



# INTEGRATED SDG INSIGHTS NEPAL

This initiative supports the articulation of national commitments to SDG transformation, towards accelerated SDG action in the second half of the 2030 Agenda.



# HOW TO READ THIS REPORT



Integrated SDG Insights provides an overview of a country's economic growth trajectory, highlighting potential conflicts between growth, environmental concerns, and societal well-being (referred to as the **SDG Moment**).



It builds from the foundation of national SDG progress through the lens of the 5Ps and uses machine learning to analyse national development ambition with an SDG lens (**SDG Trends & Priorities**).



Combined, these insights are mapped against SDG interlinkages to define policy choices that accelerate SDG progress, tailored to national context (**SDG Interlinkages**).



These policy choices are made against fiscal constraints and opportunities for stimulus to ensure choices translate to development impact and leave no one behind (**Finance & Stimulus**).

# SDG MOMENT: NEPAL

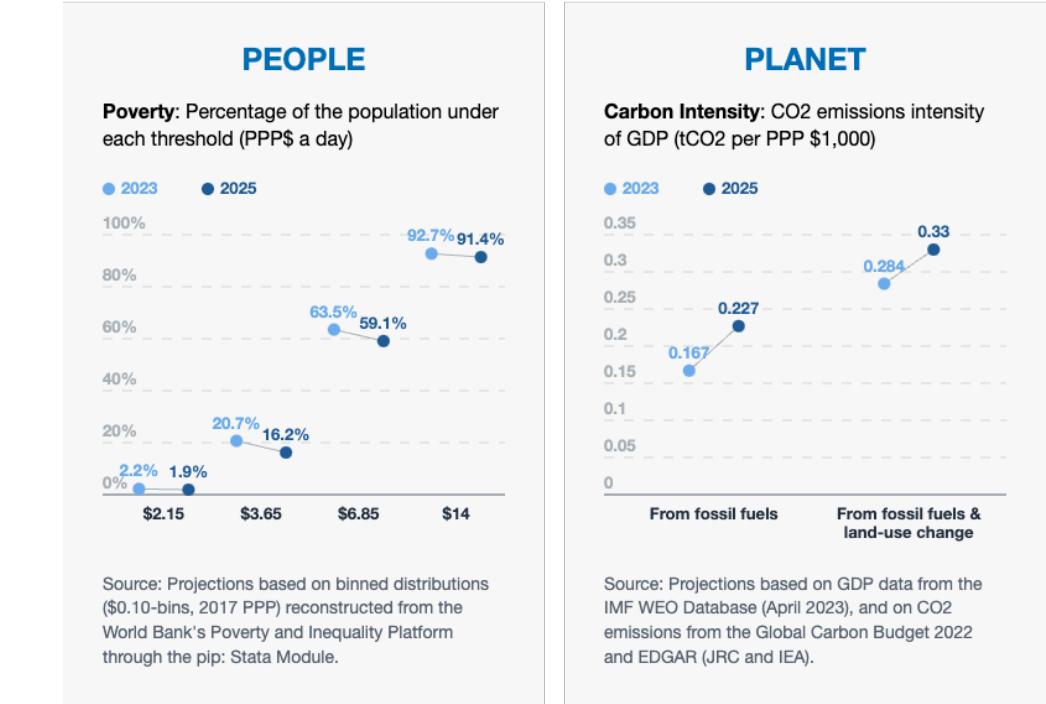
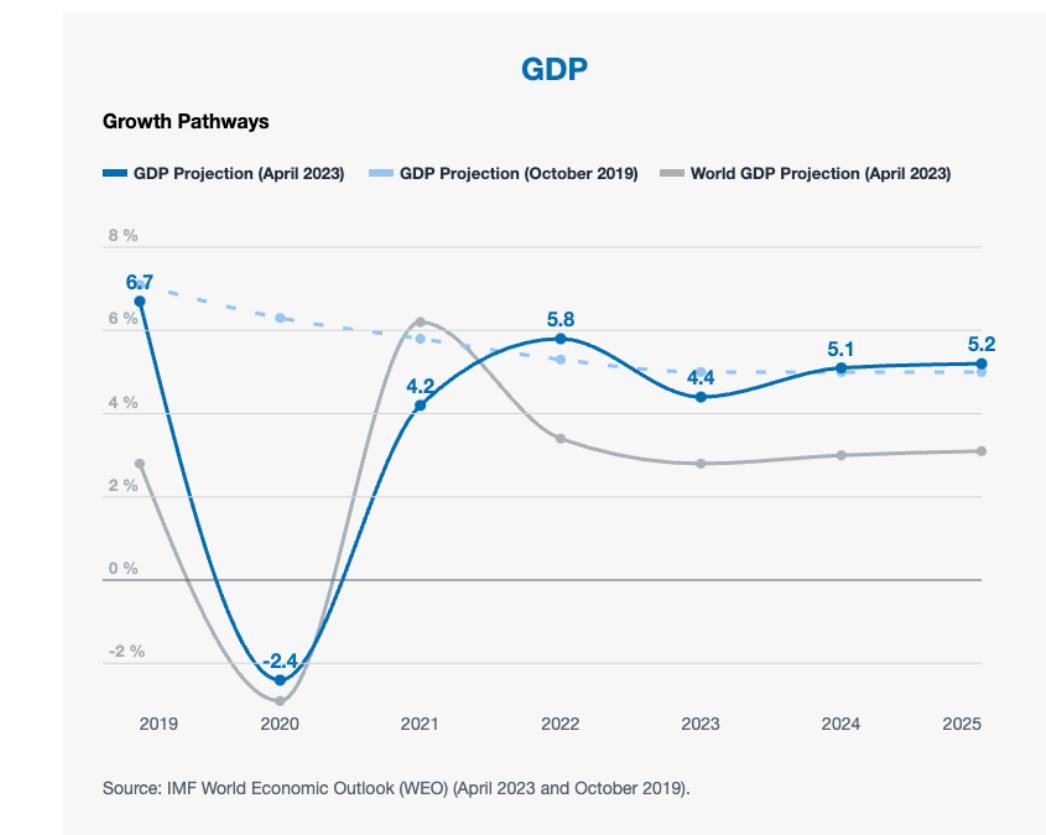
While economic growth is a key element in achieving the SDGs, many countries are intent on moving beyond growth as a yardstick for progress. In the short run, growth enables the SDGs; but in the long run, the SDGs aim to transform the pattern of growth itself.

Nepal's economy is in mitigation mode in 2023, but it is expected to accelerate by 2024-2025.<sup>1</sup> This pace of growth is characterized by being 65% higher, on average, than the global figure, and aligned to the country's growth trajectory forecast before the pandemic. Accordingly, Nepal's commitments to achieving the SDGs are focused on increasing employment opportunities with high economic growth.

While Nepal has made good progress in reducing extreme poverty, there are significant disparities when considering geography and social groups. Poverty is concentrated in Karnali, Sudurpashchim and Madhesh provinces and among Dalits. Moreover, poverty measured by the Multidimensional Poverty Index (MPI) is high: almost 5 million Nepalis are multidimensionally poor. The economic expansion, on the other hand, comes at the expense of the environment as the country's carbon emissions intensity of GDP is expected to increase at an annual rate of 18% due to fossil fuel usage and of 8% when also considering land-use change.<sup>2</sup>

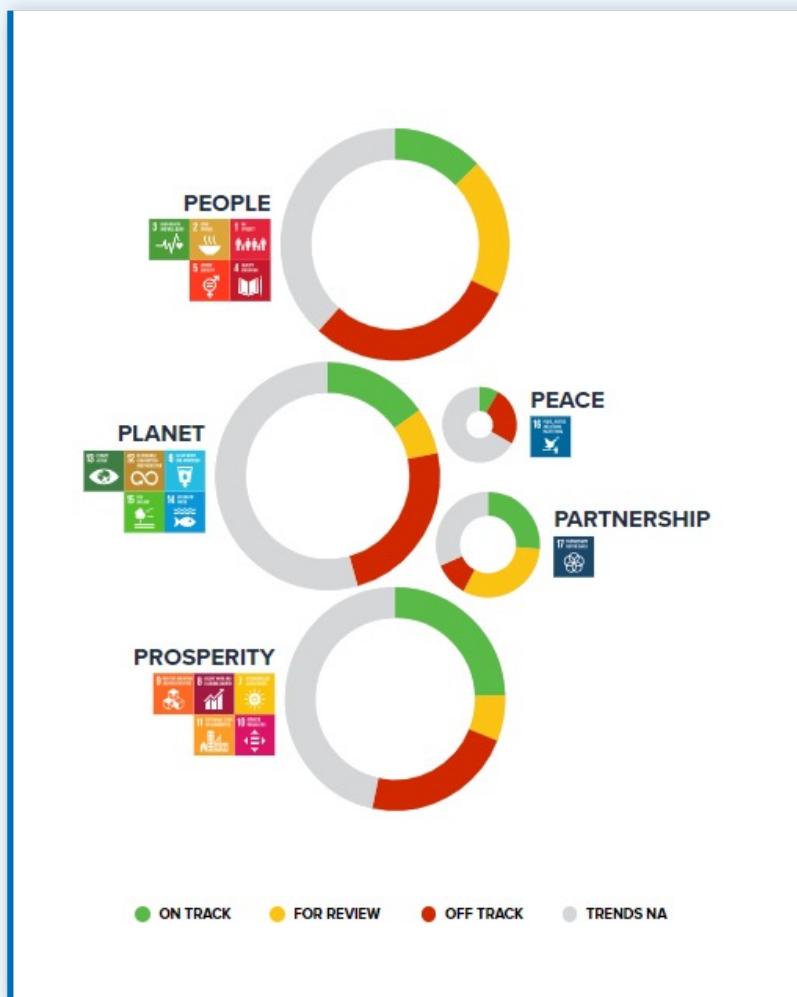
<sup>1</sup> The economic cycle is determined by adjusting the country's current GDP growth forecasts (April 2023) by their gap relative to the forecasts made before the pandemic and subsequent crises (October 2019). If the adjusted rates (not shown) are below 2%, the economy is considered in mitigation; it is coping if the adjusted rates range between 2%-4%, and it is in acceleration if they are above 4%.

<sup>2</sup> CO2 emissions intensity of GDP is computed as tonnes of CO2 per \$1,000 (2017 PPP).



# SDG TRENDS

Understanding how Nepal performs against the SDG targets provides a baseline landscape against which to build integrated SDG pathways. SDG progress tracking follows [UN Stats](#) standards and [methodology](#), and is aligned with country profiles.



- Additional national SDG data has been incorporated to address gaps and provide a comprehensive overview for identification of SDG policy pathways.

# SDG PRIORITIES

Nepal's national priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents. This analysis uses a custom-built model for SDG classification. It considers 100k+ terms, including phrases and expressions.



## Key documents for analysis:

1. The Fifteenth Plan (Fiscal Year 2019/20-2023/24)
2. Budget Speech of Fiscal Year 2023/24
3. Needs Assessment, Costing and Financing Strategy for the SDGs
4. Voluntary National Review 2020
5. Second Nationally Determined Contribution
6. United Nations Sustainable Development Cooperation Framework 2023-27

# SDG INTERLINKAGES

SDG interlinkages reveal how actions directed towards one SDG can impact others. Uncovering and understanding these interactions can help Nepal to achieve the 2030 Agenda for Sustainable Development and to navigate trade-offs.

Based on a global framework for interlinkages, Nepal's SDG progress is colour-coded at the target level.

Building from national trends and priorities, the following integrated SDG pathways reflect policy choices with the most potential to accelerate the SDGs for Nepal:

- Target 8.5: Full employment and decent work with equal pay
- Target 9.1: Develop sustainable, resilient and inclusive infrastructures
- Target 16.6: Develop effective, accountable and transparent institutions



## ACCELERATION PATHWAYS



# SDG INTERLINKAGES

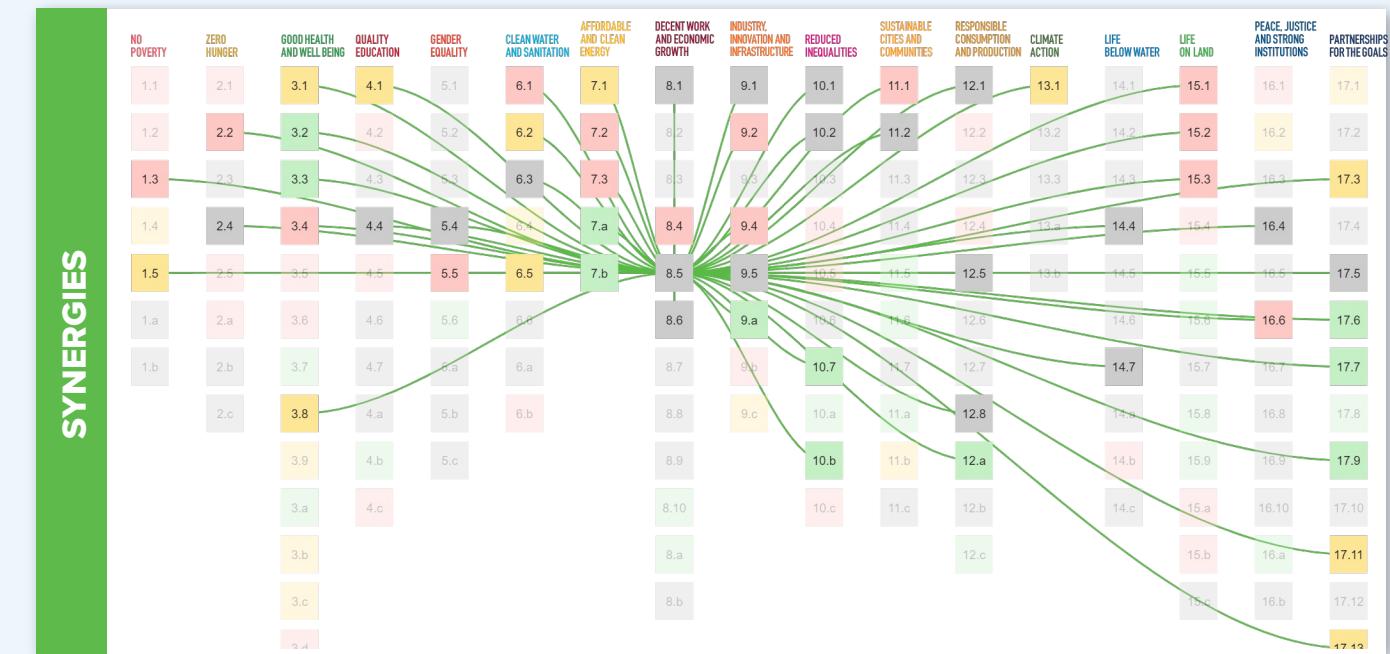
## 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

The right to employment is one of the fundamental rights guaranteed by the Constitution of Nepal. Creating jobs and employment opportunities for people leads to increased household incomes and in turn has positive impacts on multiple SDGs. Investments in SDG Target 8.5 can help accelerate poverty reduction (SDG1), reduce malnutrition (SDG2) and increase access to drinking water and sanitation facilities (SDG6). Investing more in employment creation may lead to the limited availability of development finance for renewable energy, and hence may result in slow progress in increasing the share of renewal energy in the global energy mix.

Despite efforts, employment generation for half a million youths entering the job market every year has been a major challenge. There are almost one million unemployed workers in Nepal, of which 69.1 percent are young people aged between 15 and 34 years. The lack of opportunities for decent work in Nepal leads to many youths looking for work to seek opportunities abroad as low skilled migrant workers. More than half of million youths leave the country every year. There are stark gender inequalities in the Nepali labour market. The female labour force participation rate is 26.3%, about half that of men (53.8%), which is also relatively low compared to other developing countries. When in the labour market, women are paid on average, Rs. 0.70 for each rupee earned by men for work of equal value and are more frequently in informal employment - 90.5% against 81.1% for men.

With globalization, automation, digitization, demographic changes, climate change and other environmental changes, the ‘world of work’ is being transformed which has a higher impact on those who are not educated and/or less educated and are not connected to the outside world. To protect the interests of the poor and vulnerable groups of the population, the government has adopted some social security measures, including the Prime Minister’s Employment Programme which guarantees a minimum of 100 days employment or the provision of a subsistence allowance for the people. However, with the changing world of work the government needs to substantively engage and provide training in new areas, primarily focusing on information technology, financial services, among other sectors.

● ON TRACK      ● FOR REVIEW      ● OFF TRACK      ● TRENDS NA



Explore the interlinkages at:

<https://data.undp.org/sdg-push-diagnostic/NPL/synergies-and-tradeoffs>

# SDG INTERLINKAGES

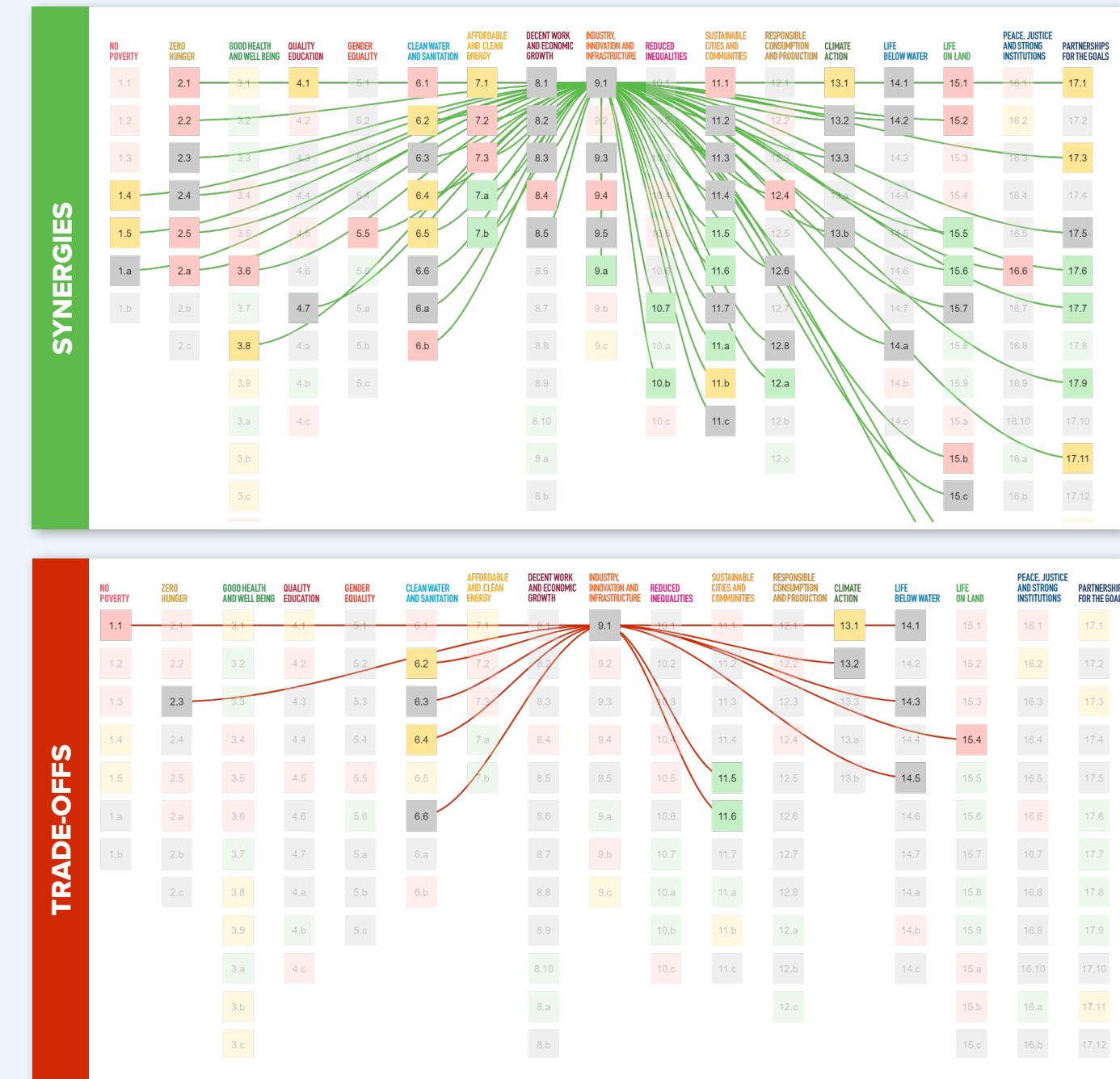
## 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Infrastructure is essential for fostering economic growth and creating job opportunities (SDG 8), as well as for improving human capital by ensuring access to health (SDG3) and education (SDG4) opportunities. However, the expansion of infrastructure may lead to increased environmental pollution and risk of loss of biodiversity, negatively impacting SDGs 6 and 15.

Currently, about 93 per cent of the total population have access to electricity with 2,200 MW capacity, which is very low compared to the potential of more than 40000 MW capacity. The total length of blacktopped roads is 12,300km and the road density is just 0.61 km/sqm – very low when compared to other developing countries. Only 54.2% of the rural population have access to all-season roads in Nepal as compared to 86.7% of the rural population in Bangladesh.

The low level of infrastructure also makes the Nepalese economy a high-cost economy and erodes its capacity of producing goods and services at lower cost compared to its comparator countries. Despite these challenges, the infrastructure sector suffers from chronic underspending of the capital expenditure budget. This limits the progress on development goals and prolongs the duration of infrastructure gaps. As a landlocked country, enhanced regional road connectivity and corridors can have a significant positive impact on the Nepalese economy. Infrastructure development in Nepal, however, has caused environmental damage, especially in the hills. Studies have shown that road construction without proper environmental safeguards has destroyed forests and caused landslides.

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# SDG INTERLINKAGES

## 16.6: Develop effective, accountable and transparent institutions at all levels

With the promulgation of the constitution, the country adopted a federal system of governance with three tiers of government: federal, provincial and local. Apart from the federal government at the centre, there are seven provinces and 753 rural and urban municipalities. Several functions related to service delivery have been devolved to the local level. Strengthening the capacity of state institutions, including the legislature and judicial entities at all three levels, will ensure rule of law and justice, reduce corruption and improve public service delivery. This, in turn, will have positive impacts on multiple development outcomes – such as reducing inequalities and improving service delivery and resource management. However, the local levels have a huge capacity gap, including the human resources capacity to fulfil these functions.

The government has been implementing the Province and Local Government Support Program to strengthen the capacity of these governments to formulate the necessary laws and policies and to strengthen the capacity of officials to implement the laws, in line with the constitutional spirit.

For the federal system to function effectively, several laws, including on the civil service, police, education, agriculture, among others, at the federal level need to be either formulated or revised to allow province and local governments to function with the level of autonomy provided for in the constitution.

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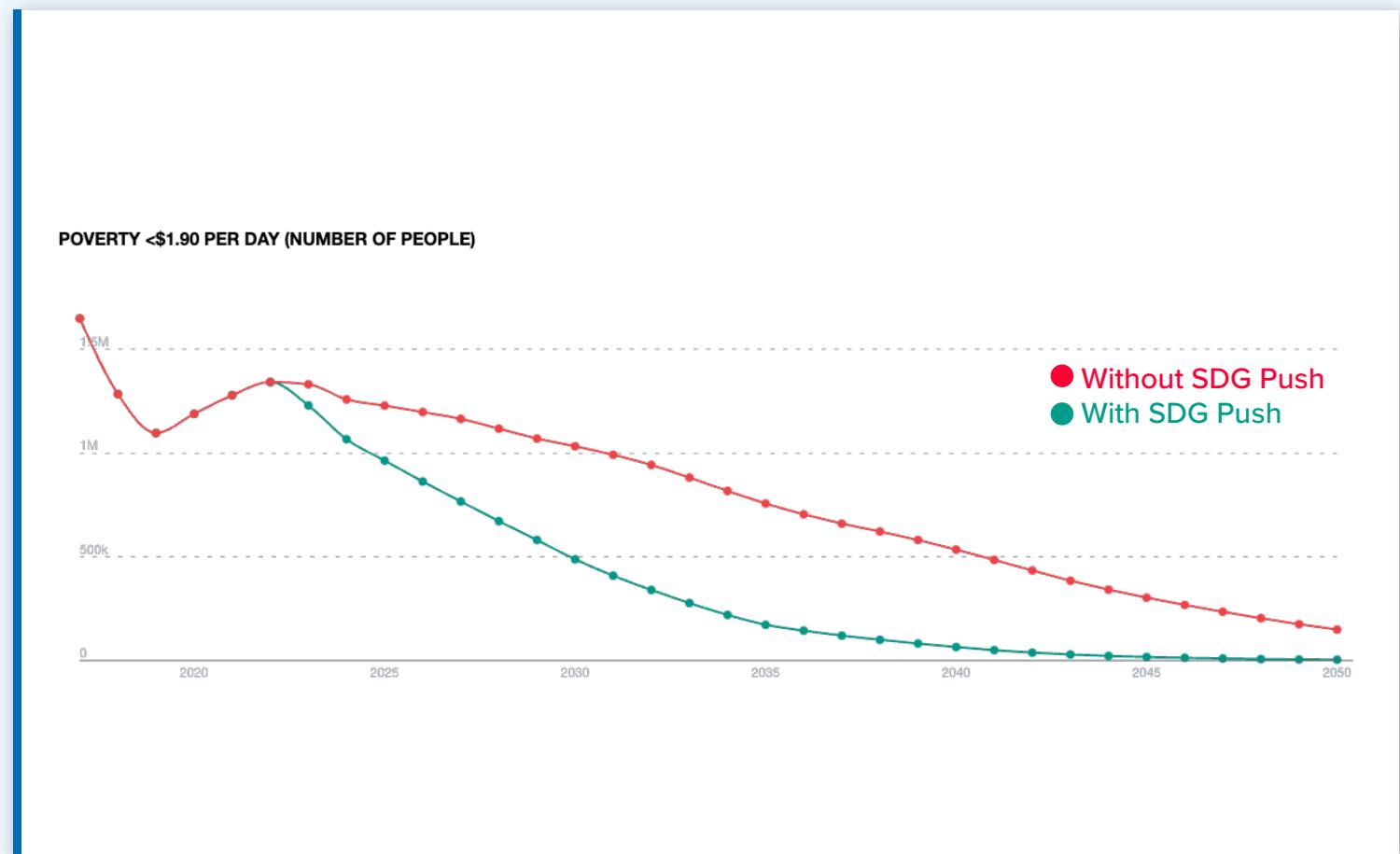
# FUTURES SCENARIOS

## Achieving the SDGs is possible.

The ‘SDG Push’ is a futures scenario based on 48 integrated accelerators in the areas of Governance, Social Protection, the Green Economy and Digital Disruption. It uses national data to explore the impact on human development by 2030 and by 2050 across key SDG indicators, extrapolating the latest economic growth trends and assuming a reduction in inequalities across time.

Incorporating ‘SDG Push’ accelerators into development interventions in Nepal can reduce the number of people living in poverty over time.

People living in poverty	By 2030	By 2050
Without the SDG Push	1.0 mn	150,000
With the SDG Push	490,000	4,000



Explore SDG Futures Scenarios at:

<https://data.undp.org/sdg-push-diagnostic/NPL/future-scenarios>

# FINANCE & STIMULUS

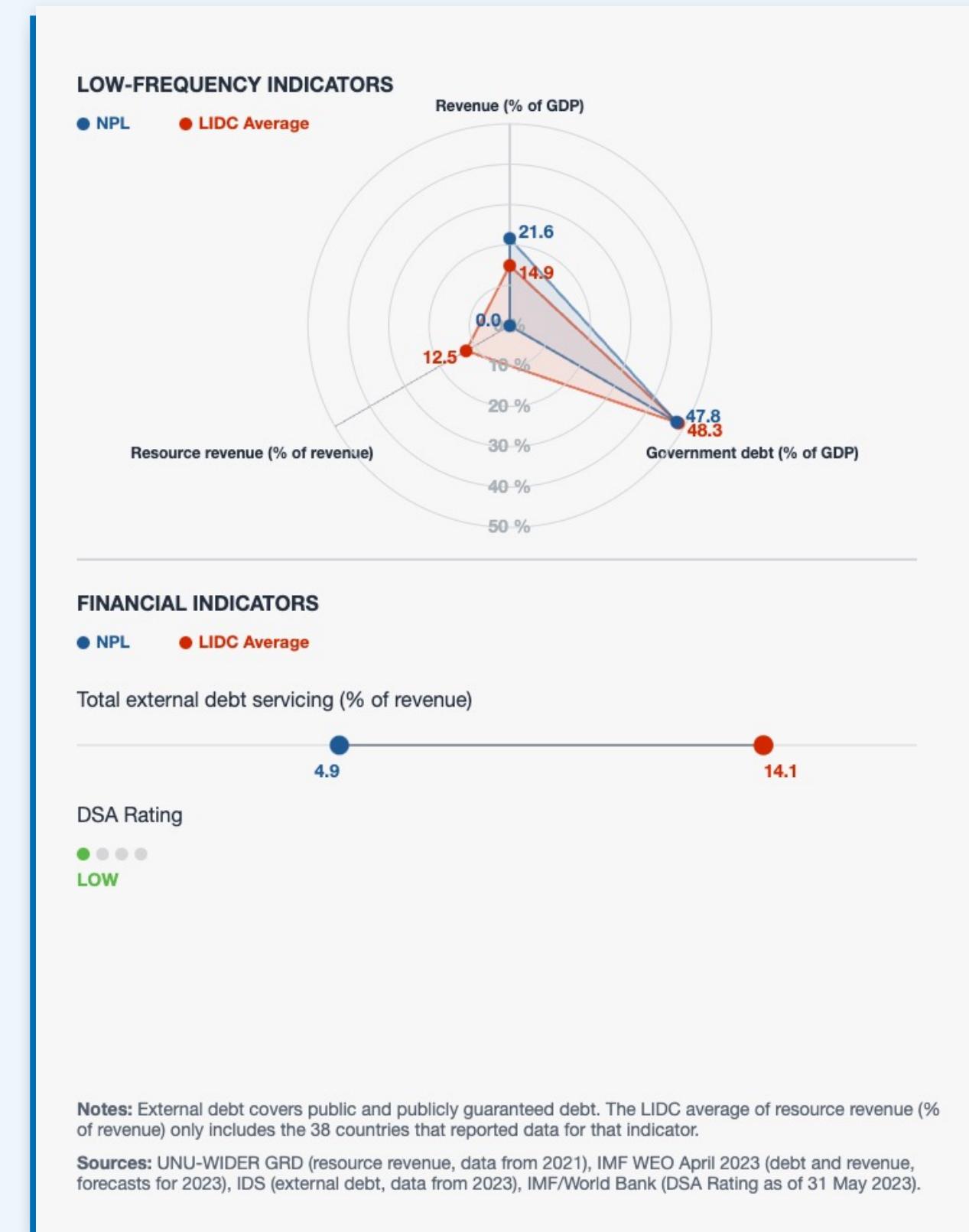
Many countries are facing reduced fiscal space, high debt levels, rising interest rates and downgrades on credit ratings. Fiscal and financial constraints tend to slow or even reverse SDG progress.

The radar diagram shows low frequency data points linked to government revenue and debt as a proportion of GDP and the natural resource share of total revenue. The financial indicator graphs show external debt servicing relative to revenue and the country's latest Debt Sustainability Assessment (DSA) risk rating.

Nepal's gross government debt, projected at 47.8% of GDP in 2023, is close to the low-income developing countries (LIDC) group figure of 48.3%. The country is projected to collect 21.6% of GDP in revenue this year, nearly 1.5 times the LIDC average of 14.9%.

Nepal's external debt servicing relative to revenue, at a projected 4.9% this year, is nearly a third of the LIDC group's 14.1%. According to the latest World Bank and IMF DSA from January 2022, Nepal is at 'low risk of debt distress'.

Nepal's requires roughly US\$19 billion per year on average to achieve the SDGs, out of which one third is a financing gap. Nepal is planning to develop an Integrated National Financing Framework (INFF) to address key fiscal and financial constraints and to build a more sustainable financial architecture at the national level. Nepal is graduating from Least Development Country (LDC) status in 2026, and official development assistance, in the form of grants and concessional loans, will decline. Mobilizing domestic finance and international private finance should be a priority for the country.



# SDG STIMULUS

The UN Secretary General's SDG Stimulus Plan lays out a blueprint for action within the existing financial architecture. It includes:

- Providing liquidity to support recovery in the near term
- Enhancing debt relief for vulnerable countries
- Expanding development financing by MDBs
- Aligning financial flows with the SDGs and the Paris Agreement, according to country-level priorities and needs, for example through the roll-out of the UN Integrated National Financing Framework (INFFs).

Given the projected fiscal and financial constraints faced by Nepal, possible funding options for the investments derived from the identified interlinkages are as follows:

- Climate finance
- Blended and public-private finance for infrastructure development
- Accessing financial markets and insurance
- Remittances, philanthropy and faith-based financing

## United Nations Secretary-General's SDG Stimulus to Deliver Agenda 2030

FEBRUARY 2023



# METHODOLOGY

Click [here](#) to view the Methodological Note for the Integrated SDG Insights



## SDG MOMENT

### Methodology

Assesses challenges and opportunities in national growth trajectories with insights on environmental sustainability and inclusiveness.

### Data Sources

Future trajectories to 2025 are based on IMF-WEO GDP projections, distributions of per capita income or consumption from the World Bank, and CO<sub>2</sub> emissions from the Global Carbon Budget 2022 and EDGAR (JRC and IEA).



## TRENDS & PRIORITIES

### Methodology

SDG trends tracks progress from 2015 to date for the 231 indicators. National priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents.

### Data Source

Trends utilizes official [UN statistics](#) to assess [SDG progress](#), supplemented with national data when available. Priorities uses a custom-built model for SDG classification. The policy documents analyses are provided by Governments.



## INTERLINKAGES

### Methodology

Global target-level interlinkages are drawn from the [KnowSDGs Platform by European Commission](#). SDG interlinkages were retrieved through a structured literature review in Scopus and Google Scholar to tap both grey literature and peer-reviewed publications as a source of information.

### Data Source

The exercise globally considered a total of 454 documents published from 2015 to August 2022. ([Miola et al., 2019](#) updated in [2021-2022](#))



## FINANCE & STIMULUS

### Methodology

Provides insight into indicators of fiscal and financial stress with options (INFF) for stimulus and other means to accelerate progress.

### Data Source

Most recent resource data from UNU-WIDER GRD (between 2018 and 2021), debt and revenue from IMF WEO (between 2020 and forecasts for 2023), external debt from IDS (2023), yields from Haver Analytics (8 June 2023), credit ratings from S&P, Moodys and FITCH (2023), and DSA ratings from World Bank/IMF (31 May 2023).