OPINION IN LEAD
Populism and ad-hocism in policymaking: How it will aggravate Nepal’s economic troubles

Back in 2020, when the economy was ravaged by the Covid-19 pandemic, the Tourism Ministry proposed a two-day public holiday as a measure to stimulate the then decimated tourism sector.

While the government did not implement that measure then, it has recently come into implementation but this time to achieve a directly opposite effect—to reduce the burgeoning import of fuel that is threatening Nepal’s external sector stability. So, does the two-day public holiday reduce consumption or increase it? This kind of ad-hocism in Nepal’s policymaking has been its persistent feature. If Nepal is serious about achieving its ambitious growth and development goals, significant reforms are needed to remedy the inconsistent, incoherent, and ambiguous policies, a result of poor policymaking practices.

REPORT

Developing countries still have to regain lost ground from the COVID-19 pandemic. The pandemic has put more countries at risk of debt distress, constrained their fiscal space and hampered economic growth. The war in Ukraine is exacerbating all these challenges. In this context, UNCTAD’s ‘2022 Financing for Sustainable Development Report’ identifies a “great finance divide” – the inability of poorer countries to raise sufficient resources and borrow affordably for investment.

The great finance divide leaves developing countries unable to respond to crises and invest in sustainable development. On average, developed countries use 3.5 percent of revenue to pay interest on their debt, versus 14 percent of revenue for the least developed countries. About 60 percent of LDCs and other low-income countries are now assessed at a high risk of or in debt distress, double the 30 percent in 2015. The Ukraine conflict is compounding stresses, through higher energy and commodity prices, renewed supply chain disruptions, higher inflation coupled with lower growth, and increased volatility in financial markets. The 2022 FSDR recommends three sets of actions that can help to make progress in bridging the finance divide. First, the report calls for urgent measures to address financing gaps, rising costs of borrowing and heightened debt risks. There is a need to increase public financing for investment in public policy priorities and effectively spend mobilized resources on the SDGs and productive investment. The international community should work to reduce borrowing costs and volatility from commercial sources; and address debt overhangs to reduce debt burdens.
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India’s wheat export ban and usage of the peace clause to protect its food programmes against action from trade disputes have come under fire at the World Trade Organisation (WTO).

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This issue delves into the actions expected from the international community to enhance the productive capacities of LDCs. The two cover articles analyze the limited scope of existing international support measures rooted in the neo-liberal economic principles that dominated the economic public sphere five decades ago. They make the case for adjusting to the new realities by designing a new generation of support measures for a more inclusive and sustainable development of the LDCs. Another article lists concrete, actionable and time-bound steps necessary to support LDCs in enhancing their productive capacities. Other articles highlight the importance of addressing climate change and the need for climate financing for the longer-term sustainability of graduation from LDC status.