

Nepal crawls up global competitiveness index

POST REPORT

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Nepal's competitiveness in the global arena has improved even though the economy has been reeling under a protracted political transition. According to the Global Competitiveness Index 2013-14 (GCI), Nepal has risen to the 117th position from last year's 125th spot.

Prepared by the World Economic Forum (WEF), the GCI is the most respected assessment of national economic competitiveness, providing a mirror image of a country's economic environment.

The GCI is measured on 12 pillars of economic competitiveness—institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development,

technological readiness, market size, business sophistication and innovation. The pillars are further divided into 112 sub-indicators.

Among the 12 pillars, Nepal ranks above 100 in only three pillars—macroeconomic environment health and primary education and financial market development. It was an improvement in the ranking in macroeconomic environment and health and primary education that helped Nepal to improve its GCI score. The country's ranking in macroeconomic environment increased to 41 from 56 last year, while the ranking in health and primary education improved to 88 from 109 last year.

"Besides basic indicators like health and primary education, the country's efficiency in other sectors has not gained notable pace," said Prithvi Raj Legal, former vice-chairman of the National Planning Commission.

Trade expert Ratnakar Adhikari considers the improvement in the GCI based on basic indicators alone to be not sustainable. "For long-term sustainability in competitiveness, we must focus on investing in infrastructure and technology thereby enhancing financial accessibility for the general people," said Adhikari.

The GCI gives an insight into Nepal's current situation. It has identified government instability as the most problematic factor for doing business in Nepal. Corruption is the second most problematic factor in the country for doing business followed by inefficient government bureaucracy.

It is infrastructure where the country's competitiveness is the worst. Nepal is ranked at rock bottom (144) in infrastructure. With the country facing an erratic power supply, the quality of electricity supply has also fallen one step behind to the 144th position.

The index also shows that public trust in the country's politicians is at its lowest. Nepal is ranked 142nd in public trust of politicians. In wastefulness in government spending, Nepal is in the 105th position.

Business executives in the country think that the legal framework for settling business disputes is not sufficient. Nepal has been placed at number 123 in the efficiency of the legal framework in settling disputes whereas it was ranked at number 113 last year.

One of the worrying facts that the report shows is a worsening labour market efficiency in the country. Nepal is ranked 146th in cooperation in labour-employer relations. The report also shows that businesses have to struggle when it comes to hiring and firing workers. The country is ranked in the 125th position in hiring and firing practices, down from 105 last year.