030. The goal of the vision is to create a society that is equitable and just (NPC, 2020). To achieve the SDGs of ending absolute

and multidimensional poverty by 2030 and graduating to a middle-income country before reaching the status of developed countries by 2043, the fifteenth plan has been prepared for the 25-year vision. It aims to transform Nepal into a developing country within the initial three years. However, getting to these levels hasn't been easy. From 1996 to 2006, Nepal was embroiled in an armed conflict that had a negative influence on efforts to promote peace. In addition, Nepal was hit by COVID-19, devastating earthquakes, and Indian border blockades, all of which harmed the country's growth and transformation.

In Nepal, the percentage of people living in poverty declined from 38% in 2000 to just 21.6% in 2015. In 2019/2020, it was predicted to fall to 16.7 percent. There has been modest development, as 15.1% of Nepal's population lives below the poverty line (NPC 2020). Similarly, even though the target is to have a per capita income of 2500 US dollars by 2030, it is shown to be 1097 US dollars in 2019/2020. The Central Statistics Department estimates that it will amount to 1362 US dollars in 2022 (CBS 2021). By 2030, Nepal wants to have no more than 4.9 percent of her people living in poverty.

After embracing the 2015 constitution, the nation has gained political stability. It can be a strong and stable ladder to uplift Nepal from LDC to a category of middle-income countries. With a strong national commitment, Nepal is pursuing the 2030 Agenda for Sustainable Development as a means of bringing about transformative change in the nation through its integrated approach and the idea of "Leaving no one behind." However, the multiple dimensions of poverty, institutional limitations, the geophysical characteristics of the mountains, and the negative effects of climate change continue to be major obstacles to Nepal's rapid, inclusive, and sustainable development (Gov. Nepal/NPC 2020). The long-term vision of the current plan calls for Nepal to improve economically and achieve sustainable development by the year 2030 to become a nation with a high middle-income level. As a result, Nepal will transform into a developing country within the first three years. By 2030, it will have released all of its citizens from extreme chronic poverty, and by 2043, it will have gained the status of a developed nation. Nepal must nonetheless get ready to raise its industrial output to improve the economy's scale and stability. To permanently remove Nepal from the LDC category, the foundation for equitable, durable, and sustainable development must be constructed. Nepal's domestic industrial manufacturing and business are still very weak. The remittance-based economy of Nepal is naturally fragile. Nepal must boost its own and the rest of the world's mutual trust and confidence to create new opportunities for cooperation and raise the potential of multidimensional relationship networks. Nepal has long been plagued by both a poverty trap and a deficiency in

industrial output. However, it is noteworthy that a long-term vision road map provides in the 15th plan, which aims to transform Nepal into a developed country in 25 years. LDC graduation usually denotes a new stage of development, which reflects Nepal's dynamic status at the global level with new problems and alternatives. The government has made efforts to LDC graduation continuously. However, there is a significant gap in Nepal's efforts LDC graduation, and this study focuses on potential issues in the country's post-graduate economy and sustainable graduation.

Objectives

The main objective of this paper is to examine the LDC graduation efforts and status in Nepal. It explores the initiatives taken by the government of Nepal for LDC graduation. Similarly, this paper identifies the challenges despite the initiation of the government of Nepal for LDC graduations due to the internal poverty gap between social groups and external circumstances. The intention of this paper is also to open a preliminary debate on how Nepal will be impacted by graduation.

Methods

An extensive range of secondary data provided by various domestic and foreign reports like National Planning Commission (NPC), United Nations Committee for Development Policy (UNCDP), World Trade Organization (WTO), Nepal Human Development Report (NHDR) and various economic survey of Nepal were analyzed and examined. Data was gathered from a variety of secondary sources qualitatively, including a review of the literature, analysis of national policies, reports and initiatives of government taken for LDC graduations in a different policy and program, and international declaration and support for Nepal's LDC graduations. The study focuses mostly on an in-depth desk study.

LDC Graduations and Status of Nepal

The Committee for Development Policy has improved the LDC criteria throughout time with the support of the Economic and Social Council and the General Assembly. Originally, the criteria mainly addressed social and economic aspects. The Committee began including environmental risk indicators in 1999. Currently, three criteria—GNI per capita, the Human Assets Index (HAI), and the Economic Vulnerability Index (EVI) are used to designate LDCs (Committee for Development Policy (CDP), 2018). While the HAI and EVI evaluate the primary structural barriers to sustainable development, the first evaluates income and the total amount of resources

available to a nation (NPC, 2020). Every three years, the Economic and Social Council examines the requirements for LDC participation and graduation on the advice of the Committee for Development Policy. For inclusion in the LDC category, the triennial review in 2018 set a per capita GNI requirement of \$1,025; the threshold for graduation is 20 percent above this, or \$1,230.

The HAI threshold consists of four indicators: two on education (gross secondary enrolment ratio and adult literacy rate) and three on health and nutrition (the percentage of the population that is undernourished, the under-5 death rate, and the maternal mortality ratio). 2018's value for this category was the same as in 2012 and 2015. The graduation threshold was set at 10%, or 66, more than the inclusion threshold. Inclusion into the LDC category in 2018 was set at 36, the same as in 2012 and 2015. Graduation was set at a value of 32, or 10 percent below the inclusion requirement. The UN Development Policy Committee for Nepal has postponed its decision on graduation recommendations for 2021 due to sustainability concerns. The report highlights prevalent inequalities, lack of evaluation, and insufficient quality of governance and institutions. It emphasizes the importance of creating a healthy environment for long life and addressing economic growth. The fact that what is current level required for Nepal's LDC graduation is mentioned here.

Table 1

Indicators of LDCs Graduations, Threshold and Actual Value

Indicators of LDCs graduations	Graduation thresholds for LDCs	Actual value
GNP in US dollar	1230	860
HAI (Health Indicator)	Above 66	67.9 42.8
Educational index		20.4
EVI Exposure index	Below 32	28.3 12.4
Shock index		15.9

Sources: WTO 2020, Basnet et al. 2012, MoF 2019, NPC 2020

In three continuous triennial evaluations conducted in 2015, 2018, and 2021, Nepal has already achieved two requirements, HAI and EVI. However, the physical vulnerability to climate change index in Nepal is less than the global average.

Compared to the necessary \$1,222, Nepal's per capita income was \$1,027. According to information from the National Statistics Office (CBS 2021) for the most recent fiscal year, Nepal has not yet met this requirement. Nepal achieved a score of 74.9 on the HAI, falling short of the required 66 or above. Similar to that, its EVI score was 24.7, falling short of the required 32 or below (UN 2023). Nepal's Human Asset Index was 74.9 at the time of the 2021 triennial assessment, far exceeding the 66 or above bar. Its Economic and Environmental Vulnerability Index, a value of 24.7, met the U.N.'s requirement of 32 or lower. Nepal only fell short in one category which was income. The GNI per person in Nepal in 2021 was \$1,027, slightly under the \$1,222 threshold. The committee will once more evaluate Nepal's LDC status in resolving the harm caused by the epidemic at the triennial assessment in 2024. Then it will decide if Nepal is prepared to graduate in 2026 or if it needs to spend additional years in the stage of preparation.

Despite meeting two benchmarks in multiple triennial evaluations done in 2015, 2018, and 2021, Nepal's physical susceptibility to climate change is lower than the world average. The per capita income in 2021 was somewhat below the required level. Nepal must focus its efforts on reducing the impact of the epidemic's effects, and increasing GNI per person is crucial. Internal poverty variations between caste, ethnicity, and region are challenging factors in increasing GNI per person.

Literature Review

The overriding objective of the Fourth UN Conference on LDCs, which aims to decrease the number of LDCs during the next ten years, explicitly acknowledges the challenge of leaving the category. High economic vulnerability and a lack of human capital are the two fundamental weaknesses that the UN Committee for Development Policy (CDP) views as essential to the classification of LDCs (CDP, 2005). The most recent revision, which occurred in 2003, resulted in the adoption of the following modifications: (a) GDP was replaced by GNI (per capita, Atlas method); (b) the enhanced physical quality of life index was replaced by the human asset index (although its constituent indicators changed, they still reflect variations in the member countries' levels of education, health, and nutrition); and (c) an expanded economic vulnerability index (Bhattacharya and Borgatti 2012). Bhattacharya and Borgatti have mentioned that the graduation thresholds were raised in the revisions of 2000 and 2003. In 2000, they were set at 15% above the inclusion requirements, and starting in 2003, a distinction was made between the exit threshold for GNI per capita (20%) and the overall graduation level (80%). For the economic vulnerability index (EVI),

a more moderate 10% increase is required, as well as for the human asset indicator (HAI), which must be above the 66 entrance threshold level.

Today, there are 46 LDCs in the globe. Although they are primarily from Africa, one-third of them are from Asia-Pacific. With about 900 million people, they collectively make up around 13% of the world's population, although their contribution to the global GDP is only slightly more than 2%. They only make up about 1% of the total world commerce in products (WTO, 2020). The recent Fourth United Nations Conference on LDCs, which was held in Istanbul, Turkey, in May 2011, produced an outcome document that expresses a tangible "fatigue" of being treated as LDCs and states that the overarching objective of the Programme of Action for the decade 2011-2020 is to "overcome the structural challenges faced by the LDCs to eradicate poverty, achieve internationally agreed development goals, and enable graduation from the least developed country categorization" (United Nations 2011). In 2015, Nepal first appeared on the list of LDCs that had graduated after exceeding the two benchmarks for the Human Assets Index (HAI) and Economic Vulnerability Index (EVI). In the triennial assessment of 2018, it was passed another time. With a per capita GNI of USD 1027 in both review periods, Nepal fell far short of the LDC graduation level of USD 1,222. The five-year transition phase will come to an end at the end of 2026. Nepal is eligible to leave the LDCs during the UNCDP's triennial assessment in 2021. On each of the performance metrics, it has improved. However, low per capita income and volatility in the vulnerability index necessitate policies that boost the structural transformation of the global economy and enhance productive capacities. Given the macroeconomic concerns, the country's existing level of structural and physical vulnerability puts it at risk of slipping into a low-level equilibrium or disequilibrium and even a poverty trap if an adequate development pathway is not taken after graduation (NPC/UNDP 2020). Five of the seven LDCs expected to leave the program by 2026 are from the Asia-Pacific area (Bhutan in 2023, the Solomon Islands in 2024, Bangladesh, the Lao People's Democratic Republic, and Nepal in 2026) (UNCDP, 2021).

Nepal was included on the UN's list of 25 Low- and Middle-Distance Countries (LDCs) in 1971. In 1981, the Paris Declaration was adopted during the first LDC summit organized by the UN. ODA, trade preferences, and debt reduction are only a few of the programs that have been implemented and strengthened since then). The ambitious Sustainable Development Goals (SDGs) call for a coordinated response to problems in the areas of the economy, society, and the environment (Acharya and Adhikari 2021). The Maldives, Samoa, Equatorial Guinea, and Vanuatu (which graduated in 2011, 2014, 2017, and 2020, respectively) are all eligible to serve as examples. To negotiate

the extension of the present LDC graduation, Nepal should proactively engage not only with these LDC graduates but also with fellow and upcoming LDC graduates (SthapitArhan 2022). Nepal has consistently participated in UN LDC conferences, urging international alliances to address issues and reach its full potential. The Fourth UN LDC Conference in Istanbul endorsed the Istanbul Programme of Action, emphasizing global collaborations for LDC welfare (Acharya and Adhikari 2021). Nepal must find solutions for its LDC Transition that fit with its long-term national goals and take into account the gaps created by LDCs. To support Nepal's growth synergy, strategies should avoid obstacles including irreversible graduation and the middle income trap. Being proactive when it comes to world affairs and international relations can help to reveal new possibilities and advance Nepal's statehood (Ullah et al. 2023). We can also encourage our bilateral and multilateral partners to gradually phase out the preference while Nepal takes appropriate steps for negotiation and to close the gap to lessen the burden of the LDC Transition. As in Cape Verde and The Maldives, Nepal may attempt to establish donor support groups or forums once it has graduated successfully (Khanal, Pandey, & Sharma, 2020). LDC graduation is neither an ultimate option nor does it normally signify an end to issues of underdevelopment; rather, it usually indicates a new level of development which signifies the dynamic status of Nepal at the global level with new challenges and options.

Nepal, with a per capita GNI of USD 1027, fell short of the LDC graduation level of USD 1,222. The five-year transition phase will end in 2026, and Nepal will be eligible to leave the LDCs during the UNCDP's triennial assessment in 2021. However, low per capita income and vulnerability risk declining into a low-level income or poverty trap.

Nepal's Effort for LDC Graduation

Since 1971, Nepal has been classified as one of the least developed countries in the world (LDC), due to its low exports and poor per capita income. Considering the process of decentralized governance, federalism has been applied in Nepal for a decade. Then, Nepal plans to enhance its productive capacity through investments in human resources, infrastructure, and universal healthcare, promoting entrepreneurship, reducing inequities, and fostering resilience for sustainable graduation. A strategic plan for long-term national development was proposed in the 15th Periodic Plan. Health, employment, agriculture, infrastructure, and social development have been given top priority by the government. The Government of Nepal has centered its efforts on containing and managing the pandemic through proper strategies, policies, and programs in light of the effects of COVID-19. To carry out the "Istanbul Programme

of Action," the 15th plan set a fixed graduation date for Nepal in 2024; however, the COVID-19 epidemic caused this date to be postponed to 2026 (United Nations 2016). The goal of LDC graduation may be hampered by the current irresponsible politics and inefficient governance system in Nepal. The data available indicates that Nepal is falling behind in terms of good governance. Nepal is ranked 117th out of 180 countries in Transparency International's 2021 report on good governance. It would be a challenge to meet LDC graduation through the latest development program initiated by the government of Nepal.

The challenges in achieving sustainable development are viewed as global inequality, issues with economic growth, terrible environmental damage and socio-cultural differences, and conflicts shaped by economic globalization. Challenges may have been produced by these kinds of problems at various levels. However, as part of its plans and initiatives, Nepal has given priority to implementing the SDGs which may contribute to the graduation of LDC. To ensure and draw in investors, Nepal must also pay attention to its industrial growth and establish an infrastructure that may generate a range of opportunities through industrial growth that ultimately support post-LDC graduation sustainability. To guarantee increased FDI inflows to Nepal, infrastructure development and stable policy must also be a key deliberation. Nepal must meet the Sustainable Development Goals (SDGs) by 2030 to fulfill its international commitment. In support of the aim to ensure that no one is left behind in any aspect of development, SDGs are being incorporated and localized in federal, provincial, and municipal development projects. Likewise, issues like gender equality, access to clean water and energy for all, job creation, economic development, industry, and urban sustainability are also addressed.

The 25-year vision states that Nepal would transform into a developing country within the first three years, accomplish the SDGs by ending absolute and multidimensional poverty by 2030, reach middle-income status by 2043, and then transform into a developed country. Nepal will become a high-income nation in 2043, with a per capita national income of \$12,100 (NPC 2020). The United Nations General Assembly approved the "Istanbul Programme of Action" (IPOA) on June 17, 2011. To execute the "Action Programme" Nepal established its strategic plan, which gave priority to LDC graduation. The 15th plan specified a fixed deadline for graduation for Nepal in 2024; however, the COVID-19 epidemic caused this date to be postponed to 2026. Due to its limited resources, Nepal needs efficient institutions to manage the challenges posed by climate change, which significantly complicates LDC graduation in the present context. Reduced multidimensional poverty and rooted disparities between societal groups and geographic areas should be the focus of the 16th periodic plan.

High levels of poverty, significant trade deficits, high unemployment rates, income inequality, and a generally poor quality of life are all problematic issues that require adequate addressing through government policy that may help to ensure sustainable LDC graduation in Nepal.

Major Challenges

The current problem facing Nepal in achieving LDC graduation is regional inequality in Nepal. For instance, the province of Karnali contributes only 3.4 percent of the country's gross domestic product, compared to the province of Bagmati's contribution of 41.4 percent. The province of Lumbini saw economic growth of 7.1% in the fiscal year 2018–2019, while Karnali saw growth of 5.7%. The life expectancy in the Gandaki province is 71.7 years, compared to 66.8 years in the Karnali province. In Sudurpaschim, 33.9 percent of people live below the absolute poverty level, compared to 12.4 percent in Koshi province. Madhesh Province has a tax and employment rate of 20.1%, which is higher than Bagmati Province's 7 percent rate. (NPC 2020). Looking at this situation, it is seen that regional inequality should be reduced for LDC graduation. It can make a positive contribution to the human capital index and the economic risk index, which can facilitate Nepal's aspirations to be upgraded to a middle-income country.

The Central Department of Sociology and Anthropology has published "The Nepal Multidimensional Social Inclusion Index" (2014), which shows different people's access to education, employment, health, consciousness, etc. According to the report, the literacy index above 15 years was 0.5957 in general, 0.8005 for Terai Brahmin and Chhetri, 0.7846 for Hill Brahmin and Chhetri, 0.7649 for Newar, and the lowest 0.2312 for Terai Dalits. Similarly, the Hill Brahmin health index was 0.6771, the Hill Chhetri was 0.6087, the Terai Brahmin Chhetri was 0.5211, the Hill Dalits were 0.5414, the Terai Dalits were 0.3927, the Newar was 0.7172, the Hill ethnic groups were 0.5926, the Terai ethnic groups were 0.4467, and the Muslim was 0.4001. It shows that intersectional variations with inequalities among and between caste and ethnic groups generate challenges to meet LDC graduations in Nepal.

According to the latest statistics from the economic survey of Nepal 2022/2023, 15.1 percent of people are below the poverty line. Despite Nepal's high poverty rate, data indicate that multi-sectional poverty further poses obstacles to improving health condition, income level, educational status, and the comprehensive ability to mitigate environmental problems, which eventually hurts the country's LDC graduation process.

The poverty rate is decreasing trend in Nepal. However, its distribution is different according to region caste, and ethnic groups. In Nepal, the Dalit community is in the most poverty in terms of caste, and in terms of region, the most poverty is in the Karnali and western regions of Nepal. Nepal Multidimensional Poverty Index declared by the National Planning Commission in 2018 that regional inequality between provinces is significant. This data was dependent on the data of the Nepal Living Standards Survey of 2010-11. According to which 16.7 percent in Koshi province, 26.7 percent in Madhesh province, 20.6 percent in Bagmati province, 21.0 percent in Gandaki province, 25.3 percent in Lumbini province, 38.6 percent in Karnali province and 45.6 percent in Sudurpaschim province (NPC 2018). Mentioned facts indicate that poverty has a regional dimension. Karnali and Far West regions of Nepal have the highest poverty. There may be major reasons such as lack of roads, electricity, communication, industries, not opening factories, not being able to connect agriculture with markets, and not being able to pay attention to the identification and mobilization of resources. In Nepal, which had a centralized state structure for a long time, no attention was given to the development of remote areas that were lagging. Plan of regional development initiations by the central government with the proper effort of federal plan might be effective in minimizing regional imbalance which supports the aspiration of Nepal for LDC graduation. The unequal distribution of poverty in Nepal has been clearly seen. 28 percent of the rural residents of Nepal are in poverty. In the urban area, its percentage is 12.3. Similarly, the rate of poverty is 39.5 percent in Karnali province, 25.3 percent in Sudurpaschim province, and 24.2 percent in Madhesh province. On the contrary, 9.6 percent of people are chronically poor in Gandaki province and it has dropped to 7 percent in Bagmati province. But in terms of the number of poor people, the largest number of people live in Madhesh province, followed by Lumbini and Koshi provinces (NPC 2021). In Nepal, progress in reducing income inequality has advanced more slowly than in eradicating poverty it may add more challenges to the stable economic growth in Nepal and long-term sustainability after LDC graduation.

Similarly, another challenge to LDC graduation is vulnerable to climate change. Furthermore, although Nepal is less physically vulnerable to climate change than the average LDC, repeated shocks are becoming more intense due to rainfall that produces landslides, landslides, sedimentation, and soil erosion (CDP, 2018). According to the Nepal Disaster Report 2019, Nepal is ranked 4th and 11th globally in terms of the relative risk of climate change and earthquakes. Among the 21 cities in the world that are in seismic risk zones, Kathmandu city is the most at risk in terms of the impact on people. More than 80 percent of Nepal's total population is at risk of natural disasters such as landslides, storms, floods, fires, earthquakes, and bursting of glacial lakes. Similarly,

despite substantial advancements in human development overall, unequal access to education, health care, and money has led to an average loss of 25.6 percent in the HDI. In addition to vertical inequality, exclusionary growth processes have resulted in horizontal inequality among various ethnic groups, which has led to instability (Tiwari 2010). Progress has been impacted by COVID-19 for all three criteria. Through a decline in national output, increased economic instability, a decline in employment, increased poverty, deteriorating health, a decline in exports and remittances, a loss of market predictability and investor confidence, among other significant difficulties, Nepal is likely to experience deterioration and risk development reversals (NPC 2020). Responsible government with good governance, endless sustainable growth plans, and aspiration of affluence eventually promote equitable regional growth and inclusion, and better usage of environmental assets.

Even though Nepal's poverty rate is falling, there are still regional, caste, and ethnic group disparities. There are notable regional differences; the Far West and Karnali provinces have the highest percentages of poverty. Climate change is having an impact on Nepal; major repercussions include landslides and glacier lake flooding. There are links between the problems caused by climate change and worldwide events. It suggests that structural change—including institutional and policy reform—is required for a society to be safe and equitable and that its impacts are ultimately constrained by a range of vulnerabilities that also support the long-term departure of LDC graduation.

Discussion

For Nepal, leaving the LDC category will be a significant turning point. We should take advantage of this to advance our international engagements and effect a fundamental change in Nepal. However, it has multiple challenges that need to be faced on a long-term basis. Conversely, if graduation is not planned correctly and clearly, it could also have some consequences and negatively affect our objectives for broad growth. As a result, this should be given top emphasis at the national level. Nepal has already achieved two requirements, HAI and EVI, and Nepal fell significantly short of the LDC graduation threshold of USD 1,222 with a per capita GNI of USD 1027 in both evaluation periods. We are expecting to meet it at the triennial evaluation in 2024. Then it will determine whether Nepal is ready to graduate in 2026 or if it needs to take more time. However, there hasn't been a great deal of discussion and research about how graduation would affect Nepal. Nepal will also no longer have special market access, and there will be more competition outside after LDC graduations. Medium-sized and small enterprises that focus on exports would be disproportionately affected by this. After LDCs graduate, the government must adopt a more pragmatic approach to a sustainable economy, which is difficult given the present political situation of

instability, corruptions and inefficiency. As preferential market access programs have been tapered out, Nepal should create consistent diplomatic efforts with industrialized countries to secure support for a prolonged transition preparation period.

In order to graduate LDCs by 2026, the Nepal government has turned its attention to managing the pandemic in a proper way. The nation's current politics and governance structure, as well as disparities among regions, caste and ethnic groups present obstacles to accomplish this objective. Because of its weaker economic domination in the global market, reducing income inequality and poverty would make it more challenging for Nepal to develop its economic sustainability in the future. Similar to this, post-graduation sustainability poses additional difficulty due to Nepal's limited internal production and limited access to the global market.

Conclusion

The LDC graduation is seen as a significant turning point in Nepal's development subsequently it highlights the nation's impressive performance and overall progress of the society. Nepal might benefit politically by taking credit for advancing a nation from the classification of an LDC to equal with other emerging nations. During ongoing collaboration with the private sector as well as other stakeholders, emphasis should be put on laying the necessary foundation and making proper graduation preparations. Graduation presents an opportunity to influence our economy, fostering inclusive and transformative growth. However, the multidimensional strata of poverty and inequality in Nepal still create obstacles for its LDC graduations. The impact of global warming and the risk zone of earthquakes put additional hindrances in achieving the environmental vulnerability index (EVI). However, in three previous continuous triennial evaluations conducted in 2015, 2018, and 2021, Nepal has already achieved two requirements, HAI and EVI. However, the physical vulnerability to climate change index in Nepal is less than the global average. Strengthening physical vulnerability is however hampered by external variables affecting climate change concerns which is the hard element for Nepal. Nepal needs to find solutions for its LDC transition that are in line with its long-term national objectives and can fill the gaps left by LDC status. Being engaged when it comes to global issues and diplomatic relations can help to reveal new possibilities and advance Nepal's status. However, to secure support for a longer transition planning period after the phase-out of preferential market access, Nepal needs to create stable diplomatic relations and trade frameworks with developed nations for economic support. Internally, the state's economic status must be improved on a sustainable basis. The main obstacles to LDC graduations and graduation sustainability are a slow and unpredictable remittance-based economy, rooted poverty, and regional, caste and ethnicity based inequities.

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