

## That's public money

- Political leaders should stop abusing the financial system by spending as they please

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Political leaders justify skyrocketing government expenditure by referring to availability of a vast natural resource base, but no one has presented strategies for sustainable conservation, development and utilisation of natural resources

Jan 9, 2018-A robust national financing system is necessary for the success of developmental initiatives, effective delivery of social services, environmental quality, attraction of business and private investments and overall sustainability of economic development. Inappropriate handling of the financial system leading to any fiscal malfunctions including increased dependence on foreign countries, a draw on the income of future generations to meet current needs, unethical governmental spending and unscrupulous manipulation of governmental expenditures are some examples of abuse of the financial system.

Corruption has infected almost all sectors of Nepali society including the public and private sectors, judiciary, civil service, politics, NGOs and other sectors. According to Transparency International, Nepal ranked 131st among 176 countries in the 2016 Corruption Perceptions Index. In this context, Nepal's financial system has been seriously abused for decades.

## **Backsliding development**

While Nepal's GDP increased by 483 percent from \$3.628 billion in 1990 to \$21.14 billion in 2016 with a corresponding 54.6 percent increase in population, the proposed governmental annual expenditure has increased by 18,310 percent from Rs5.8 billion in the Seventh Five-Year Plan (1985-90) to Rs1,067.81 billion in the 14th Plan (2016-19). Though the Nepal government knows clearly that it has not been able to spend the allocated funds in a timely manner, it continues to increase the annual budget every time. Considering the level of increase in government expenditure in the past 27 years, one would expect tremendous economic growth and increase in job opportunities. But this has not happened.

Government expenditure has increased tremendously in recent years, but Nepal is experiencing an adverse trade situation. Increasing imports of agricultural products is another unpleasant economic fact. In fiscal 2014-15, Nepal imported farm products worth Rs137.12 billion. Similarly, another troubling fact is that over 5 million Nepali youths have left the country for foreign employment due to lack of jobs in Nepal. Nepal's outstanding public debt in 2015-16 was Rs627.8 billion. These socio-economic facts clearly illustrate that the Nepali economy is suffering from sluggish economic growth, lack of employment generation, poor productivity and increasing foreign dependency and outside loans.

Environmental degradation including massive pollution in the Kathmandu Valley, ecological degradation in the Chure region, deforestation, land degradation, food contamination, climate change impacts and dwindling drinking water supply in the mountain region present some of the major environmental challenges in Nepal. A purely objective comparison of the level of infrastructural development reveals unmatched growth during the 34 years of planned development before 1990. Almost all the pre-1990 infrastructural development projects seem to have been constructed by foreign countries through bilateral assistance.

Some of the notable infrastructures among them are the Tribhuvan, Araniko, Siddhartha, Prithvi and East-West highways; Gorkha-Narayangadh Road, Kathmandu Ring Road, almost all the airports, the Trishuli, Sunkoshi, Kulekhani and Marshyangdi hydropower projects, Gandak and Koshi projects, the Dunduwa, Kankai, Mahakali, Banganga, Marchawar, Babai and Eastern Rapti irrigation projects, Janakpur Cigarette Factory, Birgunj Sugar Factory, Agricultural Tools Factory, Hetauda Banaspati Ghiu, Hetauda Textile, Hetauda Cement Factory, Gorakhkali Rubber Industry, Bansbari Shoe and Leather, Butwal Plywood Factory, Udaypur Cement Udhyog and Balaju Textile Factory.

There is clearly an unsatisfactory answer in relation to basic infrastructural development during the post-1990 era. Of course, increased expenditure on schools, hospitals, drinking water supply, communication, community roads, administration, and social services can be expected to accommodate population growth over time. Natural disasters such as the 2015 Gorkha Earthquake and the 2017 Tarai floods certainly created a huge draw on government spending. There are not many notable infrastructural development projects besides the BP Koirala, Sagarmatha and Mechi highways and the Bagmati Multipurpose Irrigation Project which were planned towards the end of the pre-1990 era. The Modi Khola, Upper Bhote Koshi, Chameliya,

Kali Gandaki and Middle Marshyangdi hydroelectric projects and the Sikta Irrigation Project that can be cited as some of the infrastructural outputs of the post-1990 era.

Excuses for the poor infrastructural development during this era predominantly include the Maoist insurgency, political transformation, constitution writing and political instability. With the promulgation of the 2015 constitution and the completion of the 2017 general election, Nepal is set to implement a federalised administrative structure by adding 884 parliamentarians, eight governments, about 135 ministers and hundreds of new staff. There are 753 local governments in the country. This added administrative structure will certainly be another draw on the national economy.

### **Abusing the financial system**

Almost every political leader has been justifying skyrocketing government expenditure by referring to the availability of a vast natural resource base, but no one has presented a clear vision and strategies for sustainable conservation, development and utilisation of the natural resources. It is well known that Nepal is endowed with vast natural resources, but the challenge lies in harnessing them sustainably for accelerated economic growth and fast-paced socio-economic transformation.

An increase in annual expenditure is necessary to adjust for inflation, rising foreign exchange rates, increased expenditure on administration and social services, repair and maintenance costs of infrastructure and development of new infrastructure. However, utilising the financial system for electoral outcomes, fostering corruption, making money by political parties through various government deals and contracts, financing medical expenses for political leaders and utilising the financial system as a source of income for political cadres by issuing contracts for community development works constitute gross financial abuse.

In addition, pushing the country towards greater foreign dependence or increasing the volume of government loans to meet current expenses while relying on the blood and sweat of our future generations for repayment is another gross negligence and abuse of the financial system. Just as Nepal's financial system has been abused in the name of political struggle and transformation for the past 27 years, there is danger ahead of continued abuse in the name of federalising the administrative structure and harnessing natural resources. In order to realise national development and meet the people's aspirations, there must be an immediate stop to the abuse of the financial system.

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1. [The Kathmandu Post](#)
2. › [Oped](#)
3. › [Durga D Poudel](#)

<http://kathmandupost.ekantipur.com/news/2018-01-09/thats-public-money.html>