

Deficit financing could be necessary for reconstruction

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Stressing that there exists both fiscal and monetary space for accommodative macro policies to expedite reconstruction, Yubaraj Khatiwada, former vice chairman of the National Planning Commission (NPC), said that it may be necessary to resort to deficit financing for reconstruction, as capital constraints would otherwise hinder the economic growth process and perpetuate low-investment low-growth low-saving low-investment cycle.

Addressing a discussion programme titled ‘Impact of Post-Earthquake Reconstruction on the Economy’ organised by South Asia Watch on Trade, Economics and Environment (SAWTEE) here today, he recommended the government to finance the reconstruction through grants rather than from concessional loans to prevent the country from falling into debt stress due to debt accumulation. He attributed the slow pace of reconstruction to the regulatory hassles and problems regarding coordination among the responsible government agencies, as per a media release.

He pointed out that despite the damages worth billions of rupees, the 2015 earthquake did not affect Nepal’s economy in a fundamental manner. Khatiwada said that the economy seemed to have stagnated in the subsequent fiscal year, that is 2015-16, but the border blockade in the same year also affected the economic activities which manifested as marginal growth that year.

Yuba Raj Bhusal, CEO of National Reconstruction Authority (NRA), however, said the impact on the national economy may have been negligible, but distress on the individual household level was severe and has further amplified the magnitude of vulnerability of many.

Referring to housing reconstruction activities, he pointed out that the NRA is targeting to complete the construction of 450,000 houses by the end of this fiscal year. Further, to expedite the process the authority will mobilise personnel to solve the problems that have slowed down the pace, he said.

Bishnu Dev Pant, executive chairman of Institute of Integrated Development Studies, emphasised that more skill development training programmes are necessary to meet the labour shortage and to tackle the exodus of Nepali workforce for the benefit of all.

Shankar Sharma, former vice chairman of NPC, also stressed on the need to have a positive outlook as reconstruction activities do not happen overnight and although it is slow right now it will gather pace eventually.

This was the seventh series of such discussion forums organised by SAWTEE under the project ‘Initiating dialogue on Post-Disaster Reconstruction Experience’ undertaken with support from The Asia Foundation.

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