

# 'Need to raise capital spending'

*Financial resources properly allocated but not fully utilised*

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Nepal Rastra Bank Governor Yubaraj Khatiwada has stressed on the need to raise the government's capital spending capacity citing a large chunk of the money allocated for various development purposes always remains unused.

The government had allocated Rs 85.10 billion for capital spending this fiscal year. But in the first nine months of this fiscal, only Rs 26.26 billion, or 30.86 per cent, was spent.

"We do allocate financial resources properly. But because of low spending capacity, we cannot fully utilise them," the governor said, addressing an interaction organised by the Institute of Chartered Accountants of Nepal, in Kathmandu, today. "So our focus should be on building the government's

spending capacity."

Earlier, the World Bank had said that the answer to under-investment lies in public financial management systems that are well defined on paper but dysfunctional in practice, with critical gaps at all stages of budget planning, formulation and execution as well as deficient oversight capacity and systems.

It had then asked the government to strengthen its public financial management systems and practices.

But along with reforms in the public financial management system, some modification in the working culture of the private sector is also needed, governor Khatiwada added.

"We have noticed that many companies that bag government contracts on physical infrastructure cannot complete their works on time despite timely release of funds.

This should change," the governor said.

Senior economist Posh Raj Pandey also spoke on the same lines but he stressed on the need to build institutional capacity of all government bodies.

"The first generation of economic reforms focused on liberalisation of various sectors. The second generation of economic reforms should centre around building institutional capacity and complete unfinished agendas of the first generation of economic reforms, like labour market reforms," Pandey said.

"Also, focus should be laid on ensuring policy stability, supply of adequate amount of electricity, expanding transport network, reducing corruption and discouraging anti-competitive practices like cartelling."

Chiranjibi Nepal, economic advisor to Prime Minister Sushil

Koirala, said that Nepal has fallen behind in terms of development because of the country's inability to introduce various reform measures on time.

"Political leadership, which does not seem to have a long-term vision on economic development, should be blamed for this," he said, adding, the government's focus should be on creating jobs, taming inflation and achieving sustainable economic growth.

Nepal is one of the few countries in South Asia with low economic growth, while most of the youths are leaving the country for employment purpose due to lack of job opportunities here.

"What we are facing is stagflation as economic growth is low, unemployment rate is high and consumer prices are rising," senior economist Bishwambher Pyakurel said.