

# Nepal Competitiveness Index 2022

Supporting Nepal's Journey Towards Effective Planning



Foreword by  
Swarnim Waglé, PhD

Edited by  
Jaya Jung Mahat  
Ankur Shrestha

A joint research initiative of

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# Nepal Competitiveness Index 2022

Supporting Nepal's Journey Towards Effective Planning

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# Publishers' Note

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# About Publishers

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## Nepal Institute for Policy Research (NIPoRe)

Nepal Institute for Policy Research (NIPoRe) is an independent and non-partisan research institute based in Kathmandu, Nepal. It works to generate evidence-based debates among citizens and critical stakeholders of development in both the public and private sectors on contemporary policy issues from Nepal and Asia. The institution currently works on high policy priority areas through four research centers - Center for New Economy and Inequality (CNEI), Center for Strategic Affairs (CSA), Center for Governance Studies (CGS), and Center for Human Development (CHD). NIPoRe's team members represent the diversity of academic disciplines, professional backgrounds, and geography. The institute adopts a multi-disciplinary approach in its analysis of policies and research, supported by researchers trained at universities and professional environments (from) across the globe.

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## Asia Competitiveness Institute (ACI)

The Asia Competitiveness Institute (ACI) was established in August 2006 as a Research Center at the Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore (NUS). It aims to build the intellectual leadership and network for understanding and developing competitiveness in the Asia region. ACI seeks to contribute to the enhancement of inclusive growth, living standards, and institutional governance through competitiveness research on sub-national economies in Asia. It identifies mitigating issues and challenges for potential public policy interventions through close collaboration with regional governments, business corporations, policy think-tanks, and academics. ACI's three key research pillars include (I) Sub-national economies level competitiveness analysis; (II) The development of digital economy and its implications in 16 Asia economies; and (III) Singapore's long-term growth strategies and public policy analysis.

 <http://lkyspp.nus.edu.sg/aci/>

 **ACI.LKYSPP**

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**in aci-lkyspp**

# Preface

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Asia Competitiveness Institute (ACI) started its competitiveness analytic series in 2013. We focus mainly on sub-national analysis of China, India, and Indonesia, assessing the relative competitiveness of states and provinces. We also examine the relative development attributes among ASEAN countries. Our reports have been well received, and they are widely disseminated and discussed at seminars and forums.

This year, ACI is very pleased to collaborate with Nepal Institute for Policy Research (NIPoRe) to produce the Nepal Competitiveness Index 2022 jointly. This inaugural report will set the benchmark for the provincial analysis of competitiveness within Nepal.

Nepal declared its federal democracy in 2015 and held the first general election in 2017. The government has introduced decentralisation policies across the newly formed seven provinces. It is timely to initiate a study of Nepal's provincial competitiveness using the latest available data in 2018 and 2019. We hope this study will set the benchmark for assessing future development trends of these provinces. ACI's research methodology provides policy recommendations based on *What-if* simulation study. We hope these recommendations could help facilitate discussion on future development strategies. This report also highlights the impact of the COVID-19 pandemic on the seven provinces and the government's responses.

This unique research collaboration has enhanced our understanding of Nepal's development experience and the heterogeneity across the seven provinces in Nepal. We hope this report marks the beginning of an educational, insightful journey to assess Nepal's provincial development.

**Professor Paul Cheung, PhD**

Director, Asia Competitiveness Institute  
Lee Kuan Yew School of Public Policy  
National University of Singapore

# Foreword

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Decades of economic research on competitiveness can be distilled as follows: countries do not compete like firms in a zero-sum manner. However, locations clearly shape firm-level productivity, for they encapsulate all factors – natural endowments, human capital, institutions, and other public inputs – that shape firms’ ability to mobilize and employ scarce resources. While increasing productivity is a narrower quest to generate more output, competitiveness is a broader notion of creating an enabling environment, partly through public policies, for firms to efficiently source inputs and sell their outputs.

This is why this report is of interest to a chronically high-cost-low-productivity economy like Nepal whose innate advantages are negated by adverse geography, a wanting business climate shaped by a perverse political economy culture of institutionalized rent extraction, and inadequate human resources.

Nepal has just entered its second cycle of experiment with federal governance. While seven provincial governments are to be elected later in 2022, 753 municipality chairs have just been sworn into a stable five-year term of office. This joint-research initiative by the Nepal Institute for Policy Research (NIPoRe) and the Asia Competitiveness Institute (ACI) at Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore is, therefore, timely.

Decades of impressive social-political changes have always been vulnerable to reversals because the economic fundamentals undergirding those changes have not been reliable. I expect the Nepal Competitiveness Index (NCI) to contribute to amend this realization. By compiling province-level data for 64 economic indicators categorized under four different pillars and 11 sub-pillars, I hope policymakers and allied stakeholders will be nudged to better understand key economic constraints, initiate reforms, and track progress through data-intensive processes.

I wish this endeavor sustained success.

## Swarnim Waglé, PhD

Chair, Institute for Integrated Development Studies (IIDS), Kathmandu.

Former Chief Economic Advisor, UNDP Asia-Pacific, New York.

Former Vice-Chair, National Planning Commission, Government of Nepal.

# Table of Contents

---

<b>Preface</b>	<b>I</b>
<b>Foreword</b>	<b>II</b>
<b>Executive Summary</b>	<b>VI</b>
<b>Acknowledgement</b>	<b>VIII</b>
List of Figures	IX
List of Tables	XI
List of Abbreviations	XII
 <b>Chapter 1 Introduction</b>	 <b>1</b>
1.1 Federal Nepal	3
1.1.1 Geography and Governance System	
1.1.2 Historical Snapshot	
1.1.3 Socio-Economic Status	
1.1.4 Development Financing	
1.1.5 Recent Policy Challenges	
1.1.6 Recent Political Changes	
1.2 Competitiveness and Nepal	11
 <b>Chapter 2 Research Methodology</b>	 <b>14</b>
2.1 Asia Competitiveness Institute's Competitiveness Framework	16
2.2 NCI Framework	17
2.3 Computation of Competitiveness Ranking Using Equal Weights	18
2.4 The Standardised Score	19
2.5 <i>What-if</i> Competitiveness Simulation Analysis	20

## **Chapter 3 Provincial Competitiveness Analysis 23**

### **3.1 Competitiveness Analysis Results for Seven Provinces of Nepal 25**

### **3.2 Analysis of Two Best and Two Lagging Performers by 31**

#### **Environment**

- 3.2.1 Macroeconomic Stability
- 3.2.2 Government and Institutional Setting
- 3.2.3 Financial, Businesses, and Manpower Conditions
- 3.2.4 Quality of Life and Infrastructure Development

### **3.3 What-if Competitiveness Simulation Analysis on Overall 43**

#### **Competitiveness**

### **3.4 What-if Competitiveness Simulation Analysis by Four 44**

#### **Environments**

- 3.4.1 Macroeconomic Stability
- 3.4.2 Government and Institutional Setting
- 3.4.3 Financial, Businesses, and Manpower Conditions
- 3.4.4 Quality of Life and Infrastructure Development

### **3.5 Conclusion 48**

## **Chapter 4 COVID-19 and Provincial Competitiveness 50**

### **4.1 COVID-19 in Nepal 52**

- 4.1.1 Trends Across Provinces
- 4.1.2 Government Response to COVID-19
  - 4.1.2.1 Budget Disbursement
  - 4.1.2.2 Establishment of COVID-19 Funds in the Initial Phase
  - 4.1.2.3 Enforcement of Lockdown
  - 4.1.2.4 Vaccination Rollout

### **4.2 COVID-19 and Provincial Competitiveness 59**

- 4.2.1 Gross State Domestic Product Growth
- 4.2.2 GSDP Sector-wise (Primary, Secondary, Tertiary)
  - 4.2.2.1 Primary Sector
  - 4.2.2.2 Secondary and Tertiary Sector
- 4.2.3 Unemployment
- 4.2.4 Health Budget



- 4.2.5 Budget Balance
- 4.2.6 Openness to Trade
- 4.2.7 Foreign Direct Investment
- 4.2.8 Official Development Assistance (ODA)
- 4.2.9 Access to Finance
- 4.2.10 Digital Transformation

## **Chapter 5 Policy Recommendations 85**

### **5.1 Policy Recommendations 87**

- 5.1.1 Macroeconomic Stability
- 5.1.2 Government and Institutional Setting
- 5.1.3 Financial, Businesses, and Manpower Conditions
- 5.1.4 Quality of Life and Infrastructure Development

### **5.2 Way Forward 97**

## **Appendix 98**

### **Appendix I: Government Actions Taken in Regards to COVID-19 98**

### **Appendix II: List of Indicators 102**

### **Appendix III: Definition of Indicators and Proxy Methods 106**

### **Appendix IV: Computation of Rankings Using Equal Weights - The 113**

### **Algorithm**

### **Appendix V: About the Contributors 117**

### **References 120**

# Executive Summary

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Nepal has witnessed major political and economic events during the past two decades. The governance system has transitioned from a monarchy to a republic and then to a federal structure. In addition, the 2015 Gorkha Earthquake and the ongoing COVID-19 pandemic further altered the country's overall course of policy priorities.

After centuries of a centralised governance system, Nepal adopted a new constitution in 2015 that paved the way for the country to go towards federalism. The prime aim of Nepal's decentralised system of governance has been to govern the economy better while also decentralising economic activities across the country. Two years later, after the 2017 elections, the country formally began practising federalism, with the country divided into seven provinces and 753 local units.

In the light of these recent developments, the Nepal Institute for Policy Research (NIPoRe) and the Asia Competitiveness Institute (ACI) at the Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore, have undertaken this study to support key policy stakeholders in Nepal and other countries. The report aims to guide Nepal's current and future economic policies at the provincial and federal levels.

The inaugural issue of the Nepal Competitiveness Index (NCI) takes into consideration 64 indicators across four environments (*i. Macroeconomic Stability ii. Government and Institutional Setting iii. Financial, Businesses, and Manpower Conditions and iv. Quality of Life and Infrastructure Development*) and 11 sub-environments to assess the performance of Nepal's seven provinces across major economic parameters.

The major findings from our analysis are both obvious and surprising. Obvious because as Nepal began its federal system of governance in 2017, the findings alluded to the larger history of its centralised governance mechanisms. Bagmati has been the most competitive province across both overall competitiveness and environment-wise competitiveness. In terms of overall competitiveness, the provinces that followed Bagmati are, in order, Lumbini, Province 1, Gandaki, Madhesh, Sudurpaschim, and Karnali. Sudurpaschim and Karnali had previously been largely ignored by the central governments and thus remained the least competitive provinces in the current analysis. Interestingly,

in 2019, Sudurpaschim managed to increase one rank and reach the fifth position in terms of overall competitiveness. The findings were surprising in some aspects as Madhesh, which should be the industrial hub of the country, does rank second in 2019 in terms of GSDP, primary industry, secondary industry, and tertiary industry, but ranks last in terms of the presence of companies, government revenue, tax revenue, bank credit, bank deposits, and overall labour productivity.

While Bagmati leads the rest of the provinces by a large margin across all the indicators and environments, the disparities among the provinces are found to be narrowing down. The current study attributes an increase in access to finance, better budgetary support, and increasing investments in infrastructure development across all provinces in recent years for these positive developments. Still, the least competitive provinces continue to suffer from weak revenue sources, limited presence of private, public, and foreign companies, low wages and salaries, and a smaller number of educational institutions.

COVID-19 played a damaging role in the competitiveness of all the provinces. To help policy stakeholders better contextualise NCI findings, the current analysis also incorporates the disproportionate effects of the pandemic on seven provinces' current and future competitiveness across key relevant indicators.

NIPoRe and ACI plan to update NCI analysis as new data become available in the future. With this, the policy stakeholders in Nepal and outside will be able to follow the most updated analysis on contemporary economic issues at the provincial level for more intense and realistic evidence-based policymaking in the country.

## Acknowledgement

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The current study presents findings of a joint-research initiative of the researchers based at the Nepal Institute for Policy Research (NIPoRe) and the Asia Competitiveness Institute (ACI) at Lee Kuan Yew School of Public Policy, National University of Singapore. We would like to acknowledge the valuable guidance and advice from ACI Director Professor Paul Cheung and NIPoRe Non-Resident Fellow Prashanta Pradhan for helping the researchers frame the overall study for Nepal.

We are thankful to the former Vice-Chair of the National Planning Commission of Nepal Dr Swarnim Waglé for writing the foreword for this report and also providing valuable guidance for the study. We would also like to acknowledge valuable guidance and contributions from NIPoRe Advisor Barsha Shrestha.

This study would not have been possible without the support of our research and administrative colleagues at both institutions. In particular, we would like to extend our sincere thanks to a competent and dedicated administrative team at NIPoRe and at ACI including Binita Nepali, Cai Jiao Tracy, Dewi Jelina Ayu Binte Johari, Lyne Po Lai Yin, Nurliyana Binte Yusoff, Santosh Sharma Poudel, and Saurav Thapa Shrestha.

We would also like to show our appreciation for the contributions from the research staff at NIPoRe and ACI – Dr Ammu George, Dr Banh Thi Hang, Dr Dawn Chow, Dr Lucas Shen, Dr Xie Taojun, Dr Zhang Chi, Anusha Basnet, Kevin Chen, Doris Liew Wan Yin, Lim Jing Zhi, Ng Wee Yang, Nischal Dhungel, Quah Say Jye, Tan Kway Guan, Rohanshi Vaid, Sahesha Upadhyay, and Zhou Jingwei.

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## List of Figures

---

Figure 1.1	Provincial Map of Nepal
Figure 1.2	GDP Growth (Annual Percent)
Figure 1.3	Gross Value Added by Agriculture Sector
Figure 1.4	Nepal's Foreign Exchange Rate
Figure 1.5	Multidimensional Poverty Index for the Provinces in 2014 and 2019
Figure 1.6	Amount of Remittance Received by Nepal per Fiscal Year and Remittance as the Percentage of GDP
Figure 1.7	Timeline of Key Events Impacting Nepal's Competitiveness
Figure 2.1	ACI's Competitiveness Framework
Figure 3.1	Two Best Performers in Macroeconomic Stability Environment for 2018
Figure 3.2	Two Lagging Performers in Macroeconomic Stability Environment for 2018
Figure 3.3	Two Best Performers in Macroeconomic Stability Environment for 2019
Figure 3.4	Two Lagging Performers in Macroeconomic Stability Environment for 2019
Figure 3.5	Two Best Performers in Government and Institutional Setting Environment for 2018
Figure 3.6	Two Lagging Performers in Government and Institutional Setting Environment for 2018
Figure 3.7	Two Best Performers in Government and Institutional Setting Environment for 2019
Figure 3.8	Two Lagging Performers in Government and Institutional Setting Environment for 2019
Figure 3.9	Two Best Performers in Financial, Businesses, and Manpower

	Conditions Environment for 2018
Figure 3.10	Two Lagging Performers in Financial, Businesses, and Manpower Conditions Environment for 2018
Figure 3.11	Two Best Performers in Financial, Businesses, and Manpower Conditions Environment for 2019
Figure 3.12	Two Lagging Performers in Financial, Businesses, and Manpower Conditions Environment for 2019
Figure 3.13	Two Best Performers in Quality of Life and Infrastructure Development Environment for 2018
Figure 3.14	Two Lagging Performers in Quality of Life and Infrastructure Development Environment for 2018
Figure 3.15	Two Best Performers in Quality of Life and Infrastructure Development Environment for 2019
Figure 3.16	Two Lagging Performers in Quality of Life and Infrastructure Development Environment for 2019
Figure 4.1	Daily Number of COVID-19 Cases
Figure 4.2	COVID-19 Decision Making Flow Chart
Figure 4.3	Provincial Allocation of COVID-19 Funds
Figure 4.4	Province-wise Vaccinated Population (in Percent)
Figure 4.5	GDP Growth Rate (in Percent)
Figure 4.6	Province-wise GDP Composition (in Percent)
Figure 4.7	Percentage of Migrant Workers by Province
Figure 4.8	Composition of Health Sector Budget
Figure 4.9	Province Health Budget
Figure 4.10	Province Budget Balance (in Percentage of GSDP)
Figure 4.11	Province Budgets for FY 2018/19 to FY 2020/21
Figure 4.12	Openness to Trade
Figure 4.13	Nepal's FDI Inflows
Figure 4.14	Foreign Investment Approval and Realization in Nepal
Figure 4.15	Province-wise FDI Stock
Figure 4.16	Province-wise FDI Projects
Figure 4.17	ODA Disbursements
Figure 4.18	Total Provincial Level Disbursements, FY 2019/20
Figure 4.19	Bank Offices per Population

## List of Tables

---

Table 3.1	Competitiveness Analysis Results of Province 1
Table 3.2	Competitiveness Analysis Results of Madhesh
Table 3.3	Competitiveness Analysis Results of Bagmati
Table 3.4	Competitiveness Analysis Results of Gandaki
Table 3.5	Competitiveness Analysis Results of Lumbini
Table 3.6	Competitiveness Analysis Results of Karnali
Table 3.7	Competitiveness Analysis Results of Sudurpaschim
Table 3.8	<i>What-if</i> Competitiveness Analysis of 2018 and 2019
Table 3.9	<i>What-if</i> Competitiveness Simulation for Macroeconomic Stability
Table 3.10	<i>What-if</i> Competitiveness Simulation for Government and Institutional Setting
Table 3.11	<i>What-if</i> Competitiveness Simulation for Financial, Businesses, and Manpower Conditions
Table 3.12	<i>What-if</i> Competitiveness Simulation for Quality of Life and Infrastructure Development
Table 4.1	Increase in the Number of Various Digital Payment System Indicators

## List of Abbreviations

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ADB	Asian Development Bank
AMIS	Aid Management Information System
BBIN	Bangladesh, Bhutan, India, Nepal Initiative
BFI	Banks and Financial Institutions
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPPA	Bilateral Investment Promotion and Protection Agreement
BRI	Belt and Road Initiative
CBS	Central Bureau of Statistics
CCMC	COVID-19 Crisis Management Center
CPI	Consumer Price Index
CPN-MC	Communist Party of Nepal - Maoist Center
CPN-UML	Communist Party of Nepal - Unified Marxist-Leninist
CTEVT	Council for Technical Education and Vocational Training
DOI	Department of Industry
FCGO	Financial Comptroller General Office
FDI	Foreign Direct Investment
FITTA	Foreign Investment and Technology Transfer Act 2019
GDP	Gross Domestic Product
GoN	Government of Nepal
GSDP	Gross State Domestic Product
IBN	Investment Board Nepal
IBRD	International Bank for Reconstruction and Development
IMD	International Institute for Management Development
IMF	International Monetary Fund
INR	Indian Rupees
LLDC	Land-locked Developing Countries
LMIC	Lower and Middle Income Countries
MAPs	Medicinal and Aromatic Plants
MCC	Millennium Challenge Corporation
MoHP	Ministry of Health and Population
MPI	Multidimensional Poverty Index
NC	Nepali Congress



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NEPSE	Nepal Stock Exchange Ltd.
NGO	Non-Governmental Organization
NPC	National Planning Commission
NPR	Nepali Rupees
NRB	Nepal Rastra Bank
NRNA	Non Resident Nepali Association
ODA	Official Development Assistance
OSR	Own Source Revenue
PPPI Act	Public-Private Partnership and Investment Act
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Agreement
SEZ	Special Economic Zone
SME	Small and Medium-sized Enterprises
TEPC	Trade and Export Promotion Centre
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	US Dollar
VAT	Value Added Tax
WB	World Bank
WEF	World Economic Forum
WHO	World Health Organization
WTO	World Trade Organization



# 01

## Introduction

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## **Chapter 1 Introduction**

### **1.1 Federal Nepal**

- 1.1.1 Geography and Governance System
- 1.1.2 Historical Snapshot
- 1.1.3 Socio-Economic Status
- 1.1.4 Development Financing
- 1.1.5 Recent Policy Challenges
- 1.1.6 Recent Political Changes

### **1.2 Competitiveness and Nepal**

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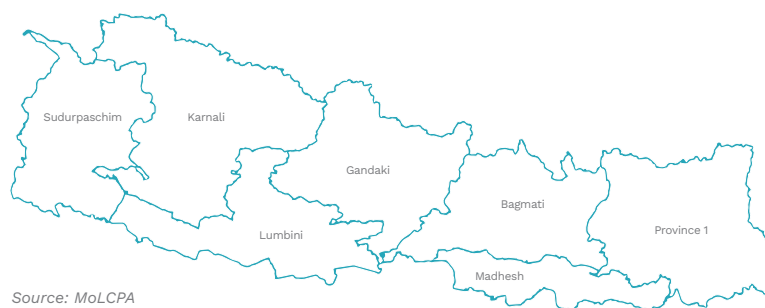
# 1.1 Federal Nepal

A macroeconomic outlook and brief details on critical aspects of geographical, social, economic, and political ecosystems

## 1.1.1 Geography and Governance System

Nepal is a landlocked country in South Asia. It shares a natural border with China in the north and an open border with India in the east, west, and south. With a length of more than 1700 km, the open border between Nepal and India is among the longest such borders shared between two different countries in the world. The country declared itself a federal democracy in 2015. The country is divided into seven provinces namely- Province 1, Madhesh, Bagmati, Gandaki, Lumbini, Karnali, and Sudurpaschim. The country's administrative units are further divided into 753 local units. These comprise six metropolitan cities, 11 sub-metropolitan cities, 276 municipalities, and 460 rural municipalities.

**Figure 1.1 Provincial Map of Nepal**



Source: MoLCPA

Geographically, the country is divided into Mountain (northern part), Hill, and Terai (southern part) regions. The Mountain region includes multiple mountain peaks above 8,000 metres, including Mt. Everest, the highest peak in the world. The Hilly region comprises key metropolises of the country, including the nation's capital city -

Kathmandu. The Terai region is the most fertile region of the country. It provides a significant contribution to the country's agricultural and industrial production.

## 1.1.2 Historical Snapshot

The late king Prithvi Narayan Shah successfully unified previously fractured states ruled by multiple rulers to pave the way for Modern Nepal in 1768. The unification was the start of the hereditary rule of the Shah Monarchs in Nepal. The Shah Monarchy was later disrupted due to the Rana Rule that started in 1856 under the leadership of Jung Bahadur Rana. It continued for the next 104 years until 1951. During the Rana Regime, the Shah Monarchs existed as the figurehead monarchy, and all the power resided with the Ranas who ruled the country as Prime Ministers. The Rana Rule came to its end in 1951 after the late Shah Monarch, King Tribhuvan, toppled Mohan Shamsher Rana's government with the help of the then Indian Leadership. Under the Rana Rule,

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After the 2006 People's Movement, Nepal abolished the monarchy and the country became a democratic republic.

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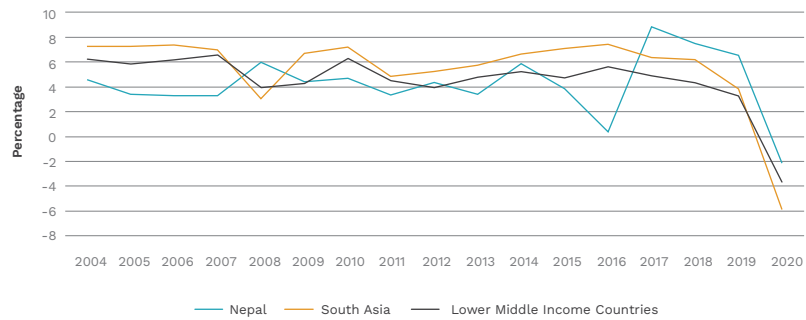
Nepal did not see much economic growth. The power and wealth of the country were concentrated among a few ruling elites, mostly the Rana families and their loyalists. Nepal had begun to see a modicum of economic growth during King Tribhuvan's reign. However, it was during King Mahendra's reign, economic and developmental plans for the country began to take a better shape. During King Mahendra's regime, Nepal joined the United Nations (UN) and created the first five-year development plan (Pant, 1956). In 1960, he introduced the Panchayat System curbing political rights and activities of all the then active political parties and actors in the country. Three decades later in 1990, after a major political movement (*popularly known as People's Movement I*), Nepal adopted a multiparty democracy. Under the new governance system, the Shah Monarchs continued to have major roles in the country's plans and policies. However, after the 2006 People's Movement (*popularly known as People's Movement II*), Nepal abolished the monarchy and the country became a democratic republic. After almost one decade of constitutional transition, Nepal adopted a new constitution in 2015 followed by general and local level elections in 2017.

## 1.1.3 Socio-Economic Status

Nepal's Gross Domestic Product (GDP) growth has seen large swings at the national level due to major disruptions, mainly the 2015 earthquake and the ongoing novel coronavirus (COVID-19) pandemic. Compared to the South Asia region and other Lower-Middle Income

countries (LMICs), Nepal has seen a slow growth since it acceded to the World Trade Organisation (WTO) in 2004 (Figure 1.2) . While the growth figures were lower than the average figures for both aggregations, since 2017, Nepal has seen better growth than the both. The earthquake in 2015, had a damaging impact on Nepal's economy. Massive reconstruction activities post-earthquake gave a significant boost to Nepal's GDP. This growth slowed after 2017 as major reconstruction works were completed by then.

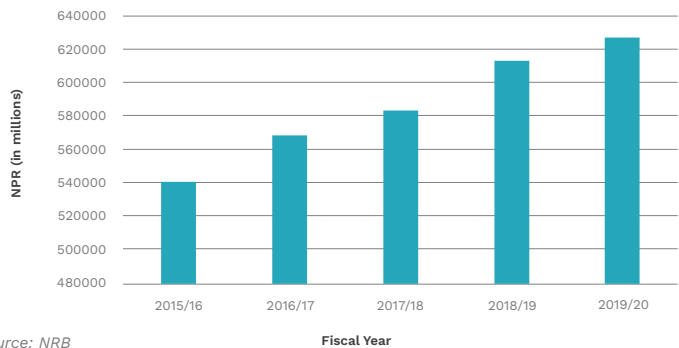
Figure 1.2: GDP Growth (Annual Percent)



Source: The World Bank

Traditionally, Nepal's economy has mainly been driven by agriculture. In recent years though, while the agriculture sector's GVA has slightly increased throughout the years, as presented in Figure 1.3, there has been little change in terms of the overall share of the GDP. This trend could be attributed to the factors that major growth in other sectors (eg. industry and service sectors) has minimized the agriculture sectors' overall GDP share. In addition, failure of the key stakeholders in the country to modernize this sector also stalled the sector's growth.

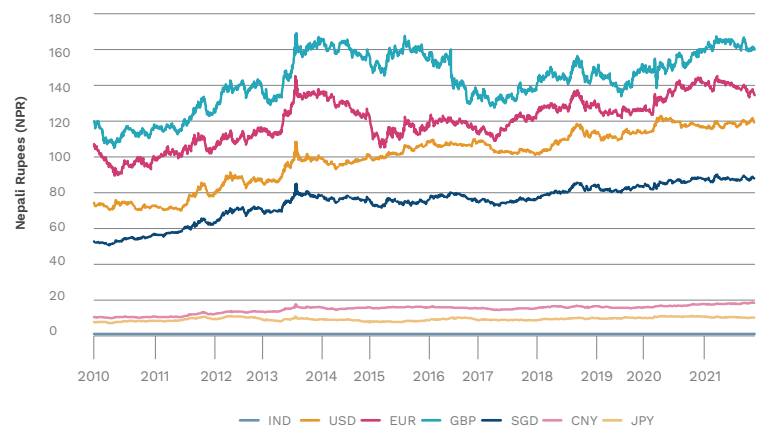
Figure 1.3 Gross Value Added by Agriculture Sector



Source: NRB

The Nepali currency, Nepali Rupees (NPR), has been pegged to the Indian Rupees (INR) since 1993 (ratio 1:1.6). This has helped Nepal to give stability to the national currency as Nepal heavily relies on India for most of the exports and imports. With the other key global currencies, the fluctuation is highlighted in Figure 1.4.

Figure 1.4 Nepal's Foreign Exchange Rate



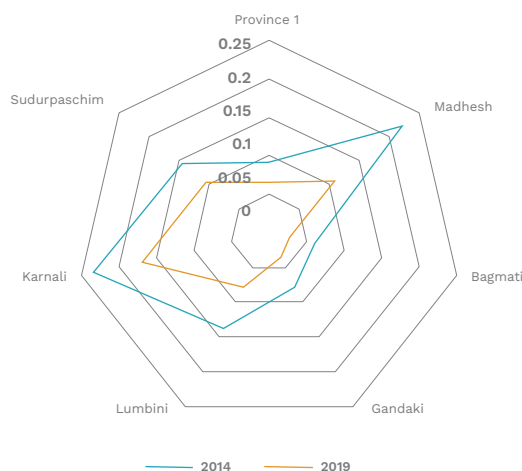
Source: NRB

On the inequality front, the Gini coefficient for the country was 32.8 (as percentage) in 2010 (The World Bank, 2010). The value indicates that Nepal currently has only a low to moderate level of inequality. While the level of inequality is less, Nepal continues to have a considerable share of poverty, mostly in rural parts of the country. According to the Multidimensional Poverty Index (MPI)<sup>1</sup> Report published in 2021 by the National Planning Commission (NPC), 17.4 percent of the country's population is multidimensionally poor. The MPI measures the summary poverty figures - the proportion of the population that is deemed poor and the breadth of poverty experienced by the poor household using a range of indicators. The provinces have seen uneven growth throughout the past decades and as a consequence, Nepal's inter-provincial poverty varies by a large margin. At the provincial level, in 2019, Bagmati has the lowest score while Karnali has the highest score. This means Karnali has the highest proportion of the poor. Figure 1.5 shows that between 2018 and 2019 the poverty has decreased drastically across all the seven provinces.

<sup>1</sup> The MPI measures the summary poverty figures - the proportion of the population that is deemed poor and the breadth of poverty experienced by the poor household using a range of indicators.



**Figure 1.5 Multidimensional Poverty Index for the Provinces in 2014 and 2019**



Source: Nepal Multidimensional Poverty Index: Analysis Towards Action, NPC

## 1.1.4 Development Financing

Nepal still lags behind in securing enough local revenue to finance key development and investment expenses. As a result, Nepal continues to rely on external sources to meet growing development spending. Nepal has been receiving a considerable amount of aid from the country's bilateral and multilateral partners for decades. Recently, to secure enough financial resources for financing major development activities and large-scale infrastructure projects, Nepal has also focused on securing Foreign Direct Investment (FDI).

In the FY 2019/20, Nepal received USD two billion in foreign aid which accounted for 23.3 percent of the national budget. Of the total aid received that year, 69.9 percent comprised of loans followed by 18.7 percent as grants, and 11.3 percent as technical assistance. Additionally, in terms of aid sources, 71 percent of the foreign aid was disbursed through multilateral partners while 29 percent of the aid was disbursed through the country's bilateral partners. That year, USA, the UK, India, China, and Japan remained the top five bilateral partners.

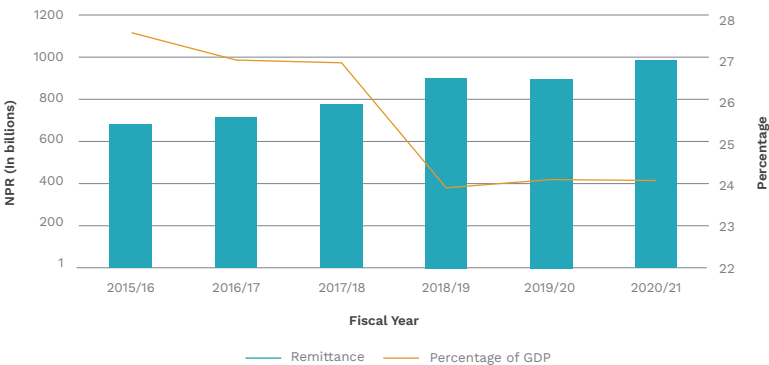
The Government of Nepal (GoN) prioritises FDI as one of the key investment sources for financing Nepal's development activities, mainly large-scale infrastructure and hydropower projects, in the recent years. GoN's priority could be felt through Nepal hosting frequent investment summits in the recent years. Nepal first hosted

an investment summit in 1992. After a gap of almost three decades, Nepal hosted two investment summits, one each in 2017 and in 2019. These recent investment summits were aimed at meeting Nepal’s growing financial needs after the country adopted a federal system of governance, especially to finance major large-scale projects in each of the seven provinces. While hosting these summits, to better facilitate FDI in the country, Nepal has amended most of the related policies, including the Foreign Investment and Technology Transfer Act 2019, the Special Economic Zone Act and its subsequent revision in 2019, and the Public-Private Partnership and Investment Act among others.

In 2019, the net inflow of FDI coming into South Asia stood at \$56 billion. Out of this investment inflow, India received the highest FDI (\$50 billion), and Bhutan received the lowest (\$13 million). Nepal received a total of \$185 million FDI during that fiscal year. In terms of FDI, Nepal still is a minor player in South Asia as it receives only a fraction of the FDI that South Asia receives.

In addition to aid and FDI, Nepal relies heavily on remittance to manage the country’s overall public finance. The growing remittance in recent years has also allowed the remittance recipient families to have additional expenses for their household, educational and health needs. Figure 1.6 shows the amount of remittance Nepal has received in recent years.

**Figure 1.6 Amount of Remittance Received by Nepal per Fiscal Year and Remittance as the Percentage of GDP**



Source: NRB and The World Bank

In addition, research has shown that remittance receiving households are 2.3 percent less likely to be caught in poverty in comparison to a non-remittance receiving household and the probability of households falling to poverty decreases by 1.1 percent with every ten percent increase in remittance a household receives (Bhanjankar and Sakha, 2021).

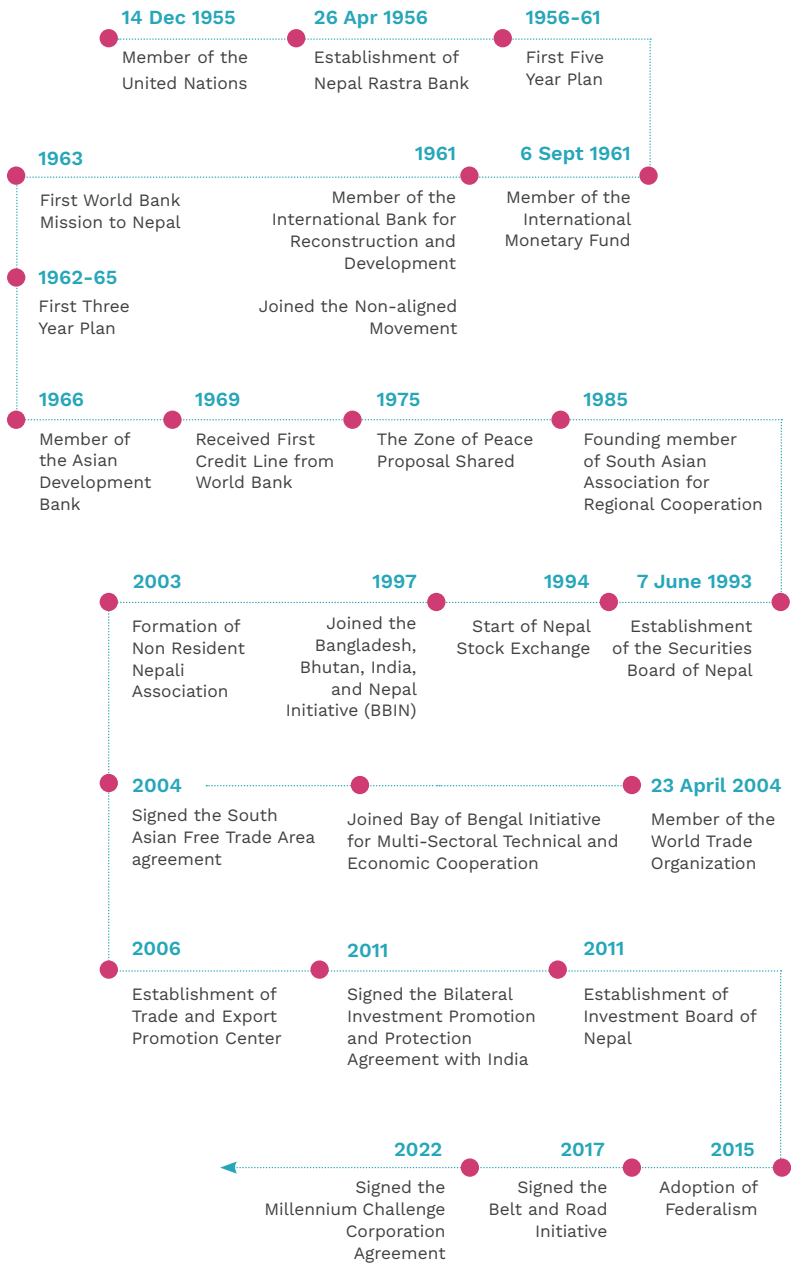
## 1.1.5 Recent Policy Challenges

During the last two decades, Nepal faced some key policy challenges due to disasters, pandemics, and political crises. These include the constitutional crisis between 2006 and 2015, Nepal Earthquake in 2015 and the ongoing COVID-19 Pandemic. All three crises occurred in a sequence and at a time while Nepal was beginning to recover from the earlier crisis. For example, while Nepal was about to adopt a new constitution in late 2015, the country was hit by a major earthquake in April 2015. By the early 2020s, while Nepal was on a comfortable path to recovery from earthquake damages, COVID-19 hit the economy. This way, multiple crises occurring one after another have severely affected Nepal's economic priorities and this could be reflected in Nepal's growth indicators for the past two decades.

## 1.1.6 Recent Political Changes

The election coalition formed by K. P. Sharma Oli, the chairman of the Communist Party of Nepal - Unified Marxist-Leninist (CPN-UML) and Pushpa Kamal Dahal, the chairman of the Communist Party of Nepal - Maoist Center (CPN-MC) won a two-third majority of seats in the 2017 elections in Nepal. Mr Oli became the Prime Minister with the main aim of achieving economic prosperity during his tenure with a slogan "Samriddha Nepal, Sukhi Nepali" (Prosperous Nepal, Happy Nepali). However, the nationwide spread of COVID-19 by late 2020 and related power struggles within the ruling party led Oli Government to collapse. This was followed by formation of a new coalition government under the Prime Ministership of Mr Sher Bahadur Deuba, Nepali Congress (NC) President in July 2021. Yet again, these major political events and leadership changes amid the COVID-19 crisis could be seen as distracting factors for Nepal to have a proper focus on better managing the pandemic for quick economic recovery. This is sure to have negative impacts across Nepal's key economic sectors for decades to come.

Figure 1.7 Timeline of key events impacting Nepal's competitiveness



Source: NIPoRe's compilation

## 1.2 Competitiveness and Nepal

Competitiveness has in recent history become a primarily analysed term. Competitiveness in the long term implies an increase in the level of economic efficiency and quality of products and services, which is a vital determinant of the long-term increase in living standards (Segota, Tomljanovic and Hudek, 2017). As a critical requirement of long-term competitiveness, many authors also emphasise close cooperation between community, government, and society (Segler, 1986). There are varying definitions of the competitiveness concept by some of the institutions working in this sector. Although there are differences in definitions and measuring techniques among these available competitiveness indices, they look at the larger scale and measure economies' competitiveness against each other.

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A provincial level competitiveness analysis provides a basis for targeted and more realistic policies and programs at the provincial levels.

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The World Economic Forum (WEF), defines competitiveness as “the set of institutions, policies and factors that determine the level of productivity of a country”. It measures competitiveness among countries through the Global Competitiveness Index 4.0, consisting of 12 distinct pillars grouped into three sub-indexes (Cann, 2017). In the WEF's Global Competitiveness Index Nepal ranked 108th in 2019, an increase of one rank from 2018 with a score of 51.6 among 141 countries.

Similarly, the World Competitiveness Yearbook published by the International Institute for Management Development (IMD), defines competitiveness as the countries' ability to manage their competencies to achieve long-term value creation. IMD views competitiveness as a more holistic concept, beyond GDP and productivity indicators, as the respective economy's enterprises also must cope with political, social, and cultural dimensions quite often. Governments, therefore, need to provide an environment characterised by efficient infrastructure, institutions, and policies that encourage sustainable value creation by the enterprises. IMD uses 344 competitiveness criteria to measure competitiveness, grouped into 20 sub-factors of equal weightage (IMD, n.d.). However, IMD does not incorporate Nepal's performance in its competitiveness analysis.

Meanwhile, a significant gap exists in measuring a nation's internal or provincial competitiveness, which provides the basis of its inherent competitiveness. A nation divided into different local administrative

levels has different strengths across its provincial governments. Variations in development, geography, and natural heritages among others lead to niche competitiveness points for the sub-regions. For example, in the Nepali context, the mountain region is found to be more competitive in tourism and hotel infrastructures than in agriculture. At the same time, the Terai plains have more irrigable land and thus are more competitive in agriculture. Therefore, this measure becomes necessary to enable policymakers, private sector actors, development partners, and even the public to identify sectoral strengths and address imbalances among the sub-groups. Additionally, a provincial level competitiveness analysis provides a basis for targeted and more realistic policies and programs at the local levels. It can help recognize local problems with higher accuracy, increase efficiency through competition, and provide opportunities for sharing individual learnings. This is the motivation for forming the Nepal Competitiveness Index (NCI) to study the competitiveness of Nepal's provincial governments.