

# SOUTH ASIAN ECONOMICS STUDENTS' MEET



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**NEWSLETTER**

# CELEBRATING 16TH EDITION OF SAESM

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## South Asian E C O N O M I C S STUDENTS' MEET

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**SAESM** as a platform for undergraduate students of economics to share intellectual space began in 2004 and continued through the last decade to reach the 16th edition, which we are celebrating in Kathmandu, Nepal. The continuous engagement of undergraduate students for the past 15 years brings hope that one day these young economists will shape the future of the region thereby arresting the several development challenges.

The conference through its past 15 editions have provided a platform for many important priorities of South Asian development agenda- Poverty, Jobs, Climate change, Reforms, Sustaining growth, Globalization, Political economy of the region amongst many others. Through presentation of research papers and discussions these young undergraduate of SA majoring in economics from various colleges and universities have formed their own perceptions and assessments of the regions pressing issues of progress and prosperity and they carry forward the future development aspirations of these nations through the chosen professional careers of these SAESM alumni.

Our alumni's spread across both developed and developing parts of the world and in many capacities- academics, corporate, researchers, business consultants, entrepreneurs and some even in governments are bringing recognition to SAESM's ideas and goals. From a small beginning in Delhi (2004), it has now received attention and words of appreciation from many universities, think tanks, NGO, multilateral agencies, philanthropic donors, foundations for sustaining a movement which encourages young minds of region to meet to further the economics discourse of the entire South Asian region. In a region whose

political economy remains fragile and growth aspirations much lagged behind the leading nations of the 21st century, SAESM is a unique effort to share intellectual space amongst undergrad scholars and create social bonding for life. To this endeavour of us, we feel blessed to have a strong group of committed academics, who continue to lead and guide SAESM beyond their classroom.

15 years of sustaining, SAESM is commendable but a long journey remains to be undertaken, where for every smooth road remains, several difficult stretches to walk on foot. The conference engages a small fraction of the large pool of undergraduate talent that studies economics in every country of the region due to resource constraint. We hope to bring and connect with more such talented students in the coming years. Our future efforts will see increasing the number of activities, which brings the development aspirations of South Asia as a region to the classroom of every college and university in the region. To this end, we aspire to connect with our alumni based in the region and take them alongside to reach out to the young scholars of economics.

There are centres of South Asian studies/development in several universities in developed world. We would like to reach out to them to take notice of our small initiative within the region. Further, to support us by collaborating with us to bring to our students within the region, ideas and issues that are often researched and formed in these centres ( and universities) about South Asia's future and its path to high self-esteem arising out of unshackling the barriers to development and peace. This remains a focus for future of SAESM.

As we assemble in vibrant Himalayan city of Kathmandu in the last week of January 2020 to unfold yet another edition of SAESM, I wish all participating countries and their students a productive engagement with the challenges of South Asia's development and

lifelong bonding amongst many of you who will meet each other for the first time. Together, we shoulder the development path of South Asia- a region often sadly known only for hunger, disease, and poverty.

- DKD



***Top economics undergraduates and faculties from Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka at the 15h South Asia Economic Students' Meet (SAESM) in Colombo, Srilanka.***



# 15TH SOUTH ASIAN ECONOMICS STUDENTS' MEET

## 2019 COLOMBO

The 15th South Asian Economics Students' Meet (SAESM), hosted by Department of Economics, University of Colombo, was held during 22nd-26th January 2019 in Colombo, Sri Lanka. The theme for 15th SAESM was —Development in South Asia: Challenges and Opportunities.

The development experience of the South Asian countries since the mid-1950s has been rich, though varied. Recent decades have seen accelerated development in many of the South Asian countries, and some of them are now the fastest growing countries in the world. The 15th SAESM explored some of the major challenges and opportunities that the countries now face in the road to further development. It gave youths of South Asia a platform to examine past ex-

periences, critically evaluate the effectiveness of the existing regional integration regime, and suggest a way forward in building an integrated —one South Asia.

### Sub-themes and Winners:

Under the broad theme of —Development in South Asia, there were ten sub-themes encompassing various areas based on the development issues. One student from each member country presented a paper on one of the sub-themes. The sub-themes and their respective winners are given below.

Sub-theme		Winners	Title of the Papers
1.	Human Resource Development	Hiba Hassan, Lahore School of Economics, Pakistan	Human Capabilities and Economic Growth
2.	The Informal Economy in South Asia	Abhinav Verma, Ashoka University, India	Understanding Manufacturing Informality: Productivity and Employment Linkages with the Formal Economy
3.	Environmental Sustainability	Ayesha Ahmed, University of Dhaka, Bangladesh	Environmental Kuznets Curve Analysis: Evidence from South Asia
4.	Gendered Work and Gender Equity	Avinno Faruk, University of Dhaka, Bangladesh	Analyzing the Glass Ceiling and Sticky Floor Effects in Bangladesh: Evidence, Extent and Elements
5.	Poverty and Food Security	Sahar Afshar, Kabul University, Afghanistan and W.M.P.M. Wijayawardhana, University of Sri Jayewardenepura, Sri Lanka	Agricultural Productivity and Poverty in South Asia
6.	Increasing Investment in South Asia	Chowdhury A. Abdullah, University of Dhaka, Bangladesh	Future of Growth Perspective through Investment: An Econometric Case Study of Bangladesh
7.	Structural Transformation for Growth	Sanha Tahir, Lahore University of Management Sciences, Pakistan.	Product Spaces and Structural Transformation: Tracing Our Path Forward
8.	Regional Connectivity	RafiaNisat, University of Dhaka, Bangladesh and Sahil Nisar Soomro, Lahore University of Management Sciences, Pakistan	The Impact of Infrastructural Development on enhancing Intra-regional Trade within South Asia: Case of SAARC  How can Investment in Transport Infrastructure enhance regional connectivity in South Asia?
9.	Consumption Patterns:Society and Economy	Farhana Kabir, University of Dhaka, Bangladesh	Development of a Basic Household Sustainable Consumption Index: Where does South Asia stand?
10.	Migration in the Context of South Asia	Surendra Bista, Pokhara University, Nepal	Effect of workers' remittance on investment, consumption and economic growth: Time series evidence from Nepal



## HAQ-SEN AWARD

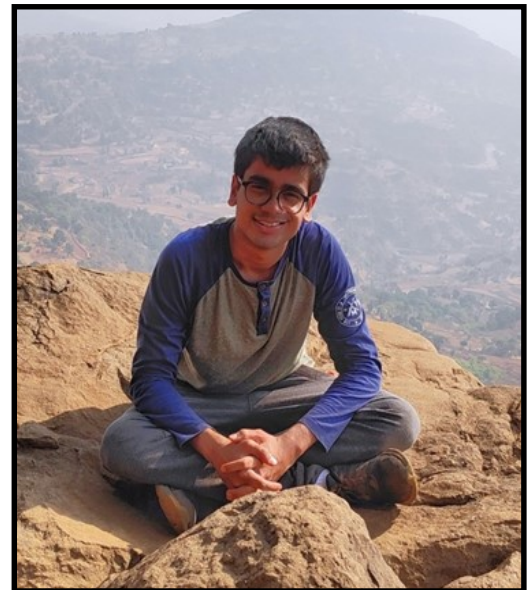
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To commemorate a decade of SAESM (2013), an award was instituted honoring two of South Asia's most influential economists – Nobel Prize winner Professor Amartya Sen and Founder of the Human Development Index - late Dr. Mahbub Ul-Haq for the best research paper of the competition, across all sub-themes.

The Haq-Sen Award 2019 was awarded to Abhinav Verma, Ashoka University, India for his paper in the sub-theme: The Informal Economy in South Asia.

### Paper Title :

Abhinav Verma: Understanding Manufacturing Informality: Productivity and Employment Linkages with the Formal Economy



*Abhinav Verma, Ashoka University*

## BUDDING ECONOMIST

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The Budding Economist is a competition that seeks to test individuals on a variety of skill sets. SAESM 2019 competition consisted of the following events:

1. **Paper Presentation** : The total marks obtained from writing and presenting the research paper will be carried forward for this competition.
2. **Written test** : There will be a written exam testing students on the concepts of economic theory.
3. **Visual Round** : The participants will discuss an image shown to them by applying any economic theory and vocabulary.
4. **Panel Interview** : The participants will have to answer questions from a panel of judges in the final round of the competition.

First round of elimination was done by combining the marks of the research paper and the written test. Top Twelve participants qualified for the next round and take part in the visual round. Top six participants proceeded to the final round of panel interview. The participant with highest aggregate marks was declared the winner.



*Prachi Malakar, Kalindi College, University of Delhi, India.*

## ECONOMICS QUIZ

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Economics Quiz is the most interesting event of SAESM. For the 15th edition, team India won the quiz competition.

**Team India:** Abhinav Verma (Ashoka University, Sonapat), Gauri Atre (St. Xavier's College, University of Mumbai) Muskan Jain (St. Stephen's College, University of Delhi) and Satadru Bhattacharyya (Jadavpur University, Kolkata).

## SEEDS OF CHANGE

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15th edition of SAESM introduced a new concept of Seeds of change, wherein young student economists of South Asia will present and sow their ideas of bringing about a change in South Asia, for its development and regional integration. The topic for this event was: "Changing South Asia: Sowing Seeds of New Ideas". For this event, students are invited to come up with ideas on any of the above issues that will positively impact and lead to a change in any one country or South Asia as a whole. It may relate to a problem for which conventional policies do not seem to be working, but where fresh out-of-the-box thinking may sow the seeds of change that is required.

The winner for this competition was: Farhana Kabir, University of Dhaka, Bangladesh

**Paper title:** Changing South Asia: Sowing Seeds of New Ideas



*Farhana Kabir, University of Dhaka, Bangladesh*

## PANEL DISCUSSION

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A panel of student speakers from all participating countries would be engaging with a pre-assigned topic and discuss the pros and cons of the issue at hand. Students can either provide his/her own country perspective to the topic or in terms of overall South Asia perspective. The objective of the panel discussion is to create awareness amongst students of South Asia about the importance of resource sharing in one of the poorest regions of the world as a possible solution towards developing the region. In addition, we also expect the students to provide out-of-the-box thinking towards regional cooperation and economic integration of the least integrated region of the globe and achieving development with peace. The topic for this panel discussion was: Can South Asia Benefit from Cross-Border Electricity Cooperation and Trade?

The winner for this competition was: Ahmad Sahak, Kabul University, Afghanistan

**Paper title:** Can South Asia Benefit from Cross-Border Electricity Cooperation and Trade?



*Ahmad Sahak, Kabul University, Afghanistan*



*Prachi Malakar, India, being awarded the Budding Economist of South Asia 2019 award*



*Team India, winner of the Economics Quiz at 15th SAESM, Colombo, Sri Lanka.*

*From left to right: Muskan Jain, Gauri Atre, Dr. Turab Hussian, Satadru Bhattarcharyya, Abhinav Verma*



## CONVERSATION WITH: PROF. BISWHAMBER PYAKURYAL



Bishwambher Pyakuryal is a Professor of Economics at Tribhuvan University, Nepal with four decades of teaching and research experience. He holds double Masters in Economics and International Affairs and Ph.D. in Economics from Nepal and USA. As a Senior Fulbright Scholar he has also completed Post-Doctoral Research in Economics from the University of Maryland at College Park, USA.

Prof. Pyakuryal has been an Ambassador of Nepal to Sri Lanka and Maldives. He holds posts at many centers of repute around the world. He has been professional Associate at the East-West Center, Honolulu; a Scholar-in-Residence of the Rockefeller Foundation in Italy; and a visiting scholar at the International Food Policy Research Institute (IFPRI) in Washington, D.C. Prof. Pyakuryal held the Chairman of South Asia Co-operative Environment Program (SACEP), an inter-governmental organization comprised of eight countries based in Colombo. He has also been the Chairman of Standing Committee of the Colombo Plan comprised of 27 member countries.

Dr. Pyakuryal is a President of Nepal Economic Association; founding Chairman of the Institute for Strategic and Socio-Economic Research (ISSR), Kathmandu.

***DKD: Nepal is a least developed country (LDC). Nepal has made important progress in reducing poverty over the past few decades. Despite that, a significant proportion of its population is living below the poverty line. Why is poverty persisting in Nepal? What has been in your view the government's role in poverty eradication?***

Of course, Nepal has made a remarkable progress in poverty reduction. The poverty rate was 42% in the beginning of the 9<sup>th</sup> Periodic plan in 1997/98 which was reduced to 18% in 2018/19. This is indeed a commendable achievement which the World Bank has also referred Nepal as one of the fastest poverty reduction country in the globe. The problem is high poverty reduction but the

moderate economic growth. However, during 2007 to 2016, the average growth rate was 4.1 but the average during last three years has been 7 percent plus.

The incidence of poverty has not been reduced uniformly across the various segments of the society. Trade deficit far exceeded the remittance inflows, as a result foreign exchange reserves had to be used to partly finance the external deficit. Remittances as a share of GDP is estimated to stabilize at around 25 percent. Effort is needed to leverage remittances for development. Cross-country regression analysis has shown that a 10% increase in per capita official re-

mittances may lead a 3.5% decline in the share of poor people (Dilip Ratha, *Leveraging Remittances for Development*, WB, 2007).

The premature deindustrialization in Nepal poses a big challenge in the sustaining the poverty reduction. Non-availability of skilled work force and managerial / entrepreneurial expertise at an affordable cost is another problem Nepalese economy is facing. Lack of skills and training to match the need of the market, poor quality of infrastructure, lack of access to affordable credit and underdeveloped trade often pacifies the potentialities of entrepreneurship and self-employment. Increasing cost of living due to high inflation all the time made the people to compromise with their living standard. Donor driven and supply led poverty reduction initiatives normally do not correspond to the need and expectation of the people.

Government's role in poverty reduction cannot be undermined. It's one of the basic job of the government to facilitate the development partners including the private sectors to promote economic activities for poverty reduction. It's the government who should take care of the marginalized and ultra-poor in the society. The distributive and redistributive policies and programs if effectively implemented helps better allocation of resources for poverty reduction.



***DKD: Agriculture is the mainstay of the economy, providing a livelihood for almost two-thirds of the population but accounting for less than a third of GDP and industrial activity mainly involves the processing of agricultural products, including pulses, jute, sugarcane, tobacco, and grain? How can Nepal be a part of global value chains in agro-based sectors?***

Nepal is richly endowed with agro-biodiversity which has given comparative advantages in various agro products. But productivity of the agriculture in Nepal is probably one of the lowest in the world. It's basically due to the poor adoption of technology, slow mechanization and commercialization of this sector. Given the subsistence nature of agriculture, Nepal is least integrated in the global value chains in agro-based sectors.

Nepal has eight agro-ecosystem enriched with almost 7000 flowering plant species and 800 food value plant species. In order to realize such immense potentialities of being integrated in the global value chains, Nepal should harmonize the trade and investment policies with the global partners. For example, there is huge demand of the off seasonal vegetables of Nepal in Bangladesh, India and Gulf countries but investment is limited in this sector. The demand of organic vegetables and fruits is globally growing encouragingly which Nepal can be a part of this chain. There is very little investment in the agro-processing industry in Nepal where the foreign investment can be diverted. The government should focus on agriculture enabling policies by developing infrastructure, skills human resources, and facilitating agro-processing sector and markets to improve the productivity of this sector. Given the immense agro-ecosystem diversity, Nepal can be an important part of global R& D in this sector.

***DKD: Nepal is heavily dependent on remittances, which amount to as much as 30% of GDP. How far has this been in your view an important contributor to GDP growth and reduction in poverty? What are the challenges Nepal faces in the context of remittances from overseas?***

In fact, the elaboration that I made in your first question on poverty, you find the answer. However, foreign migration and remittance has been an inbuilt characteristic of Nepalese economy in the recent years. Its contribution in both household and macro economy has been immense. Almost 60 percent of the household receive external remittance. The remittance GDP ratio is more than one fourth for the years which indicate immense dependence of Nepalese economy on overseas remittance.

At household level, remittance has ease out the liquidity constraint; improve access to health, education, nutrition and thereby contributing reduction on household poverty. During the decade long armed conflict and surging trade deficit, foreign migration and remittance had been the survival strategy of the economy. Notwithstanding the alarming trade deficit which is almost 40% of GDP, remittance inflow has supported the economy by maintaining the FoREX and BoP at comfortable position.

The problem is, a significant chunk of the overseas remittance is mobilized through informal channel due to higher cost of remitting money, time, documentation and language barrier at abroad. The issues of deception and fraud in such informal sources are increasing. The remittance is fueling imports and causing trade deficit as indicated by the positive and almost 1 correlation coefficient between remittance and imports in Nepal. The issue of utilization of remittance in unproductive sector is more prominent as Nepal Living Standard Survey 2010/11 shows only 5 % of remittance received by household is used for capital formation. Remittance has been taken as easy money which is buttering the consumerism culture and discouraging self-employment and small and medium scale entrepreneurship domestically. Heavily dependent financial sector on remittance faces the challenge of exchange rate volatility due to external market.

***DKD: As the current Chair of the South Asian Association for Regional Cooperation (SAARC), do you think Nepal can play a significant role in keeping the momentum of SAARC going? Could you list some of the challenges that SAARC faces for taking the regional coopera-***

***tion agenda forward given the unfavorable bilateral political relations between some of its member countries?***

It is sad that after the 18<sup>th</sup> SAARC Summit held at Nepalese capital Kathmandu from November 26 to November 27, 2014, the three and half decades long SAARC initiative has come under serious scrutiny and the question is being asked even about its relevancy. SAARC performance with regards to the execution of agreed agenda has miserably weakened after 2014. The SAARC charter does not allow bilateral wranglings to be discussed in regional forum. This has hampered consensus building efforts within the regional block.

There is a trust deficit among the members especially between India and Pakistan. The reluctance to execute SAARC-MVA (Motor Vehicle Agreement) made during 18<sup>th</sup> Summit and abandoning SAARC Satellite Project following Pakistan's objection in 2016 and recent border disputes between the two countries are some of the examples that have made SAARC a non-performing symbolic regional block. There exists additional area of misunderstanding in security cooperation. Member countries disagree in defining threat perception especially with regards to cross-border terrorism. India blames Pakistan for fueling terrorism, which Pakistan denies. As a result, the slowing down of SAARC momentum has given birth to increased bilateralism which has weakened the trust and dependence on regionalism.

There are several reasons why SAARC's relevancy is still realized. The technical committee meetings are still organized in frequent intervals. Agreements on trade and commerce which were signed earlier still exists. Nepal as a Chair of SAARC has been putting up efforts to operationalize these through mediation. Everybody realizes the fact that the countries in this region are similar and almost have similar problems which can best be resolved by mutual understanding and cooperation.

The message is, although there is asymmetry between India and other member countries in terms of geography, population, economy, military strength

and influence in the globe, which can not be denied and can not be avoided either. However, as long as the economic interest converges between the nations, there have been cases that big and small countries are doing business uninterruptedly in the areas where they find comparative advantage.

The India's focus towards BBIN and BIMSTEC has made Pakistan suspicious about the role of India in facilitating regional cooperation. In this regard Nepal being the chair of SAARC can play some positive role in facilitating the momentum of SAARC. Nepal has more friendly relationship among all the countries of this region. Nepal can use this relationship to catalyze in promoting cooperation in this region. But we should not forget that Nepal has its own limitation playing such role.

***DKD: Bangladesh is doing better than the rest of the region, especially India, Sri Lanka and Pakistan, with respect to economic and social progress. Given this scenario, can Nepalese economic development benefit from closer economic ties with Bangladesh? Which are the sectors that Nepal and Bangladesh can gain by being stakeholders in each other's progress and development?***

Nepal and Bangladesh have friendly relation ever since the establishment of the diplomatic relations in 1972. Bangladesh is the second largest trade partners of Nepal in South Asia. For a couple of years the commercial and economic relations between Nepal and Bangladesh are increasingly growing. As Bangladesh is making stunning progress in the recent years, energy hunger for Bangladesh is immensely high. As the whole world is diverting its priority in clean energy Bangladesh also has already proposed Nepal for a joint venture initiative at the government and private sector level with the goal of purchasing around 9000 MW electricity by 2040 from Nepal. Nepal and Bangladesh had started discussing bilateral energy cooperation after the power trade agreement (PTA) was signed with India in 2014. India has agreed to allow Nepal and Bangladesh to build the transmission line from either side of both the nations. Therefore, Nepal and Bangladesh have already inked a memorandum of understanding (MOU) on energy

cooperation. The discussions are made on a regular basis on various ways that energy trade and investment could be enhanced between the two nations.

Bangladesh has already signed MoU with India's NTPC Vidyut Vyapar Nigam to import 500MW electricity produced from Upper Karnali with Indian investment. There is trilateral agreement to use Indian grid for power trade between Nepal and Bangladesh through the Siliguri corridor. This is indeed a beginning of economic and commercial relationship to a newer height.

There is BBIN Motor Vehicle Agreement to promote the land connectivity among the members which obviously will help Nepal-Bangladesh connectivity with more promising economic and commercial relations. Kakarvitta-Phulbari-Banglabandhs transit route is the shortest route to the sea being used at present and if upgraded this route will help substantial reduction in transportation cost between the countries. Given the better taste and quality of off seasonal and green vegetables and fruits from Nepal, there is high demand of them in Bangladesh. The Nepalese agriculture sector which is mechanizing and commercializing though slowly has a large scope of markets in Bangladesh. Bangladesh has been one of the main attractions for Nepalese students especially for technical education like medical,

engineering and IT. The scope of tourism is also immense given the growing middle-income earners with increased per capita income in Bangladesh and beautiful Nepal, a country with three distinct geographic divisions – the mountains, hills and terai.

***DKD: After a long and illustrious career in Academia, How would you like to contribute to Nepal's march to progress and prosperity?***

Being in academic field for more than four decades, largely my focus would be in the same field. My primary focus would however, be to provide policy advise to the government and private sector, supervise applied research on national priority areas, and train young and upcoming economists through my not for profit think tank, Institute for Strategic and Socio-Economic Research (ISSR), of which I am the founding Chairman. Additionally, as a Chair of a think tank and President of Nepal Economic Association (NEA) my interest would be to coordinate sub-regional, regional and international conferences on topical priority areas, provide forum for policy discussions and research dissemination, conduct independent impact assessment of donor-supported flagship projects, organize retreat meetings to impart skill and enhance capability of the Parliamentarians to contribute to strengthening democratic institutions in Nepal.



**PROF. BISWHAMBER PYAKURYAL LAUNCHING SECOND EDITION OF SAESM NEWSLETTER AT 15TH SAESM, COLOMBO, SRI LANKA**



### SOUTH ASIAN COUNTRIES ARE UNDERPERFORMING IN EXPORTS: Robert C. M. Beyer

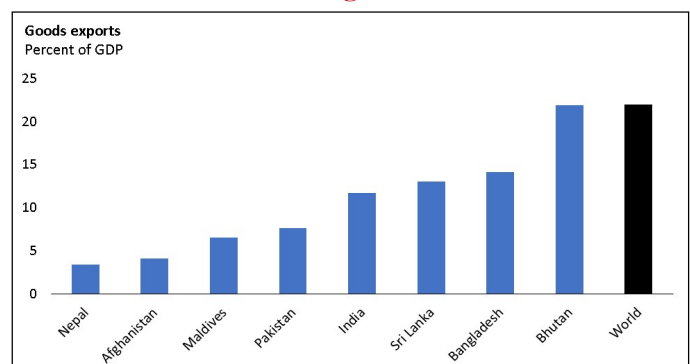


Robert C. M. Beyer is a macroeconomist at the South Asia Office of the Chief Economist at the World Bank. He is the lead author of the biannual macroeconomic update for South Asia entitled South Asia Economic Focus and leads the South Asia Economic Policy Network. Before joining the World Bank in 2016, he conducted research at the European Central Bank and the International Monetary Fund and completed a Ph.D. at Goethe University Frankfurt. He has published several papers in peer reviewed journals, for example in the Journal of International Money and Finance and in Economic Policy. According to Google Scholar his papers are cited by over 100 others.

Export shares in South Asia are below the world average. Maldives, Sri Lanka and India export more services as percent of GDP than the world average and both in Bhutan and India the services exports are close to it. In many of these countries, tourism contributes substantially to services exports. For goods exports, however, all countries apart from Bhutan, that exports a lot of electricity to India, are below the world average. While the world average is 22 percent of GDP, goods exports are only around 13 percent of GDP in Sri Lanka, Bangladesh, and India, around 8 percent in Afghanistan and Pakistan and even lower in the Maldives and Nepal. Apart from the Maldives and Bhutan, the combined services and goods exports are below the world average. However, it is not clear that comparing a country's export share to the world average is very meaningful. There is no reason why all countries in the world should have the same export shares. Large countries naturally have a smaller ex-

port share, as firms in those countries have relatively more opportunities to sell in the domestic market. Landlocked countries also have naturally a smaller export share, as trading costs are higher. One way to more accurately measure underperformance in goods exports is to compare actual exports with exports predicted by a model. To estimate export potential, we use a common and intuitive econometric analysis, called the gravity model, which is the workhorse model in international trade for this purpose.

Figure 1: Export shares in South Asia are below the world average



Note: Data is for 2018.

Sources: IMF, World Bank.



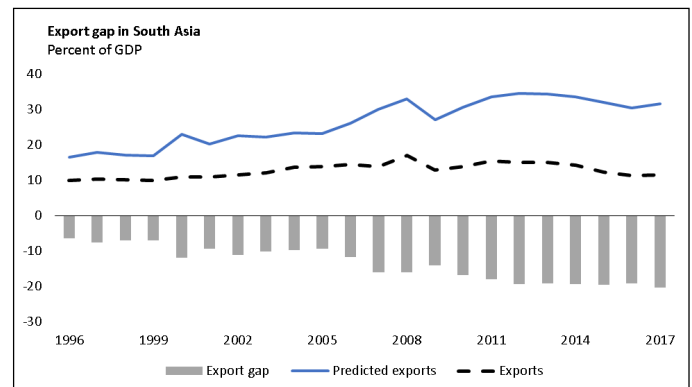
**The gravity model determines potential goods exports based on the performance of other countries in the world and their characteristics.**

More precisely, it measures the trade potential of a given country by predicting trade flows with all other countries based on observable variables. In our preferred specification presented in the Spring 2019 edition of South Asia Economic Focus (the World Bank's biannual economic update for South Asia), the model includes the distance between trading partners, whether countries share a common border, a common language, or a colonial legacy, and whether they participate in Regional Free Trade Agreements, as well as the exporter and importer GDP. In addition, we control for multilateral resistances by including a remoteness indicator and we include year fixed effects to control for international business cycle fluctuations that affect international trade. We estimate this model for 196 countries from 1996 to 2017. Once bilateral trade is predicted for all country pairs based on these results, we can compare predicted trade to actual trade and compute export and import gaps defined as the difference between the predicted and observed trade flows. We will refer to the predicted exports, as potential exports.

**South Asian countries export only one third of their potential and the gap is widening.** The export gap at the start of the estimation period in 1996 was 12 percent of GDP. Together with increasing world trade, the export potential of South Asian countries rose over time. However, South Asian countries did not sufficiently take advantage of the benign global environment, and goods exports remained

mostly stable as percent of GDP. Thus, the export gap widened considerably over time.

**Figure 2: South Asia's exports are well below potential, and the gap is increasing**



**Notes:** Predicted trade based on gravity regression described in the Spring 2019 edition of South Asia Economic Focus (the World Bank's biannual economic update for South Asia). Actual exports and imports from UN Comtrade.

**Sources:** UN Comtrade, WDI, CEPII gravity dataset.

Exports even declined as share of GDP after 2014, reaching only 11 percent in 2017, resulting in an export gap of 23 percent of GDP. In other words, South Asia's export potential is three times its current level of exports. South Asia also imports less than is expected based on experience in other countries. If South Asia succeeds in closing the export gap, it will likely also close its import gap. Exports require imported intermediary inputs and part of the income generated by exports is spent on imports. Closing the export gaps will expose South Asian countries more to international competition, in international markets, where exporters compete with foreign suppliers, and in domestic markets, where domestic producers compete with foreign suppliers of imported products. The arising international competition is the driving force of productivity increases that can fuel the development process. Closing the export gap is an essential step in ad-

addressing both short-term and long-term macroeconomic challenges in South Asia.

**One reason for the underperformance in exports is the weak regional integration.**

Intraregional trade accounts for barely 5 percent of South Asia's total trade, which is much lower than for other regions. In the ASEAN region, for example, intraregional trade makes up 25 percent of total trade. Trade within South Asia has been limited by several factors such as inadequate means of transport (roads, marine, air), protective tariffs, real and perceived nontariff barriers, and restrictions on investments. Importantly, there is also a broad trust deficit throughout the region, which prevented

more regional integration in the past. But the trust deficit can be resolved, and trade may play an important role in doing so. I am a citizen of the European Union, which has proven that economic integration can unite formerly hostile countries. And despite all difficulties, there are promising developments in South Asia as well. Among other things, it has for example become easier to trade energy from Bhutan through India to Bangladesh. More interregional trade in South Asia will help bringing exports closer to potential, but it will do much more. It will itself contribute to loosening the trust issue and to paving the way for more regional integration and sustained peace.



*The Royal Swedish Academy of Sciences has awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2019 to Abhijit Banerjee (MIT), Esther Duflo (MIT) and Michael Kremer (Harvard) for their experimental approach to alleviating global poverty. Their research has considerably improved our ability to fight global poverty.*

# Crops and Climate Challenge: Moving from the Green Revolution to Sustainable Agriculture: Shailaja Fennell

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Dr. Shailaja Fennell is a University Senior Lecturer in Development Studies at the Department of Land Economy, University of Cambridge. Her research focuses on rural-urban transformations and gender and household dynamics in agriculture. She is currently a Flagship Project leader on TIGR2ESS (Transforming India's Green Revolution by Research and Empowerment for Sustainable food Supplies) (2018-2021). The programme is funded by the Global Challenges Research Fund a collaboration between UK and Indian scientists and social scientists, that seeks to frame the big question of how to bring about a second Green revolution, that takes into account increasing urbanisation as well as the needs of smallholder farmers. She was a UGC-UKIERI grantee (2014-16) to understand rural youth aspirations for employment, and PI on a DFID commissioned study on innovative educational interventions in India (2014-16).

**B**ased at the Department of Land Economy and the Centre of Development, my research has focussed on institutional change to bring about sustainability solutions. In a post 2015 era, the new global agenda is to achieve the Sustainable Development Goals (SDGs). The SDGs are regarded as a follow on that build on the successes of the MDGs, but it is important to note a major difference between the two, given the new emphasis on participation and empowerment in the SDGs. A core pillar for such inclusion is to bring households and the communities with which they are located into the development arena.

The multi-disciplinary work being undertaken across faculties of biological, physical and social sciences shifts the focus of the sustainability agenda that has tended to be focus on cities, regarded as the future of humankind, particularly after the world has tipped to an urban location in 2007, towards recognizing that sustainability is even more important for rural communities, that are of-

ten far away from the growth poles of urban based industrial development. These communities are relatively disadvantaged in their access to education and health, and are finding it increasingly difficult to ensure adequate livelihoods through farming activities. Our research focuses on how cross-disciplinary research that brings new thinking to the food-water-energy nexus in rural and peri-urban areas can ensure that rural communities are connected to new infrastructure, have access new services so that they co-create pathways to empower youth and young adults with the skills necessary to access new diversified forms of employment.

The work of multi-disciplinary teams at University of Cambridge has come together under the banner of TIGR2ESS (<https://tigr2ess.globalfood.cam.ac.uk/>), a new large-scale, multi-partner project that has just been awarded funding from the RCUK's new Global Challenges Research Fund (GCRF) to address this complex web of issues. Drawing together a formidable network of partners



from research, industry, government and NGOs in the UK and India, the project's aims are to define the requirements for a second, more sustainable, Green Revolution in India, and to deliver this through a suite of research programmes, training workshops and education activities between 2018-2022.

The funding forms part of the UK Government's Official Development Assistance commitment, and partners from both countries will work together from the outset in framing collaborative research to ensure it has maximum benefit for India. TIGR2ESS will include fundamental research addressing crop productivity and water use in India, and will identify appropriate crops and farming practices for different climatic regions. It also includes a capacity-building programme of researcher exchanges between the UK and India to ensure skills development and build expertise for the long-term.

This project provides an excellent opportunity for co-creation by researchers in India and UK to generate innovative solutions to move away from the previous intensive agriculture strategy that focused exclusively on increasing the yields of wheat-paddy annual crop cycles. The project is working on learning from the shortcomings the first Green Revolution, where the system of agricultural production led to pressure on water resources and a depletion of ground water and the nutrient balance. It is focusing on areas with lower levels of rainfall in the Western, Southern and Eastern parts of India, and working with partners to examine how, in semi-arid belts in these regions, a shift to cultivation of a range of millets: pearl millet, foxtail millet, little millets as

well as sorghum could result in a less water intensive, and more heat-resistance system of agricultural cultivation. These crops also have the additional benefit of being better for human nutrition as they have a lower glycemic index than rice and wheat and reduce the risk of obesity and diabetes in adult life.

The diminution in the ability of the Green Revolution agricultural system to deliver sustainable livelihoods has, over the last decade, also resulted in a marked shift in sectoral contribution as the share of agriculture has fallen and a significant increase in the share of the tertiary sector. Life on the farm is no longer regarded as a preferred form of employment and youth are looking to other sources of employment. My own research flagship in the project looking for ways to increase the value of these crops, to raise family incomes. The provision of skills to generate new forms of youth employment and to contribute to empowerment of women. Examining how communities acquire skills and use their agricultural knowledge is undertaken through surveys and mapping the value chain of millet production from farm to fork. By mapping these processes of agricultural diversification provides insights into how to move to a more equal and sustainable agricultural system in the face of climate change.

Our research in Cambridge, that takes place through Interdisciplinary Research Centres, such as the Global Food Security Initiative (<https://www.globalfood.cam.ac.uk/>) brings together cutting-edge research to facilitate the design of multidisciplinary approaches to understanding how to work with the food-water-energy nexus that is at the core of sustainable development. We focus on new



approaches and research methods that could facilitate an transition to more sustainable forms of resource use in the spaces of agriculture, water and energy through groups such as Energy@Cambridge (<https://www.energy.cam.ac.uk/>) and examine the social dimensions of such environmental transitions, through groups such as C-E E N R G (<https://www.ceenrg.landecon.cam.ac.uk/>).

The work on millets has been given an additional fillip with the award of a small companion grant MillNeti, (<https://www.globalfood.cam.ac.uk/keyprogs/millneti>) to take our learnings from India to countries in sub-Saharan Africa. The rationale for this South-South exchange is based on the fact that millets are the most common form of cereals in many countries in the region and they are often cultivated by female small holders in semi-arid tropic areas of the continent. The characteristics of millets that they are extremely resistance to drought and climate variability is attracting an increasing number of small scale farmers

and governments in Sub Saharan Africa. The particular focus of our research in this project is to understand how bio-fortification of millets could increase the potential of millets to improve the nutritive contribution to the lives of women and babies and infants. The current challenge is that while millets are the most commonly used staples for weaning porridges, the presence of phytic acid binds iron and zinc in these coarse cereals, make them unavailable for absorption in the body. We are examining how communities in Ethiopia and Gambia currently deploy processes of lactic fermentation of cereals and legumes. We are undertaking surveys to increase our knowledge of how communities respond to innovations in nutrition and cooking processes to find more effective ways of introducing biofortified millets. Our research will also entail working with our local partners to test and validate different meal preparation methods to optimise the availability of iron in food prepared from these biofortified millets.



# What will steer South Asia's economic promise? Its people:

## Sanjay Kathuria

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Sanjay Kathuria is Lead Economist and Coordinator, South Asia Regional Integration, in the Macroeconomics, Trade & Investment Global Practice, based in Washington, D.C. Until August 2012, he was the Bank's Lead Economist for Bangladesh, based in Dhaka. In 26 years at the World Bank, he has worked in South Asia, as well as the Latin American and East European regions. He describes his goal as helping in the quest for deeper engagement amongst the economies of South Asia. Prior to joining the World Bank, he was a Fellow at the Indian Council for Research on International Economic Relations in New Delhi. He graduated from St. Stephen's College, did his Master's at the Delhi School of Economics, and his doctorate from Oxford University. His research interests include issues relating to economic growth, international trade and trade policy, economic integration, competitiveness, technology development, fiscal policy, and financial sector development. He has published several books and academic as well as popular articles on these topics.

That South Asia is brimming with possibilities for economic growth is well-known. It's what drove us to write *A Glass Half Full: The Promise of Regional Trade in South Asia*. Our research shows that if South Asian countries lifted man-made barriers, intraregional trade could triple and unleash greater prosperity for all.



*Pedestrians cross the road in front of motorcycles, cars, and buses at the crossroads in Kolkata, India.*

*Photo: Radiokafka / Shutterstock*



What we weren't prepared for, however, was the overwhelmingly positive response the report received across the region. Government officials, members of the private sector, civil society, and particularly young people we met with were eager to learn more about how their countries could improve trade relations with their neighbors. South Asia's economic prospects are promising, but even more inspiring are its people who remain hopeful for change despite political circumstances that make it seem impossible.

In Pakistan, which suffers the biggest welfare loss because of non-cooperation, *A Glass Half Full* hit home in a variety of ways.

The country can increase its intraregional trade almost 8-fold, from \$5.1 billion to \$39.7 billion. This resounded with audiences at launch events in Islamabad, Lahore, and Karachi, evoking a sense of loss for the missed opportunity. They asked how Pakistan and other countries could amend their discriminatory policies and enjoy the benefits of free trade. Politics often trumps economic cooperation in South Asia, but many in Pakistan suggested politics wins because the cost is so low. If intraregional trade were to increase, lobbies would arise to protect those interests.

A week before our report's launch, Pakistan and India had initiated the Kartarpur border corridor to facilitate visa-free visits for Indian pilgrims to Pakistan's Sikh holy sites. This had locals brainstorming more initiatives for regional integration. Students lined up after talks to chat, insisting that I come to speak at their universities- their enthusiasm was infectious.



*Busy Indian Street Market in New Delhi. Photo: dp Photography / Shutterstock*

Of course, many in Pakistan had concerns about opening up their economy. Especially to India. “Wouldn't free trade with a much larger neighbor hurt us? Is trading with India useful since it produces the same goods as we do? Does India have any real incentive to trade with us?” But across the border, in India, *A Glass Half Full* was met with equal vigor.

People often assume India is reluctant to trade with its smaller neighbors. That, however, is not what we heard. Speaking at our launch event in Delhi, India's Commerce Minister, Suresh Prabhu, said the government is prepared to do everything to realize India's trade potential with South Asia . It could be \$62.4 billion as opposed to \$19.1 billion.

India's border states, such as West Bengal and Punjab, have more to lose from the region's non-cooperation than others. In Kolkata, audiences said states should be given a more active role in the making of policies regarding trade and economic cooperation. They hailed India's border haats with Bangladesh, which allow for small-scale trade between communities along the two countries' shared border, as a model to replicate with other neighbors.

Border haats were commended in Bangladesh as well, especially for the role they had played in increasing trust between the Bangladeshi and Indian border communities. Trade helps establish trust which leads to more trade, and trust can help deepen regional cooperation and make it more durable .

At *A Glass Half Full's* Dhaka launch, Bangladesh's then Finance Minister, AMA Muhith, said his country focuses on very distant markets in North America and Europe while opportunities at its doorstep remain unexplored. If barriers were lifted, Bangladesh's trade with South Asia could increase from \$7.6 billion to \$18.9 billion.

Audiences resonated the same comments made in India's border states. Bangladeshi agricultural products would become more expensive over time, they said, making integration with North East India necessary. Their earnestness only reinforced my belief that South Asia will integrate - it's only a matter of time.

The liberalization of air services between Sri Lanka and India is another success story. Through gradual policy shifts since 2003, the two countries significantly improved bilateral air connectivity, a key facilitator of trade. This success has inspired several Sri Lankan companies to look towards India . It's a high stakes market, said those who had succeeded in India, but the rewards make the attempts worthwhile.

At our launch in Colombo, the country's Development Strategies and International Trade Minister, Malik Samarawickrama, said that with so much uncertainty surrounding global trade, regional trade integration provides a credible alternative. The government is working with agencies such as the Food Safety and Standards Authority of India to streamline procedures for accrediting Sri Lankan products and reduce non-tariff barriers to trade. Sri Lanka can more than double its exports to South Asia which are currently around \$1.6 billion below potential .





*Drivers on motorcycles moving past a busy Indian street of a crowded area in Bangalore. Photo: Radiokafka/ Shutterstock*

Trade is a matter of survival for landlocked countries like Nepal, which can increase its exports to South Asia four-fold . The government wants to tackle the country's trade deficit, but fears opening up would mean being overwhelmed by India.

At *A Glass Half Full's* Kathmandu launch, Nepal's Minister for Finance, Dr. Yuba Raj Khattiwada, said his country would liberalize trade, but with caution. They would focus on complementarity and export goods and services in which the country has a clear comparative advantage.

Other experts said external engagement is not a matter of choice for Nepal, it is the only option. They cited Singapore, Rwanda, and the Netherlands as examples of small countries punching above their weight because of effective trade policies.

Students I spoke to were invigorated. Since protectionism is so popular in Nepal, they said they did not have much exposure to arguments for free trade.

Young people like them are South Asia's greatest asset, and the more I engage with them the more confident I feel that they will help steer the region towards its undoubted potential.





**Top:** Dr. Martín Rama, felicitated by Prof. Biswamber Pyakuryal at 15th SAESM. Dr. Rama is the World Bank Chief Economist for the Latin America and Caribbean (LAC) region. He served as the Chief Economist for the South Asia region of the World Bank from 2013 to 2018.

**Bottom:** Dr. Martín Rama giving his felicitation speech



### Fight on the flight: Sirimal Abeyratne



Sirimal Abeyratne has earned his PhD degree from Free University of Amsterdam, MA and MPhil degrees from International Institute of Social Studies, The Hague, and Bachelor's degree from University of Colombo. While his teaching and research interests are in the field of international trade and development, he has published a series of research work in the areas of regional trade, policy reforms and liberalization, economic dimensions of civil conflicts, development policy issues, and the current economic affairs and issues relating to growth and stability. He has been a Visiting Fellow at Ryukoku University in Kyoto (Japan), Australian National University in Canberra, University of Trento (Italy), University of Economics in HCMC (Vietnam), and at International University of Japan. He has served as a researcher and a consultant to international organizations such as ADB, ILO, UNDP, JICA, and World Bank, local and international research institutes, government agencies and corporate sector organizations in Sri Lanka.

The world has two large commercial aircraft (LCA) manufacturers – the US-based Boeing and the EU-based Airbus. It is a “duopoly market” with intense competition between the two rival companies. In a duopoly market, the two firms spy on each, and react strategically to defend each one's market share, if it is not possible to grab the market entirely and become a monopoly.

On October 6, 2004, they both did something interesting, by going to the World Trade Organization (WTO) and filing the same complaint against each other. Boeing made a complaint against Airbus, on receiving “subsidies” from the EU. Airbus made a complaint against Boeing, on receiving “subsidies” from the US.

What was wrong with giving government subsidies to producers, and why that both Boeing and Airbus were furious about it? In-

terestingly, the world's two LCA manufacturers – Airbus and Boeing, became both the complainer and the respondent against each other on the same day on the same cause!

#### *Free and fair trade*

Airbus – Boeing dispute has been the world's biggest, longest and, perhaps, the most costly trade dispute at the WTO. After a long years of investigations, the lawyers were said to have won the case more than any disputing party.

When there are trade disputes between the WTO member countries, they can file the cases at the WTO. The WTO which has the mandate to promote “free and fair trade in the world” carries out investigations to reach dispute-settlements or to permit “countervailing” measures. In fact, the WTO role is more for lawyers than for economists so that it is basically an organization with



lawyers.

By the principles of free and fair trade, both “dumping exports” and “subsidizing exports” are equally bad! There are 1000s of trade dispute cases reported to the WTO. It was the rich countries that initiated the most number of dispute cases initially. But now China, India and many other developing countries are also leading the race of dispute cases.

### ***Dumping and export subsidies***

A country can “dump” exports in another country by exporting goods at a price lower than the cost of production, affecting adversely the domestic production. I must note that it is not an easy task to investigate and prove these facts, if a country decides to file a case at WTO against “dumping” by another country.

The point is that the same is true if a country is providing “subsidies” to an exporting firm. The subsidy will lower the price of the exported commodity so that it will also result in the same negative effects in the importing country. Just like dumping, it would also cause injury to domestic producers.

If a country can prove that government subsidies in an exporting country have injured domestic production due to lower price, then it is a case to be filed at the WTO. This was exactly the point for both Airbus and Boeing companies to complain against each other. But there are more to add into this story.

### ***Intense competition***

It was an intense competition between the two LAC manufacturers to protect their market share, which can be easily taken over by the other rival. We are talking about an indus-

try with annual turnover counted in billions of dollars and about 300,000 employees. One unit of wide-body aircraft such as A380 and A350 from Airbus or 747-8 and 777X-9 from Boeing, which can be configured to accommodate 400 – 600 passengers is sold at more than US\$ 400 million.

The world market is almost equally shared by the two rival companies: It was reported that during the period of 10 years from 2007-2016, Airbus has received over 9,900 orders and, Boeing little less than 9,000 orders.

There is growing demand for LACs from all over the world and, that demand is also for newer and newer models which cannot be ignored by the two rivals. Here is the game theory dilemma: If one ignores, the other one is likely to grab the market. On the contrary, acting on world demand is also risky, because producing a new model requires billions of dollars to spend on R&D.

### ***Risky game and “launch aid”***

And, here is the game associated with R&D spending on launching a new model: For example, if Airbus spends on R&D, Boeing is faced with the risk of losing the “entire” market share, while Airbus itself is faced with the risk of losing its R&D spending. The world demand might divert towards Airbus causing losses to Boeing. If it doesn’t happen, of course, Airbus itself would have wasted its “entire” R&D spending resulting in a loss of US dollars in billions.

From Boeing’s point of view, at least it has to react spending similar amount of money to produce its own new model, at least to protect the market share if not for an increase.

This action-reaction process is a risky game.

They may not put themselves into that risk without an external subsidy – the so-called “launch aid”. This is where the problem is: While Boeing receives launch aid from the US government, Airbus receives it from the EU governments, in order to avert the risk. But launch aid is violating the fair and free trade principles. They both have accused each other for receiving “illegal” subsidies over US\$ 20 billion for launch aid from the respective governments.

### ***Honouring the agreements***

Although they had agreements entered previously not to do so, they both are suspicious of each other about “honouring” the agreements.

Another complication is that although subsidies granted directly can be easily accounted for, there are issues with granting “hidden” subsidies. These include various tactics such as tax breaks, cheap credits, over-estimated deals through government contracts and procurements, and grants through some other agencies.

Subsidies are good for the consumers, however. Without launch aid from their respective governments, neither Airbus nor Boeing is likely to take a billion-dollar worth risk. It is because of the government subsidy from tax money, the world gets new models of aircraft from both Boeing and Airbus.

### ***“Enter the dragon”***

The biggest challenge to both Airbus and Boeing is now not their own dispute, but the potential break-up of their “duopoly” market with an emerging third player - China. The Commercial Aircraft Corporation (Comac) of China recently launched its first large

commercial aircraft – C919 for test flights.

The medium-size Comac C919 has seating capacity for 160 passengers and, is likely to compete with Boeing 737Max and Airbus A320 models. After a few years of testing, Comac C919 aircraft will be in the market snatching a significant share of the world’s commercial aircraft market. According to the reports, it has already received nearly 1,000 orders, while most of them are from China’s own airlines.

China was so far the biggest buyer of aircrafts in the world so that emerging Comac is going to not only compete in the commercial aircraft industry, but also capture the biggest Chinese market. It has been estimated that China with a fast-growing travel and transport sector needs 3,200 aircraft within the next 10 years.

Here is the new turn for Airbus-Boeing dispute at WTO. Chinese Comac as well as Chinese airlines all are State-Owned Enterprises (SOEs). The new market structures emerging in China and challenging the industry is entirely a different one.

### ***Against the prospective customer***

SOEs is not a new thing in China, and all big businesses in China are public enterprises. Average size of the Chinese SOEs is much bigger than the size of non-SOEs in China. In fact, some of them have become world’s biggest multinational corporations too, investing all over the world including South Asian countries. And after all, how the state subsidizes and supports China’s own SOEs is an internal matter of the Chinese government.

There is, however, a point. If the govern-

ment subsidy or support systems can result in an injury to competing businesses from other countries, they have a case for going to WTO against China.

Already, at the WTO the USA has filed 23

cases, and the EU 9 cases against China. Perhaps, the two aircraft-making rivals – Airbus and Boeing, might get together holding each other's hands at the WTO to file a new case against Comac for injuring their businesses.

## Berkeley economist wins prestigious John Bates Clark Medal, 2019

Emi Nakamura, a Chancellor's Professor of Economics at Berkeley, is this year's recipient of the prestigious John Bates Clark Medal, widely viewed as second only in prestige to the Nobel Prize in Economic Sciences. The annual award, announced by the American Economic Association, is given to an American economist under age 40 who is judged to have made the most significant contribution to economic thought and knowledge. Nakamura, 38, is only the fourth woman to have won the medal since its inception in 1947.



Nakamura says her work seeks to expand the types of data and empirical methods used in macroeconomics to answer big questions, like what causes recessions, and to measure the effects of monetary and fiscal policy on the economy. She explains, that “for obvious reasons, we don't get to run actual experiments in macroeconomics, by, say, raising and lowering interest rates to measure their effects on the economy but it is increasingly possible to study the microdata that underlie widely-used macroeconomic statistics, such as inflation and the gross domestic product, which opens up the possibility of using methods that couldn't be used in macroeconomics before.”

Much of Nakamura's research is on monetary policy's effect on the economy. Her most highly cited work studies price rigidity, the fact that prices often remain unchanged for long periods of time, as opposed to responding to macroeconomic developments.

“Most macroeconomists think this is at the core of why monetary policy affects the economy,” Nakamura says. Recently, she constructed new data on price behaviour going back to the double-digit inflation era of the 1970s to study how price adjustment differed in that era. She found that prices became substantially more responsive as inflation rose.





## CATALYZING POLICY IMPROVEMENTS THROUGH INCREASED CITIZEN AWARENESS: ALI HASANAIN

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Dr Ali Hasanain is the Head of Economics Department at Lahore University of Management Sciences, and Director of the Pakistan@100 initiative. He is also a member of EGAP, a CPDR and MHRC fellow, and a faculty adviser at the Technology for People Initiative. He has been a Global Leaders fellow at Oxford and Princeton universities. Dr Hasanain research focuses on how information can improve or hurt market and non market outcomes. Reform efforts rooted in his research have won innovation awards, been implemented and scaled to the benefit of millions of people, and been featured by media outlets globally.

In 1822, James Madison, the fourth President of the United States and father of that country's constitution, wrote: *'A popular Government, without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy, or perhaps both.'*

Pakistan is undergoing rapid change: we face environmental and social challenges; unprecedented investments are being made in infrastructure; the population is growing and urbanizing rapidly. At the same time, there is a sense that discourse in the media often lacks nuance and academic substance. To tackle this, the Lahore University of Management Sciences (LUMS) and the World Bank collaborated over the last two years on the *Pakistan At One Hundred Initiative*.

*Pakistan At Hundred* comprised of multiple activities at the World Bank, LUMS, and other organizations with the overarching objective of creating more nuanced, thoughtful, and rigorous policy debate on the country's

future.

The World Bank published a report considering Pakistan's future at the end of 2018 through the lens of seven themes: Structural Transformation, Environmental Sustainability, Global Connectivity, Governance, Promoting Investment, Inclusivity of Growth and Human Capital. At the Lahore University of Management Sciences, the initiative's engagement focused on inserting academic expertise into these debates, at a level approachable to an interested, but untrained citizen, and extending the discussion beyond the World Bank's original set of topics.

In the summer of 2018, the initiative hosted 4 doctoral fellows, selected from institutions around the world. They were Amna Qayyum (Princeton), Zahra Mansoor (Oxford), Luke Sonnet (UCLA) and Sameem Siddique (UCSD). The fellows divided their time between their own research and policy work for the initiative, which included writing policy

briefs, blogs, op-eds in major newspapers and, in one case, conducting a workshop on data science for local students.

Later that year, *Pakistan at Hundred* also held a nationwide essay and blog competition in which students from all over Pakistan were encouraged to submit a written or video essay on key issues facing the Pakistani economy, and the winners celebrated.

Over the two years, LUMS organized ten policy talks, sometimes in partnership with other organizations and universities, on the future of issues as distinct as democracy, water, policing, Pakistan's neighborhood, taxation, education, the labor market, local governments, trade, and constitutional matters. In addition, thirty interviews were recorded with academics tasked with thinking about the implications of their research and disci-

pline for Pakistan's future. We discussed everything from air pollution to Pakistan's automobile industry; from the use of technology in elections of the future, to agriculture in the 21<sup>st</sup> century; from promoting a culture of entrepreneurship, to cyber security and freedom of speech in the face of emerging technologies. The events had combined viewership of more than two thousand hours on YouTube, and across platforms, accrued nearly a million impressions.

This is a tiny fraction of the level of engagement we need to build in the future if, to paraphrase Madison, Pakistan's story is to be an Epic rather than a Farce or Tragedy. Happily, in the age of social media, there is hope that efforts like *Pakistan At One Hundred* and the countless others underway will create a more informed population able to hold its rulers to account.



*Team Pakistan at 15th SAESM, Colombo, Sri Lanka*

## COUNTRY FOCUS : NEPAL

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Following the tradition we set in the last edition of the SAESM newsletter, we review here a South Asian economy through pen of the young budding economists of the country. This time, our country of focus is Nepal. Nepal, officially the Federal Democratic Republic of Nepal, is a landlocked country in South Asia. It is located mainly in the Himalayas, but also includes parts of the Indo-Gangetic Plain. With an estimated population of 26.4 million, it is 48th largest country by population and 93rd largest country by area. It borders China in the north and India in the south, east and west while Bangladesh is located within only 27 km (17 mi) of its southeastern tip and Bhutan is separated from it by the Indian state of Sikkim. Nepal has a diverse geography, including fertile

plains, subalpine forested hills, and eight of the world's ten tallest mountains, including Mount Everest, the highest point on Earth. Kathmandu is the capital and the largest city. Nepal is a multiethnic country with Nepali as the official language. In 2019, the GDP in Nepal was at around 29.81 billion U.S. dollars. Nepal is one of the fastest growing economies in the world. However, the country ranks 165th in the world in nominal GDP per capita and 162nd in GDP per capita at PPP. Nepal has been a member of WTO since 23 April 2004.

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### Child Health Outcome Inequalities in Nepal: Purana Bahadur Khand



Ongoing Nepal Health Sector Strategy 2015–2020 (NHSS) is the primary instrument to guide the country's health sector for five years through four key strategic principles – equitable access to health services, quality health services, health system reform and multi-sectoral approach. It adopts the vision and mission set forth by the National Health Policy 2014 and carries the ethos of Constitutional of Nepal to ensure health care as fundamental right to every citizen. It articulates nation's commitment towards achieving Universal Health Coverage (UHC) and vision to move Nepal from the least developed country to middle income developing country by 2022. NHSS places health at the centre of overall socio-economic development.

Nepal has made encouraging progress on improving the overall health outcomes of its citizens amidst a decade-long civil war (1996 to 2006), the devastating earthquake and undeclared blockade of India in the country. Explicitly, Nepal has made impressive progress toward the MDG targets for child survival and maternal health. Three out of eight MDGs were directly

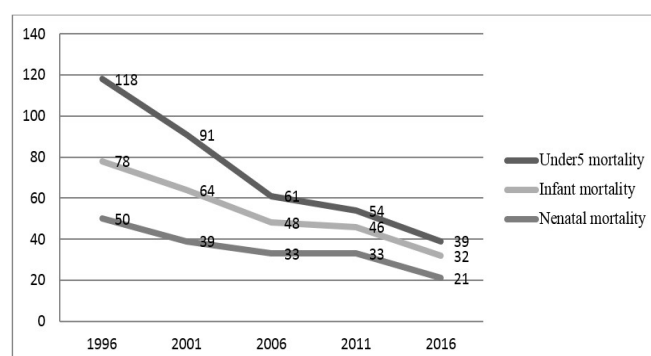


related to health, namely, Goal4 - reducing child mortality by two-third between 1990 and 2015; Goal5 - improving maternal health by reducing maternal mortality ratio by three quarters between 1990 and 2015; and Goal6 - combating HIV/AIDS, malaria and other diseases. Nepal and the MDG Final Status Report 2000-2015 showed that Nepal has remarkably achieved most of the targets. One of the very successful for achieving the MDG's was Goal4, reducing child mortality which targets were 33 deaths per thousand live births for infant mortality, 38 deaths per thousand live births for under-five mortality and percent of child immunization against measles was 92.6 percent. According to the report, infant mortality rate of 108 per thousand live births in 1990 reduced to 33 per thousand live births in 2014 and under-five mortality rate of 162 per thousand live births in 1990 reduced to 38 per thousand live births in 2014, thereby achieving the both targets under MGD's Goal4 earlier. Similarly, immunization program against measles has been successful as 92.6 percent of one-year-old children were immunized against measles in 2015. Nepal Demographic and Health Survey 2016 also showed the significant reduction in new born and early childhood mortalities in Nepal.

Despite the significant reductions in new born and early childhood mortalities, in many low-income and middle-income countries, there are still persistent mortalities, particularly in disadvantaged populations (Wagstff et al, 2003; O'Donnel et al., 2008). Nepal is no exception for such a gap between advantaged and disadvantaged groups. Table 2 illustrates huge differences of these mortalities between the poorest and the rich-

est wealth quintiles in Nepal. All the new born and early childhood mortalities were nearly double in 2011 at the poorest wealth quintile compared to the richest wealth quintile which further increased and became three folds for neonatal mortality and almost two and a half folds for both infant and under-five mortalities in 2016.

**Table 1: Newborn and early childhood mortalities (1996 – 2016)**



Source: MoHP, New ERA, & ICF, 2017

**Table 2: Neonatal, Infant and Under-five mortalities between Wealth Quintiles (2011 – 2016)**

Wealth Quintiles	Neonatal		Infant		Under-five	
	2011	2016	2011	2016	2011	2016
Poorest	37	36	61	50	75	62
Poorer	40	33	56	45	66	54
Middle	29	26	55	42	64	46
Richer	37	20	53	31	59	36
Richest	19	12	32	20	36	24
Poorest - Richest	18	24	29	30	39	38
Poorest / Richest	1.94	3.00	1.90	2.50	2.08	2.58

Source: MoHP, New ERA, & ICF, 2012 & 2017

Comparisons of the neonatal death inequalities measured by various indices such as gini-coefficient (GC), slope index of inequality

(SII), relative index of inequality (RII) and concentration index (CI) for all five surveys further illustrates the persistent inequalities. Among these alternatives, though GC is widely used to measure inequality, it is insensitive to the different socioeconomic dimensions. It shows that persistent death inequality decreases during the periods of the five surveys, which does not confirm with the CI results. Other two measures, SII which mention the death incidences are more concentrated in poorer strata by negative sign and the inequality is widening by its increasing magnitude; and RII explains ill-health concentration at poorer strata as it is less than 1 and the inequality is increasing by its value away from 1, have shown their consistent results with the results obtained from CI in the mentioned survey periods. However, both SII and RII are not as sensitive as CI to show narrowing of the inequality in the second survey.

**Table 3: Indices for neonatal death inequality**

Survey	Gini	SII	RII	CI
1996	0.0416	-0.1395	0.4944	-0.0342
2001	0.0378	-0.1877	0.3803	-0.0255
2006	0.0325	-0.2309	0.3007	-0.0488
2011	0.0327	-0.3085	0.1843	-0.0538
2016	0.0203	-0.3686	0.0948	-0.1431

These indices confirmed the evidence that there were persistent inequalities in the child health outcomes in Nepal. It has seriously demanded interventions towards reducing the inequality systematically. And, it is time to see how NHSS lined with Sustainable Development Goals (SDGs) in improving the inequalities which worsened during the Sec-

ond Long Term Health Plan 1997-2017 (SLTHP) instrumented with the first Nepal Health Sector Program (NHSP-I) for the period 2004-2009 and the second Nepal Health Sector Program for the period 2010-2015 (NHSP-II) (MoHP, 2015).

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In the last two decades, most of the analysis of Nepal's economic development has been dominated by emotions, personal expectations and experiences, metaphors and anecdotes rather than appropriate, well established and reliable economic indicators and statistics. Overwhelming dismal conclusions of these analyses can be attributed to this. It is quite natural for human beings to draw conclusions based on day to day experience. Walking through broken pavements, breathing in dusty and smoky air, higher rate of food inflation, corruption at public offices and hassles of day to day life would easily convince people that the economic performance of the country is at its worst.

But it could be easily the case that the day to day experience of a common citizen and long run economic trend of a country could be completely. An individual rarely thinks about the average economic, social, and educational and health status of its society a hundred years in the past. Rarely do they think about what was going on in the world stage a two hundred years back. People

compare their today with yesterday and their current year's living standard with that of yesteryear. Has there been any improvement recently? That's what people are focusing at.

In an age of media and information, a Nepali citizen compares her living standard with the current (not that of the past!) living standard of a developed country and digs a hole of pessimism in her worldview. Can we sketch an accurate picture of our development path by analyzing merely our recent experience and by comparing our living standard with that of developed world? Through this article, it is argued that such a comparison is not only unjustified, but also misleading

Any kind of scientific analysis has to be based on data and evidence. Emotional or anecdotal analysis would not lead to any logical conclusion. A few examples would be helpful to justify the point.

A common perception on Nepal's economy would signal that there has not been any changes in Nepal's economic wellbeing in last two decades. It is considered as a well-known fact that people's life has stagnated at worst and has progressed very little at best. Moreover, people argue that, "We had such golden days. Now this is the situation!!" Is this narrative a true picture of our economic development? What does evidence have to say on this? Let us have a look. Nepal's real per capita GDP was less than US\$ 200 in the 1960s, at current price. In 2018, it has just exceeded US\$ 1000 and is increasing significantly every year since 2015 (GDP growth rate has hovered around 6-7% per year since then. It had averaged around 3-4% since 1985). Though can be argued as a slow growth, this is a five times improvement of average earnings. Is this not progress? And this does not take into account the increased diversity of goods and services consumed by an average Nepali. Quantitative and qualitative progress Nepal has made in health and education sector in last decades is comparatively rapid and sustained. This facet of Nepali development is always underrated. Why? This could be a very interesting research question.

Although there is a overwhelming consensus among economists regarding the rapid progress the world has made in last 200 years, such issues has always remained in shadow. Neither media nor the common discourse seems to notice the significant changes we have been able to make due to the short memory we



have. In his book *Enlightenment Now*, the renowned author Steven Pinker has blamed high but natural demand for negative news for such a narrative. He has thoroughly argued why media and public has failed to highlight the major trend of positive changes we have been able to achieve despite the tremendous achievements of the past 200 years.

Economists use certain economic indicators to assess the health of an economy. Similar to a physician measuring and using a child's height, weight and their growth rates to assess the child's health, an economist uses gross domestic product (GDP) and its growth rate. These indicators of health and economy would never give a hundred percent complete picture of a child's health and economy's performance. A child with good height, weight and temperature could still have other serious health problems. But with healthy growth of height and weight and normal temperature indicates a lot about a child's long run health.

If we take per capita real GDP since 1960 (since the data is available), Nepal's economic trend can be divided into three periods. First period can be considered to have spanned till 1985. In this period, the average growth rate of per capita real GDP (simply called growth rate) remained around zero percentage. This means that the average living standard of Nepali citizen remained unchanged. In the second period which spans from 1986 to 2015, the growth rate floated around 2-3%. This means it took 25-35 years to double the per capita real GDP. Since 2016, Nepal has been continuously experiencing a growth rate of 6-7% enabling per capital real GDP to double every 11 years. This indicates that Nepal has made a structural break after the devastating earthquake of 7.8 in 2015. Moreover, the double digit inflation Nepal had experienced in the second period has been pacified down to 5-6% in the third period. This kind of high growth and low inflation is considered to be a golden moment for a developing country like Nepal. The estimates by World Bank and the Asian Development Bank clearly indicates that this period of higher growth is not momentary at all. Nepal has been ranked as one of the top 10 fastest Now, let us turn to industrial and service sector. If viewed through the angle of daily headlines, gloom and doom is apparent for this sector. It is an obvious fact that industrial growth has not been super exciting. But there has been a tremendous growth in the service sector of Nepali economy. In many ways, production of services is not much different from production of goods. Economists always lump these two and talk about production of goods and services for a good reason. Service sector also creates employment opportunities, fulfills human desires and contributes significantly to nation's revenue. Services such as health and education are crucial in improving the human development of its citizens. Yes, the contribution of industrial sector in GDP has declined, but the sector itself has been continuously growing. Number of industries, employment and their total production have grown. Closure of government owned industries that were not economically viable to begin with and were massively mismanaged is a good indicator for the growth of industrial sector in Nepal. Since these industries are controlled by politically motivated entities, their net contribution to industrial growth and employment generation was negative. These publicly owned industries polluted and distorted the overall industrial environment of the country.

Let us take the example of shoe production. Before the liberalization of 1990s, there was a single government owned shoe factory and a pair of shoes was a luxury for most of the rural people. The employment and revenue created by this industry was minimal at best. Very few citizens could afford or access the products of this industry. One can easily guess the profitability of the entity. This enterprise was privatized and later on shut due to financial difficulties. Currently, there are 79 privately owned shoe producers in Nepal. More than 60 thousand are directly employed in the industry. Consumers have access to cheaper and better shoes. They have been able to export their products earning foreign currency for the country. Billions of rupees of annual revenue comes from this industry alone. The exact same phenomenon can be observed in other industries such as cement, pharmaceuticals, and airlines in Nepal.

Can mere economic growth give us a developed nation? Without improving our health and education sector, rise in income level alone might not be sufficient for a prosperous nation. Fortunately, the progress Nepal

has been able to make in non-income aspects of its citizens such as health and education is even better. Nepal's educational and health indicators are performing better than its many neighbors in South Asia. Nepal's current life expectancy at birth is 71 years. To achieve the same level of life expectancy, USA had to have the per capita income of US\$ 12000 (in 1979). It's not just Nepal but many other developing countries have also been able to make similar progress much faster and at much cheaper price.

Similarly, if one is to look at the literacy rates, it was respectively 2%, 20%, 59.6% and 65% in 1951, 1981, 2001 and 2018 (World Bank). Although we would expect much faster progress, this is a real progress having positive and noticeable impact on long run economic growth of Nepal.

Now, let's talk about the infrastructure. We are not at all satisfied with the existing quality infrastructures such as roads in Nepal. The accidents being reported in the daily newspapers makes us think absolutely negatively about our roads. But let us look at the real data. Till 1990, total length of roads in Nepal was 6.84 thousand kilometers. Currently, it has exceeded 20 thousand kilometers. If we go back further in the past to 1951, there were no highways at all to begin with. First, when there are no roads, nothing needs to be talked about their quality. Second, qualitative improvements begin only when we have sufficient size of the pie to share. The same rule applies to quality of school education and health services in Nepal. Starting with a couple of hospitals and few hundred schools 60 years back, now we have thousands of hospitals and 35 thousand schools. And we are talking about improving the quality of services we expect from them.

After a tenuous efforts from investors and policy makers, Nepal's tourism sector is experiencing a rapid growth. In 2018, 1.2 million tourists came to Nepal and the government has aimed at ambitious plan of welcoming 2 million in the year 2020. At one time, Nepal had difficult time having even half a million tourists. Many newer five star hotels under construction across the country, two more international airports nearing completion and educational sector trying to cash in the human resource requirement of the sector is already making positive impact on foreign exchange reserve, investment and employment.

Hydro electricity is another important sector of Nepal. This sector has been growing rapidly ending decades of hours long power cuts in homes and industries. Thousands of megawatts of electricity is expected to be generated in coming few years enabling Nepal even to export its surplus electricity to neighbouring countries. This has clearly reduced the cost of production for industries who had been relying on expensive and polluting deisæl to fuel their power needs. Nepal electricity authority has already signalled of reducing the electricity bill for industries. This could be an important turning point for Nepal's industrial sector.

Comparing Nepal's development process with that of Europe or Singapore is highly misleading at best as their baseline and context is totally different from that of Nepal. Nepal needs to be compared with its own past and with countries in the similar socio-cultural context such as Bangladesh or India rather than with Singapore or South Korea.



# Structural Transformation and Economic Growth in Nepal:

## What has changed? : Ramesh Paudel and Swarnim Wagle



Left: Dr. Ramesh Paudel

Right: Dr. Swarnim Wagle

Ramesh Paudel, PhD is an Associate Professor at Central Department of Economics, TU, Kirtipur. Ramesh has extensive experience in academia in Australia and Nepal. He has worked as a consultant for Asian Development Bank, World Bank, South Asia Watch on Trade, Economics and Environment (SAWTEE) and Government of Nepal in number of occasions in different policy formulation issues. His research interest includes structural transformation, international trade, remittances, development financing, foreign direct investment, impact of reform and liberalization, development economics, economic growth. He has published several academic papers in peer reviewed international journal, few books and book chapters in the edited volumes. He holds PhD in Economics from the Australian National University and Master by Research (Mphil) in Economics from the University of Wollongong, Australia.

Swarnim Wagle, PhD is an economist served as the 24th Vice-Chair of the National Planning Commission (NPC) in the Government of Nepal. Dr Wagle worked as an international development professional for more than 15 years on policy assignments in over 20 countries. He co-authored the 2013 Human Development Report titled "The Rise of the South" in the United Nations Development Program (UNDP). He holds a PhD in Economics from the Australian National University, MPA in International Development from Harvard University, and a B.Sc. (Econ.) from the London School of Economics.

### *Context*

The story of Nepal's economic growth is one of disappointment relative to potential: physically beautiful, geographically perched between the world's largest and fast-growing economies, a young democracy, international goodwill, competitive strength in generating clean hydro-powered energy in an era of climate change, and a demographic dividend with almost 40 percent of the population accounted for by the youth.



Nepal's real per capita GDP grew at an anaemic rate of 1.8 percent per year, on average, between 1965 and 2014. The growth of about seven percent in 2017-18 does not yet mark a structural break. It is still not clear that the growth of latter years is a bubble, or the country is finally acquiring a momentum for growth. Relative to the performance of several countries in the South Asian region (see Table 1), Nepal has fared dismally, trapped in chronic poverty.

Table 1 shows a pattern of the economic growth history of Nepal compared to its regional neighbours. Here, the northern neighbour, China, is incomparable at this stage looking the history of growth in the last five decades. If we look only South Asian countries, we find that despite above mentioned favourable situation for growth, Nepal remains the poorest country in the region except Afghanistan as of 2018. This table shows two other important points: first, if we look at the data since 2010, Nepal's performance is better than only of Afghanistan, Maldives, and Pakistan but the differences are not big. In the same context, Bangladesh and India are doing better than Nepal. Thus, the changes in terms of economic growth/performance are very nominal.

**Table 1: Nepal's per capita GDP (constant \$, 2010) as a share (%) of other countries, 1970-2018**

	1970	1980	1990	2000	2005	2010	2015	2018
Afghanistan					140	109	127	145
Bangladesh	69	78	86	87	81	76	73	68
Bhutan		69	44	39	32	26	26	26
India	72	66	61	55	48	44	42	39
Maldives				8	9	8	10	10
Pakistan	60	51	48	55	54	60	68	68
Sri Lanka	40	31	30	25	23	21	20	21

*Source: Authors' calculation based on World Development Indicator database, World Bank (2019).*

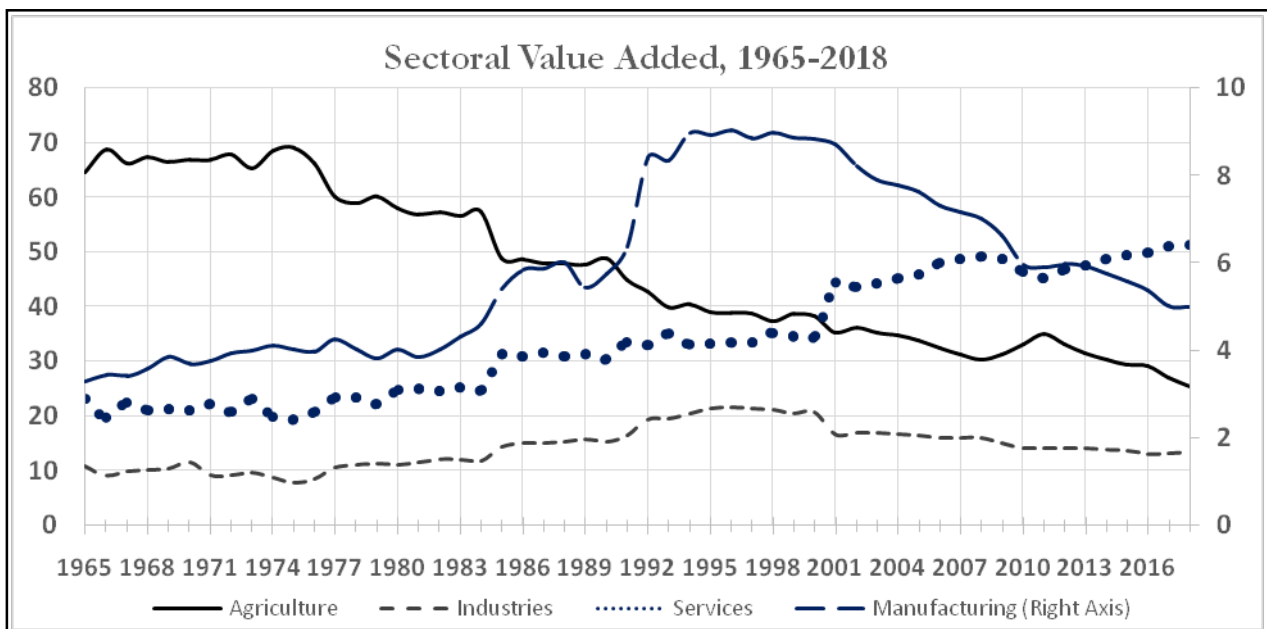
### **Structural transformation of the Nepali economy**

Analysis of the structural transformation is a key task to understand the dynamics of a country's economy. The nature of structural transformation of Nepal reflects a unique pattern compared to that of other developed countries which passed through a similar development phase of Nepal few decades ago. The uniqueness is that our transformation jumped to service sector from agriculture without shifting to manufacturing sector in terms of the contribution in gross domestic products (GDP).

Figure 1 is presented employing the relevant data for the period of 1965 to 2018. The value added from Agriculture, Industries, and Services are measured in the left axis, and of the manufacturing sector in the right axis. As seen in the figure, the value added in GDP from agriculture is declining consistently since 1974 with some negligible fluctuations. This share of loss is recovered by service sector. Unlike in other developed countries, the path of Nepal's structural transformation seems from agriculture to service sector instead of agriculture to manufacturing/industries to service sector. The situation of manufacturing sector (right axis) is not impressive and has hovered below 10 percent throughout this period.

There was a little hump in the early 1990s but started declining since the early 2000s. Notably, since then the economy is largely depending for current expenditure on remittances as the service sector extends to the agriculture sector from the same points. The situation is the result of the expansion of banking and financial sector, wholesale and retail trade, health and education sector. These sectors also are highly related with the expansion of the remittances base. The difference between industries and manufacturing is due to the inclusion of construction, mining, and electricity in the industrial category.

**Figure 1: Sectoral Value Added in GDP (%), 1965-2018**



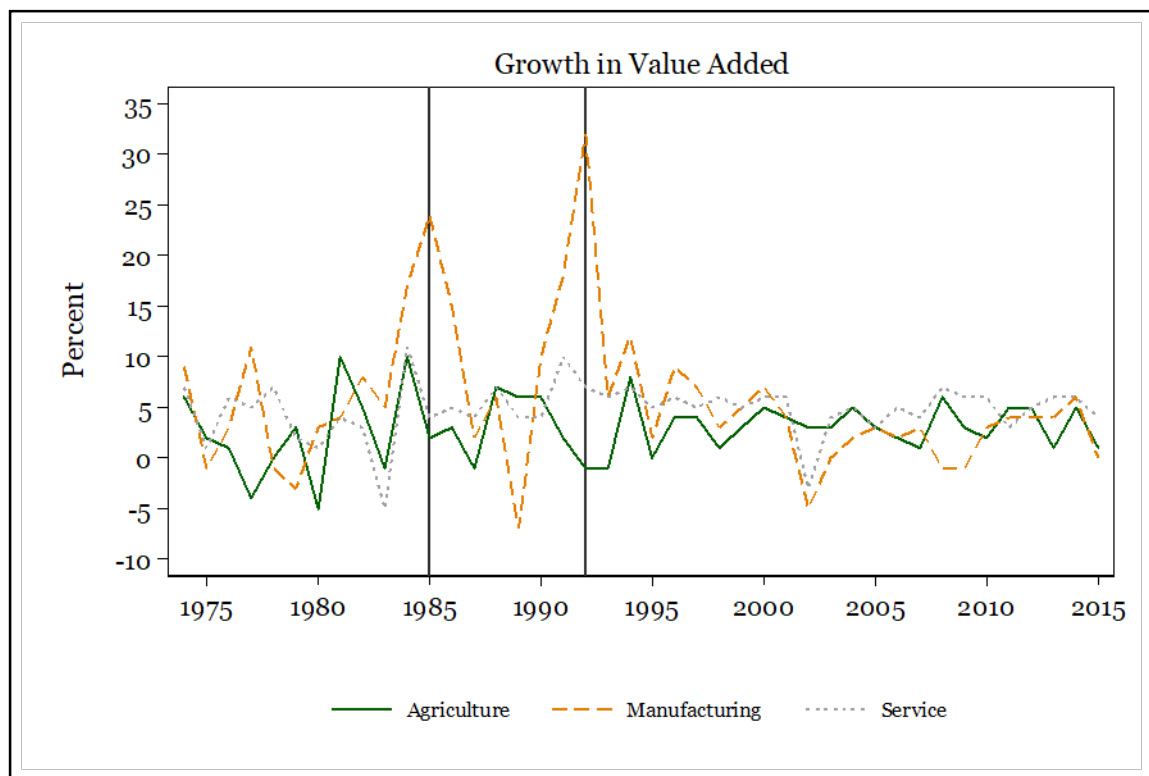
*Source: Authors' calculation based on World Development Indicator database, World Bank (2019).*

Further, if we look at the growth sectoral value added as seen in the Figure 2, all sectors' growth is almost similar as of the 1970s, even lower than that of the 1970s level, again with some fluctuations of manufacturing sector as discussed earlier.

This clearly indicates that productivity growth of any sector is virtually nominal. This is the reason for poor economic performance of the economy. This also shows that only the investment is shifting from agriculture to service sector, that may shift again immaturely to agriculture or elsewhere. Therefore, the productivity growth of the relevant sectors should be in the top priority of the policy makers of the country.

Another important information from this graph is that the manufacturing sector, since the early 2000s, is the most lagging sector, which could provide employment to unskilled and semi-skilled labour force. Because of this scenario, the number of workers seeking foreign unskilled jobs has increased substantially. The sustainable growth is a difficult task without understanding these facts, dynamics and nature of contributing sectors.

**Figure 2: Growth of sectoral value added, 1974-2015**



*Source: Paudel and Waglé (2019).*

### ***Some potential pathways***

The problems in Nepali agriculture and manufacturing sectors are well known. The nation continues to rely on rain-fed traditional agriculture, with less than one-fifth of cultivable land irrigable throughout the year. Public inputs, such as fertilizers, seeds, research & extension services are woefully inadequate. Complementary infrastructure, in the form of rural roads and electricity are expanding but have not reached the levels necessary to support commercialization and



the reaping of scale economies. On the same path, manufacturing sector suffers from policy inconsistencies, strategic weakness and additional costs of trade due to land lockedness (Paudel and Cooray, 2018). Infrastructure quantity and quality are both inadequate.

Financing instruments remain unsophisticated with the reach of concessional credit and insurance still largely confined to urban and peri-urban areas. Largely, none of the financial and insurance products are designed to suit the agriculture and manufacturing sectors. Without improving the quality of governance, these problems would remain largely unsolved.

Part of the challenge is that investments going into both agriculture and manufacturing sectors have declined over decades and have marked only a modest uptick in recent years, in contrast to manufacturing which is shrinking in relative terms (Table 2). This is problematic because agriculture and manufacturing remain sectors that can provide gainful employment to the masses. Because they are not expanding and not absorbing young people in large numbers, Nepal has seen outmigration on an epic scale over the past decade. In 2016, about 40,000 people left the country every month, on average, in search of temporary employment opportunities abroad.

In recent years, a new form of agriculture is actually picking up in urban areas even as it shrinks in rural areas. Self-employed agriculture is, in fact, the largest sector of employment in urban areas. We hypothesize that this could be a result of migrant returnees who do not choose to return to their villages but instead apply their knowledge, exposure and capital to a new vocation, particularly in the Kathmandu Valley and surrounding areas like Kavrepalanchowk, Nuwakot, Dhading, Makawanpur, and Gorkha districts. The policy makers should understand these dynamics in the trend of the economic sectors and plan accordingly to go ahead.

**Table 2: Sectoral investment (percent of total investment)**

Year	Agriculture	Manufacturing	Services
2010	11	12	77
2011	11	11	78
2012	11	11	78
2013	11	10	79
2014	12	9	79
2015	13	6	81

*Source: Aryal (2016)*

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## Microfinance institutions (MFIs): A Promising Tool to Achieve SDGs in Nepal: Dhiroj Prasad Koirala



Dhiroj Prasad Koirala is currently a doctorate student in the Department of Resource Economics at the University of Massachusetts Amherst. Besides his academic studies, he writes on the issues related to the environment and natural resources focusing on least developed and developing countries. He received his MS degree from the University of Rhode Island in Environment and Natural Resource Economics in 2019.

Conventional 'Trickle-Down' Theory believes that facilitating affluent people, firms and enterprises to thrive and expand their business activities will ultimately help everyone in the society to uplift their living standards. It assumes that even poor and marginalized people, both men and women, will be able to reap the fruits of development. However, evidences contradict this theory; in spite of the prevalent economic growth, increasing gap between rich and poor, men and women stipulated some degree of adjustments to our conventional development pattern. Obviously, we want to achieve the development which would empower and help prosper grass-root communities as well who are traditionally lagged behind.

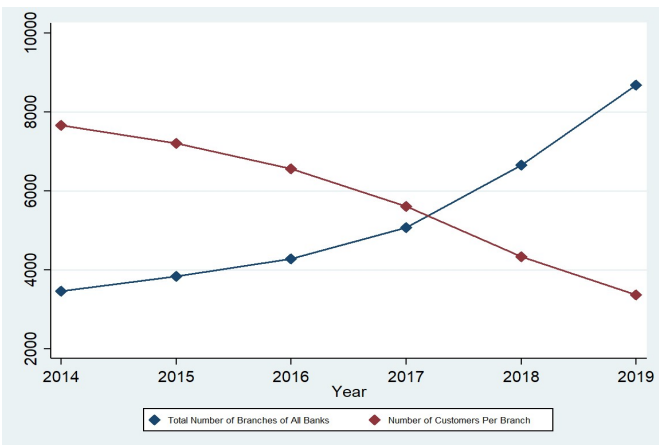
Back in 2006, when the Nobel Peace Prize was awarded to the Grameen Bank and its founder Prof. Muhammad Yunus, the world accepted the fact that grass-root institutions, such as microfinance, would help marginalized and underprivileged communities, especially women, improve their living standards in a substantive way. Recognizing the significance of the microfinance institutions (MFIs), the

UN celebrated 2005 as the Year of Micro-credit and 2012 as the International Year of Cooperatives. And also, to help achieve Sustainable Development Goals (SDGs), MFIs can play an important role. MFIs has emerged as a powerful tool for poverty alleviation and women empowerment, both financially and literarily; its importance increases further as it ensures grass-root level, inclusive, participatory, and democratic development, which makes it more sustainable. Microfinance refers to a banking system – especially targeted for poor, women, and rural areas – which builds around accepting tiny deposits and providing (small) loans, often without collateral. These institutions are really helpful in bringing previously unbanked section of the population into the (new) banking system. Success stories of MFIs are being written globally, from Jakarta to Dhaka to Nairobi to La Paz (Morduch, 2000). In regard to microfinance and a whole lot of positive changes brought about by this noble concept, Nepal also has a success story to share:

MFIs are emerging and thriving in Nepal, especially given the pervasive poverty, frequent



disasters – such as landslides and floods, storms, earthquake and its aftershocks – lack of technologies, and extreme geographic conditions which makes it challenging for regular banks to expand and serve. According to Nepal Rastra Bank (NRB) (2019), only 27 percent of the people have access to commercial banks within half an hour of walking distance. Similarly, 75 percent of people in terai (lower flat region), 45 percent in hills and only 17 percent in mountainous regions can reach banks in an hour. And, as of 2014, only 34 percent of Nepal's total population had access to formal financial system (Asian Development Bank, 2018).



According to NRB (2019), the number of branches of banks are increasing and the total number of customers to be served by each branch are decreasing as seen in the figure. Also, the government is moving toward the direction of having at least one bank in all 753 local bodies. Yet due to aforementioned challenges, inconvenient bureaucracy, marginalization of women, and requirement of collateral in the regular banks, deprived people will have no or very limited access to the regular banking system. In this context, although number of service branches of banks are increasing to help people, we can assume that there will be a big portion of the population who cannot show anything as collateral to these banks, and will be out of the banking systems yet.

This vacuum is filled by MFIs. Therefore, as today, these institutions will be playing a pivotal role to alleviate poverty by providing loans and saving opportunities to the poverty-stricken people and areas.

MFIs in Nepal have been following few prominent models: Cooperative model, small Farmer cooperative limited (SFCL) model, the Grameen Bank model, community-based organizations (COs) or Self-Help Groups (SHGs) models, and village bank model, and so on. In spite of pursuing different models, they have been working toward a common goal of creating micro entrepreneurs by preparing the poor to compete in the job market. Also, they aim to generate employment, make clients self-reliant, promote small and medium scale enterprises, raise awareness, reach out to deprived and marginalized people, promote savings, and improve the living standards by income generating activities.

The main target group of MFIs are women (Sarumathi & Mohan, 2011). Therefore, as expected, female members dominate client outreach projects, 98.17 % active borrowers and 97.67 percent savers. As women gather and discuss on finance, it gives them an opportunity to empower financially, socially – and psychologically too. Thus, MFIs provide women reliable means to save and borrow money and a type of insurance in patriarchal society like ours. Also, according to the census of 2011 in Nepal, only 19.71 percent of women have asset ownership. Moreover, there is little awareness about property and asset control among Nepalese women. Therefore, in such situation, receiving a loan without collateral helps women to gain higher degree of freedom and independence in their lives. It also changes gender equation in our conservative society and help women get more respect (Sarumathi

& Mohan, 2011). On the flip side, it is good for MFIs too to provide loans to women, compared to men because researches show that women honor loan. It has been found that MFIs with higher proportions of female borrowers have significantly lower portfolio-at-risk, lower write-offs, and lower credit-loss provisions, all else equal. Thus, given some caveats, (D'Espallier, Guérin, & Mersland, 2009) concludes that women are better payers of MFI loans than men. But however, only 25 percent of the staffs are female in Nepalese MFIs, which shows a great gender imbalance (CMF, 2016).

In MFIs, member deposits are invested in the productive sectors. Nepal being an agricultural country, it is crucial to invest in agriculture and related business. 83 percent of the total loan portfolio is contributed towards agriculture (51 percent), small and medium enterprises (15 percent), and microenterprises (18 percent), respectively. Such supports from MFIs are helping more youths to enter into agriculture production and business, which is helping our agriculture to be more self-sufficient and innovative.

Likewise, MFIs have been investing in expanding access to education and generating required human capital too. They readily offer education loans and scholarships to the members. 82 percent of the existing MFIs award different form of prizes, cash or non-cash, to high achievers in the national School Leaving Certificate, grade 10, exams (CMF, 2016). Such scholarships encourage high achieving students to study in better colleges and perform even better in the future.

### **Contribution toward Sustainability**

The concept of green microfinance has recently been introduced in Nepal. As the Gov-

ernment of Nepal (GoN) has been encouraging its people to use low energy consuming LED bulbs and to be more environmentally friendly, MFIs are adjusting themselves accordingly. Along with international development partners, the GoN is widely promoting renewable energy technologies, biogas, solar, improved cooking stoves, mini/micro hydro-power productions, etc. To achieve sustainability related goals, organizations like Alternative Energy Promotion Center (AEPCC) are working together with MFIs. Therefore, the most common green products provided by 90 percent of MFIs are solar energy and biogas loans (CMF, 2016).

Also, a report by Center for Microfinance (CMF), Nepal (2017) claims that cooperatives in the buffer zones of the conservation areas are playing a positive role in biodiversity conservation by providing income generating opportunities to the deprived people. The report claims that forest cover has increased in southern Annapurna Conservation Area by 8.73 percent during the period 2006-2016. It is mainly due to the effort of cooperatives which could reduce local people's dependency on the forest resources for fuelwood as they can afford LPG, biogas and solar now. Also, such cooperatives are really useful in increasing environmental awareness, connecting more people in conservation and anti-poaching activities, the report says.

### **Geographical Coverage**

According to CMF (2016), 40.25 percent of MFIs provide services to urban areas with 506 branch outlets. 59.75 percent of the MFIs provide services to the rural areas and target female members who do not have access to formal banking system. Remote villages and communities are their priority area. Therefore,

in Nepal, hills and mountains where the financial services are very limited are the main target areas for these MFIs. In order to promote sustainable access to finance in remote areas, the government of Nepal, central bank and donor community have formulated a pliable policies and programs. For example, MFIs get six-month interest-free loan from the NRB and are not required to obtain prior permission to set up new branches in prioritized areas. Not only that, the central bank has set no ceiling in the number of MFIs that can enter the market. Likewise, international donor agencies provide a matching grant and bear the overhead costs of the MFI branches operating in the remote areas until they get profitable. Such promotional programs are expected to stimulate the microfinance activities in remote areas.

## Challenges

Although MFIs target mainly women, number of females in the decision-making levels of MFIs is disappointingly low in Nepalese context. Therefore, it is important to increase the number of females in that level because they are the one who will be ultimately affected the most by the decisions made in MFIs they are associated with.

Also, there are several challenges due to the lack of proper record-keeping and data management. MFIs do not have any practice of recording the number of jobs generated by their enterprise loan. Similarly, they provide a number of non-financial services, such as disbursing certain portion of the profit to help educating poor by providing scholarships, providing training and entrepreneurial skills, conducting awareness, and occasional health services – including blood drive, and so on.

However, due to lack of proper data, it is difficult to estimate the number of beneficiaries.

Additionally, given the over commercialization of the microfinance institutions in recent times, it remains to see that these institutions will focus on the women, poor and rural areas and help contribute in alleviating poverty even in the days to come.

## Microfinance as a Tool to Achieve SDGs

Thus, in spite of some challenges, due to overwhelming public participation, and national and international support, microfinances are helping to empower women and reduce poverty in Nepal. Women and other historically marginalized groups now have access to financial capital that would otherwise never be possible through regular banking. Through investment in agriculture, MFIs are playing crucial role in eradicating hunger and helping to make agriculture more gender balanced; more youths and men would involve in agriculture now as it becomes more secure and rewarding profession. Also, to help conserve our natural resources, such as forests, and support endangered wildlife conservation, cooperatives in buffer zones are playing a vital role. There are evidences that providing alternative means of living to people around conservation areas help get peoples' participation in conservation. This ultimately helps to maintain our biodiversity and protect invaluable wildlife. Similarly, access to solar and other form of clean energies is growing even in the rural communities, thanks to MFIs. This will help us develop with minimal carbon footprint and achieve SDGs. Thus, MFIs are important vehicles to promote grass-root level, inclusive and democratic development and achieve SDGs finally.



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## Mid Day meals in Nepalese Schools: Manab Prakash

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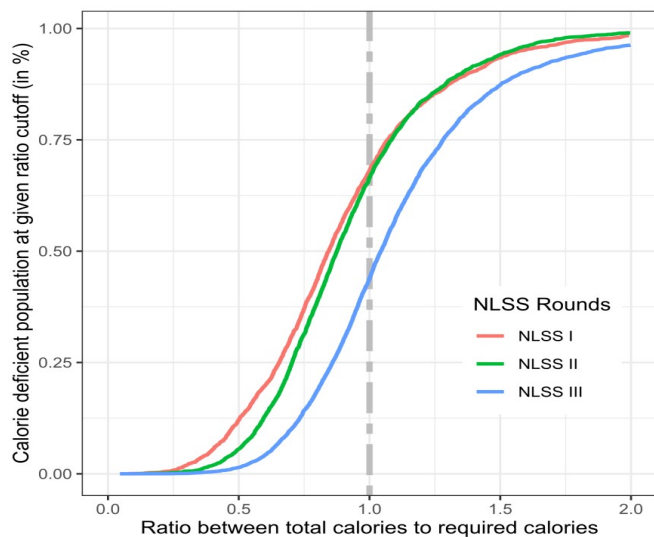


Graduate Student at Central Department of Economics, Tribhuvan University

It is widely documented that deficiency of nutrition at childhood impacts long term wellbeing in various dimensions; equally documented effective policy intervention for this problem is school mid-day meals. There are many works of literature and results of Randomized Controlled Trials (RCT)s to support this claim. One past Vice-chair of Nepal Planning Commission (NPC) recalled (after the announcement of this year's Nobel prize in economics) the visit of Banerjee and Duflo to NPC a few years earlier. The news story was on how the power couple exhorted Nepalese bureaucrats to not wait for the system's change to make small but positive changes, however, corrupted the system maybe. The pair discussed RCTs, their results, and mid-day meals too.

After the advent of democracy in the 1990s, Nepal has done astounding work in alleviating hunger and poverty. In the last ten years alone, changes in the nutrition condition of children aged under five are drastic. In Nepal Demographic Health Survey (NDHS 2016) changes compared to NDHS 2010 are 27% from 39% underweight rate, 36% from 49% stunting, and 10% from 13% wasting. This trend is not a one-off result. Below, I plot the household calorie adequacy ratio's cumu-

lative density function (CDF) using three rounds of Nepal Living Standard Survey (NLSS) I in 1995/6, II in 2003/4, and III in 2010/11. The rightward shift of CDF is the betterment of household food security. Compared to NLSS I, II, and III are on the right side. In NLSS II, improvement is chiefly among the food insecure population, whereas, in NLSS III, development is broad-based in the food security spectrum.



Then question might be if changes are in the right direction, and things are improving, why bother with mid-day meals at all? Again, literature is awash with good reasons for bothering with mid-day meals.

Mid-day meal affects whom we want, with results (given proper implementation) that are very desirable. For a start, Teach for Nepal (it provides volunteer teachers to remote schools in Nepal) reports that the mid-day meal program has increased attendance and helped students cope with the trauma of the earthquake. Mid-Term Evaluation of the school feeding program (SFP) in Nepal by World food program (WFP) for 2014-16 grant period, reports program increased/improved attention in class, school attendance, literacy outcome, health & dietary practices, and hygiene knowledge compared to the baseline survey. No wonder the Nepalese government has noticed and takes the mid-day meal program as an essential part of its food security-related arsenal.

I want to discuss how such an effective policy that has all kinds of feathers in its cap can become blunt due to procedural failure and institutions. In the fiscal year 2019, the Government of Nepal (GoN) has allocated Nrs. 5.62 billion for 2.058 million students in 34 districts (out of 77). The government grant is

money transfer to concerned school, whereas, the World Food Program additionally supports this initiative by providing material assistance in some cases. The transfer is twenty rupees per student per day for the Karnali region (it is a geographically extreme and relatively underdeveloped area) and fifteen rupees in the other areas. The flow of funds works like this, GoN first transfers funds to municipality level local governments, which administer the disbursement of funds to local schools.

In Nepal, the fiscal year starts from Shrawan (4th month of the year), but the academic year begins from Baishak (1st month of the year). Last year local bodies after receiving the funds did not disburse funds to the school for remaining months (9) of that academic year, but deliberately waited till the start of the new academic year in many parts of Nepal. So, the schools had just three months to spend a year's worth of grants. There were even reports of local bodies negotiating with the school for a slice of that mid-day meal grant in province 2. Schools who got access to funds after long waiting and negotiation then spent the funds in a rather blasé way. Many schools argued that it was not possible to feed students with 15 rupees. Some schools contended lacking funds to hire a cook or buy utensils; they could not provide a mid-day meal and didn't use the funds at all. Some other schools argued they needed money for teachers' salaries (school financed) and diverted the portion of the fund to pay teachers/staff salaries. And many other similar reasons meant even the school who spent the cash hired local banquet for a once in a week Kheer, Puri, Tarkari feast (in some regions, Laadu, Jeeri, and Sweets). There were also reports of schools buying junk food (instant noodles and biscuits) for a pretentious mid-

day meal program. Irony probably lies in the fact that the central government celebrated its mid-day meal program, citing most of its spent budget. In this way, the wrong implementation made a good policy, a caricature of its purpose.

But, there are other good stories too. Some local bodies have added resources to central government transfers and run a much effective program. In Palpa (province 4), Kumale students (traditionally potters caste group ) from families of daily wage workers became much more regular in class thanks to mid-day meals. In some schools of Dolpa, there were reports of the community's involvement in implementation. But, if one searches for the commonality in these success stories, what one finds is that local governments are the number one player in determining abuse of mid-day meal program. The Central government's transfer, at least for now, is a sort of helicopter money that does not bring accountability in parts of both local govern-

ments nor the schools. 'The question for policymakers and economists' is simple - find a way to incentivize local bodies and schools to be accountable for their children/students. But how?

With this question, I want to point how little economics as a profession gives value to institution design, which does not involve cash-based incentives. For those monetary-incentive-explains-all believers, I end with a classical experiment done in Israel's children daycare. The story is something like this - researchers studied how fining parents might improve their receiving children promptly in the evening. But, fining parents for late pick-up increased the delay in the pick-up (If I may add, parents got more brazen - I will pay fine and pick my child late). It gets even more enjoyable. Once, fining for late pick-up was removed, parents did not revert to original not-great but not-bad behavior. Newer bad brazen behavior became the new norm.





## Prospects of Tourism in Nepal: Santosh Chhetri



Santosh Chhetri, Faculty Member, Department of Economics Tribhuvan Multiple Campus and Senior Researcher, Rural Economic Development Association, Nepal

Nepal is one of the major touristic destinations of the World. Tourism is one of the important economic sectors of the Nepalese economy and also a largest industry that also influences the socio-cultural and economic life of the people. Tourism and associated activities have been a significant source of foreign currency and government revenue (Nepal Tourism Fact, 2016). Expansion of tourism sector increases the employment opportunities. The religious harmony among communities, linguistic and culturally diverse people and climatic variations attract visitors from around the world. Nepal is a country with cultural diversity, snow-capped mountains, the unique beauty of nature and hospitable and tourist-friendly people. It is compared with Switzerland of Europe in terms of natural beauty. Similarly, Nepal is famous for its rich cultural heritage and history. Tourism can be an important economic activity for the rapid growth of the national economy.

Nepal has inherent features like geographical diversity, unique natural beauty, immense biodiversity etc. the northern part of the country is surrounded by World's highest mountains like Mt. Everest (World's Highest Peak), Kanchanjunga, Annapurna, Machhapuchhre, Manaslu, Dhaulagiri and so on. Nepal has eight of the ten world's highest peaks. There are altogether 6000 rivers including rivulets and tributaries (CBS, 2015), and some other waterfalls and lakes. The rare animals and birds are also the attractions of the country. It has a variety of flora and fauna. The mountain region of the country is covered with green hills which are considered as a natural park. It has lush green Terai belt, terraced farmland, and fasts flowing white water rivers originating from the mountain. Nepal is a very rich country in terms of natural resource and bio-diversity. Further, it is a coun-

try of decorated temples. The important pilgrim like Muktinath, Pashupatinath, Gosai-kunda, Guheswori, Swayambhunath, Krishna temples is famous here. These temples are attractive to the persons interested to observe and study history and culture. Besides, these temples display the unique quality of Nepalese art and craftsmen. Nepal is considered as a center of excellence in learning the ancient craft. Similarly, Lumbini is famous for religious tourist which is the birthplace of Gautam Buddha, the Light of Asia. Nepal is known as the birthplace of brave Gorkhalis. The bravery of Gorkhali soldiers is world famous. The climate of Nepal is suitable for tourists from across the Globe. The climate here is neither too hot nor too cold. Nepal has a different climate in different parts of the country due to differences in altitude. The climate in mountain regions is cold; it is me-

dium in hills and hot in Terai. Overall, the climate is healthy in major touristic areas. Nepal is rich in biodiversity. The tourists can observe rare birds and animals of Nepal. Several wildlife sanctuaries have been developed to preserve the wild animals and birds. Nepal is called the home of snowman called 'Yeti'. The country has a feature of cultural tolerance; people are hospitable. It is relatively a peaceful country. There is no communal war. People take tourists as guests and guests are regarded as God in Nepalese Culture. There is no insecurity for tourists. Nepal is an easy tourist destination from the viewpoint of travel cost as well. The cost of living is very low as compared to other countries. So it is suitable to place for tourists having different economic status. The Nepalese currency is very cheap in terms of its foreign exchange. One dollar has a purchasing power of more than a hundred rupees. Nepal offers varieties of activities for tourism. Mountaineering, trekking, rafting, hot air ballooning and gliding, bungee jumping, bird watching, jungle safari are some of the popular recreational activities.

Nepal has a huge potentiality in tourism sector. Nepal is full of natural beauty, cultural beauty and historical beauty as well. Nepal is famous for the world's highest peak Mt. Everest, wide variety of flora and fauna, glaciers, rivers, lakes, warm and welcoming people, numerous cultural and ethnical festivals and variety of cuisines. Nepal has 8 of the highest 10 peaks of world which attracts many people towards it. Due to diverse geography, Nepal has different climatic condition throughout the year. Apart from all these, the possibility of adventure sports in the country also lures many tourists in Nepal each year. Nepal's cultural and ethnic diversity is huge considering

the size of Nepal on the face of the earth which covers just 0.03% of the world. Despite the small size, Nepal has more than 125 ethnic groups who speak 123 different languages and follow more than 10 different religions. Unity in diversity is the motto of Nepal. Due to the variety of ethnicity, there are number of cultural beliefs and customs in Nepal and has number of cultural sites which are included in world heritage site list. This thing only attracts thousands of tourists each year in Nepal who enjoy feast and festivals. Due to such variety in culture and religion, Nepal has many and different pilgrimage destinations throughout the country which are unique as well. Kathmandu city, the capital of Nepal, is known as the city of Temples which has world famous pilgrimage sites such as Pashupatinath, Swyambhunath, Boudhanath. Other famous pilgrimage sites in Nepal are Gosainkunda, Lumbini, Muktinath, Manakamana, Janakpur which attracts thousands of tourists each year. Trekking and mountaineering are the famous tourist activities in Nepal. Natural hiking is also a famous tourist activity in Nepal. The flora and fauna of Nepal as well as diverse wildlife makes Nepal rich in natural beauty. There are many wildlife conservation areas and national parks where thousands of tourists visit each year to see the unique and rare wild animals of Nepal such as royal Bengal tiger and one horned rhino. Nepal holds a great potentiality in adventure tourism as well. Nepal is popular destination for paragliding, bungee jump, white water rafting, kayaking, zip lining, sky diving. The latest project of Nepal, Everest Sky diving, is the unique kind of adventure sport in the world. You get to jump from the chopper among the Himalayas of Nepal.

## Contribution of tourism Sector in Nepalese Economy

The contribution tourism sector in terms of foreign exchange earnings to GDP till mid-January 2019 was 2.2 percent and till mid-January 2019. Of the total number of tourists visiting Nepal during 2018 by their purpose, 71.63 percent came for holiday/pleasure while 1.7 percent for trekking and mountaineering, 2.78 percent for pilgrimage, 3.87 percent for business, 3.99 percent for official purpose 1.68 percent for conv./conf and 14.35 percent for other proposes . Official records shows that the annual growth rate of tourist arrival was 2.5 in 1985 while there is an increment of 20.9 percentage point in 1986 compared to 1985. The highest annual growth rate (53.7 percent) was observed in 1989. The year between 1990 and 2000, the highest growth rate (15.0 percent) was in 1991 and it was negative growth (-5.7 percent) in 2000. Another remarkable growth rate (37.2 percent) is found in the year 2007. After one year in 2008, it was again negative- 5.0 percent (growth). In 2018, the growth rate (25 percent) is the highest since 1985. This can be considered as a good symbol to expand the tourism industry. Regarding the average length of stay, it was 11.30 days in 1985 and it remained more or less stable till 1990. Then it decreased in 1991 and increased gradually in 1995 and 1996. It is about 12.4 in 2018.

## Enterprise and Employment Scenario

There is no actual data regarding employment. However, some tourism-related enterprises have generated some employment opportunities. There are 125-star level hotels and 1125 nonstar level hotels in 2018. Similarly, there

are 3508 travel agencies, 2501 trekking agencies, 72 rafting agencies, 3717 tourist guides and 13049 trekking guides at the same year.

## Problems

The development of the tourism sector is far below compared to the natural beauty of Nepal. The average stay and spending of the tourist has not increased remarkably. Due to the lack of adequate infrastructure such as proper transport and communication facilities in remote areas, there is a lack of tourism activities. This is the reason why tourism activities are limited in a limited to specific tourist destinations. Shortage of standard hotels, lodges, travel agencies and guides are also the problems facing the tourism sector. Tourism infrastructures are concentrated in central and western development regions. Well trained manpower is essential to provide quality services to the tourist. Limited trained manpower is producing from some institutions which are insufficient. Problems of solid waste management, noise, water pollution, environmental degradation are some of the major problems. In addition to environmental pollution, safety in mountain tourism is another problem. Tourist face health hazards in course of mountaineering. The increasing trend of deforestation is also one of the causes of environmental degradation. Unmanaged industrial establishment and urbanization caused water, air, and land pollution. The conscious tourists do not like to visit dirty city areas. The exact calculation of contribution of the tourism sector in the economy through the development of a Tourism Satellite Account (TSA) system to calculate tourism related major indicators has remained a problem.



## Conclusion

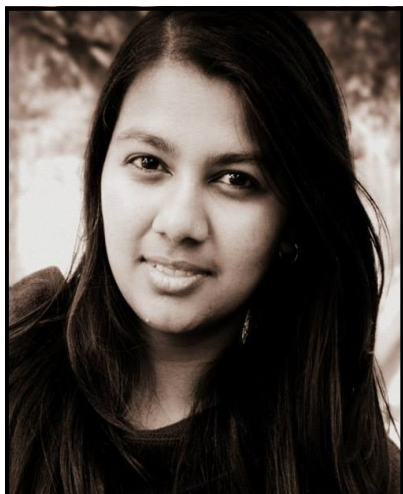
Developing, expanding and increasing the quality of tourism services in Nepal is challenging. The country should have regular, reliable and comfortable international air service. Similarly, the regional airports should be developed to expand the tourism activities in different regions of the country. Nepal should take benefit of the increasing global tourism market through the protection, promotion and sustainable management of its natural, historical, religious, cultural and archeological heritage which are located different parts of the country with the participation of newly elected local bodies, communities, and the private sector. For developing and expanding Nepal's tourism sector, unique biodiversity and natural heritage originating in specific topographic and historic, religious and cultural heritage should be identified clearly, protected and promoted. This sector should be diversified and expanded in order to concentrate its benefits to semi-urban and rural areas. New tourism sites and trekking routes should be identified and required infrastructure should be developed to attract more tourist in the country.

The trained manpower of different level is essential for providing quality services to tourists. It will be helpful to reduce the problem of lack of managerial capacity. Tourism sector should be developed as an employment and income generating industry. Nepal, as an attractive tourist destination, has not still been well popularized in the global sector. The efforts of the government to activate the Nepalese embassies for this purpose should be activated. The inflow trend of tourists is not radically reduced except in 2015 when there was a devastating earthquake. Nepal can develop tourism sector rapidly by restructuring its damaged heritages as soon as possible and finding new touristic destinations which are yet to be made popular. The latest data show that 60.0 percent of total tourist inflow is for holiday pleasure and then 16 percent for trekking and mountaineering. This fact indicates that Nepal is a suitable destination for recreation. Further, there is an urgent need to rebuild and re-brand the image of tourism, and strong efforts and resources will be required to develop the tourism sector as per the requirement of the twenty-first century.



## SAESM EXPERIENCES

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**Shivani Pandey, India**

**15th SAESM participant,  
now MSc Economics  
Candidate, 2020, London  
School of Economics and  
Political Science**

**SAESM** is not just a week-long conference but rather, it is an experience that stays with you for a lifetime. I went for the conference at a time when I was in deep stress about my career and my future in general. I thought going for an academic conference and that too, as the captain of team India would only add to my burden and leave me more exhausted than ever. Much to my surprise, it was the polar opposite of that. At SAESM 2019, you'll find yourself engulfed in an intellectually stimulating, fun and wholesome retreat in the company of brilliant minds from all over South Asia, bonding over good food and delightfully illuminating conversations. It creates the kind of competitive environment that fosters harmony rather than hostility. You'll learn so much from your fellow participants and from the faculty, often candidly telling stories of their time as graduate students. You'll learn how similar different cultures across South Asia are. But my biggest takeaway from SAESM will always be the life-long friends I made here and to whom I owe all of my last year's thought provoking and enriching discussions.



**Ayesha Ahmed, Bangla-  
desh**

**15th SAESM participant,  
and winner of best paper  
award in the theme: Envi-  
ronment and Sustainability**

**I** can guess, a lot of the experience sharing would be the memories about how SAESM helped us educationally and how the cultural blending made us feel. These are definitely the most enjoyable parts of every SAESM. However, I'd rather share the mental process I have gone through. When I started writing for the competition, I was told that, I would be wrong if I thought I could only learn the application of the theories I studied in the class. Because I must to go beyond that and push myself out of my comfort zone. That was quite remarkable in the sense that this is how we learn to 'learn' right? Since then, I have always tried to use the wisdom of learning to learn in all the other respects of my life. Obviously all of our actions have some practical reasons, but from then on I wanted to make sure that my learning quest may go uncompromised whatever I do. And so, I will always be immensely thankful to the SAESM organizers for creating such a platform for me, for all of us.



**Prachi Malakar, India**  
**15th SAESM participant,**  
**and student of masters in**  
**economics at Delhi School**  
**of Economics**

**SAESM 2019** was not just an academic conference but a celebration of Economics. When I look back at my sojourn at Colombo, I'm just overwhelmed how ten strangers from different parts of the country, whom people referred to as TEAM INDIA turned into this amazing and encouraging support system over a short span of 6 days that it became synonymous to family.

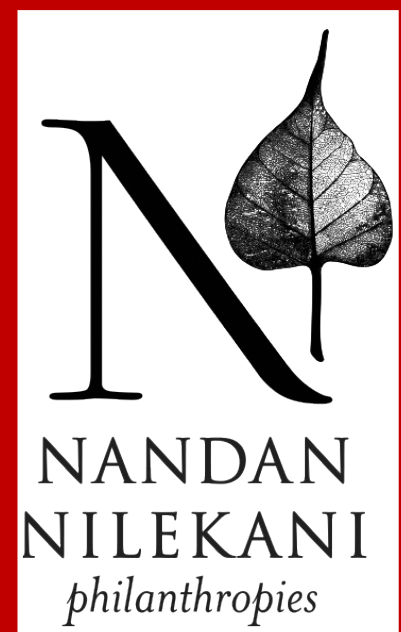
The first two days of the conference were infused with competitive spirit and academic rigour; the key take away was the India versus Pakistan Quiz Finale which was as amped up and stressful as a Cricket World Cup match. While we won the quiz, they won our hearts. The Budding Economist Competition gave me a platform to share my love for Economics and it couldn't have been more rewarding than to share this with Dr. Martin Rama.

One can only realise the true essence of SAESM in the retreat, of how similar we are despite all our cultural, lingual and ideological differences. From late night singing sessions to long beach walks where the ocean did the talking, the beaches of Galle bestowed us with the best kind of memories.

I am thankful to Sri Lankan and Pakistani friends for making our Republic day so special and unforgettable by singing our respective national anthems.

Amidst the brouhaha of political confrontations, SAESM throws light on the importance of regional peace and integration and how we can address challenges and tap new opportunities together as One South Asia. Thank You Sri Lanka for all the love and hospitality, this country will always be the closest to my heart!

*The printing of the newsletter  
was supported by Nandan  
Nilekani Philanthropies*





# ABOUT SAESM

South Asia has long been a paradox. With some of the highest trained professionals, engineers, doctors, scientists and economists, the region nevertheless continues to be one of the poorest regions of the world. Over the last 20 years, however, there has been a rekindling of hope in the region with economic growth rates picking up and some industrial and services sectors such as software and pharmaceuticals beginning to attract global attention. Despite emerging notions of an Asian century, some of South Asia's fastest growing economies lack trade collaboration and unified efforts at shared prosperity. In this context, the emergence of cohesive forums for dialogue, especially at a student level is important to actualize South Asia's potential.

South Asian Economics Students' Meet (SAESM) is an independently organized, World Bank supported annual academic event, involving undergraduate economics students from South Asian Countries. SAESM provides a unique platform for the young economics undergraduates from South Asia to come together and share their views and opinions on the thematic issues. Each SAESM has a particular theme that is relevant and related to the contemporary economic issues of South Asia.

SAESM is a novel initiative which started in 2003. The founding institutions of SAESM are Ramjas College from University of Delhi (India), Lahore University of Management Sciences (Pakistan), Dhaka University (Bangladesh) and University of Colombo (Sri Lanka). Over the years, we have been joined by Tribhubhan University (Nepal), Royal Thimpu College (Bhutan) and Kabul University (Afghanistan).

The meet spread over 2 days brings together some of the brightest undergraduate students of economics, to discuss and deliberate regional issues which act as barriers to improving the lives of the people. Students present research papers on important development issues of their own countries and discuss with students from other regions. This promotes a greater understanding of regional problems, and results in the exchange of innovative solutions and best practices of each country and provides capacity building for tomorrow's leaders and policymakers. After two days of rigorous academic activities, the participants have a day of retreat. The retreat provides an opportunity to witness the historical and natural beauty of the host country and enjoy outdoor activities.

The past SAESMs have been themed on topical issues pertaining to South Asia, and most notably, the South Asian integration has been amongst the most discussed core theme for several years. The themes of the SAESMs held by respective host countries are given on the side panel.



1. **2004 - New Delhi - Economic Developments in South Asia: Which Way Ahead**
2. **2005 - Lahore - Issues for South Asian Development**
3. **2006 - Dhaka - Sharing Ideas for a Better Understanding of South Asian Development**
4. **2007 - Colombo - Economic Development and Regional Cooperation in South Asia**
5. **2008 - New Delhi - Economic Challenges to Make South Asia Free from Poverty and Deprivation**
6. **2009 - Dhaka - Young Economist's for an Integrated South Asia**
7. **2010 - Colombo - Economic Freedom and Poverty Reduction in South Asia**
8. **2011 - New Delhi - Development Alternatives in South Asia**
9. **2012 - Kathmandu - Towards a Green South Asia**
10. **2013 - Lahore - The Political Economy of South Asia**
11. **2014 - Thimphu - South Asian Integration: Prospects and Challenges**
12. **2015-16 - Colombo - South Asia in the Asian Century**
13. **2016-17 - Kathmandu - One South Asia**
14. **2018 - Dhaka - Sustaining South Asia**
15. **2019-Colombo -Development in South Asia - Challenges and Opportunities**

# PARTICIPATING INSTITUTIONS

## AFGHANISTAN | KABUL UNIVERSITY

Kabul University is the oldest and largest institution of tertiary education in Afghanistan. Throughout its long history since 1930 not only it has provided training to a large number of Afghans but had enjoyed popularity in the region by attracting many students from their neighbouring countries. Kabul University (KU) had a rich culture, history, academic excellence and devastated by decades of wars and instabilities in Afghanistan. The vision of the university is to transform itself into an internationally recognized institution of learning and research, a community of stakeholders committed to shared governance, and a centre of innovative thought and practice.



## BANGLADESH | UNIVERSITY OF DHAKA



The University of Dhaka is the oldest university in modern Bangladesh. Established in 1921, during the British Raj, it became the focal point of progressive and democratic movements in Pakistan after the Partition of India. As the pioneer and the largest seat of learning in the country, the university has taken the task to foster the transformation processes of the individual students and the country as a whole through its educational and research facilities keeping up with demands of the day. The University of Dhaka is one of the leading institutions of higher education in Asia.

## BHUTAN | ROYAL THIMPHU COLLEGE / SHERUBTSE COLLEGE

Royal Thimphu College (RTC), Bhutan's first private college, is affiliated to the Royal University of Bhutan. The college offers undergraduate degrees in a variety of fields under the auspices of the university. RTC has since established a number of international partnerships, including with Wheaton College, in the United States, the alma mater of the Fifth King of Bhutan, His Majesty Jigme Khesar Namgyel Wangchuck. In 2016, the Bhutan Accreditation Council awarded it its highest grade of A+. Sherubtse College is one of the oldest and largest colleges in the Royal University of Bhutan. The college was established as a public school in 1968 and became a junior College in 1976. It offers a wide range of undergraduate programmes in arts, humanities, social science, physical and biological sciences. Sherubtse College offers a unique learning opportunity for local as well as international students.



## SRI LANKA | UNIVERSITY OF COLOMBO



The University of Colombo (informally Colombo University or UoC) is a public research university located primarily in Colombo, Sri Lanka. The oldest institution of modern higher education in Sri Lanka, it is also the largest university in the island, specialised in the fields of natural, social, and applied sciences as well as mathematics, computer sciences, and law. It is ranked among the top 10 universities in South Asia. The University of Colombo was founded in 1921 as University College Colombo, affiliated to the University of London.

## NEPAL | CENTRAL DEPT. OF ECONOMICS, TRIBHUVAN UNIVERSITY

Established in 1959, Central Department of Economics (CEDECON) is one of the oldest and biggest departments at Tribhuvan University (TU). Primarily a teaching faculty, the Department also undertakes research activities and publication works. CEDECON is well equipped with high-level specialized faculty members recognized for their academic and professional contributions within and outside Nepal. Today, CEDECON is considered as one of the best departments at TU. Its role is crucial for modulating policies and implementing programs by the government as well as producing a high-level manpower urgently required for both private and government sectors.



## PAKISTAN | LAHORE UNIVERSITY OF MANAGEMENT SCIENCES



The Lahore University of Management Sciences (LUMS) is an independent research university located in Lahore, Pakistan. It was founded in 1984 by the patronage of the business–industrial community. It established a business school in 1986 and the undergraduate school was initiated in 1994, and in 2008 launched an engineering school. The university is sponsored by the National Management Foundation which is sponsored by Lahore’s business community. The university is also a member of Association of Commonwealth Universities. As the years unfold, the university remains committed to offering new programmes in relevant, emerging fields for the youth of the region.

## INDIA | SAESM INDIA

SAESM is coordinated in India by a network of colleges and teachers facilitated by the Association for South Asian Scholars (AFSAS). The first SAESM was held in Ramjas College in 2004. Ramjas College has hosted it twice more, in 2008 (with Miranda House as co-host) and 2011. Since its inception SAESM has seen wide participation from not only different colleges of University of Delhi but other colleges and universities from all over India. Over the years, student participants have been drawn from colleges like St. Stephens College, Lady Shriram College for Women, Shri Ram College of Commerce, Hindu College (all from University of Delhi), St Xavier’s College (Mumbai), Symbiosis School of Economics (Pune) Christ University (Bangalore), Jadavpur University (Kolkata), Presidency University (Kolkata), Madras Christian College (Chennai) and many more including Ashoka University and Shiv Nadar University.





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A capture of the Swayambhunath Stupa, famously called as Monkey Temple, located in Kathmandu Valley, Nepal – UNESCO included it in World Heritage Site in 1979 AD