No Long-term Plans from the Government in Light of Declining Foreign Exchange Reserves

When the news of the economic crisis in Sri Lanka and Pakistan is making rounds, the situation of the Nepali economy also seems to be worsening. The Nepal government has been trying to contain the declining foreign exchange reserves. Despite the efforts, the imports have soared to NRs. 1.76 trillion, which is NRs. 11.7 billion in the last fiscal year (FY), have declined to NRs. 9.28 billion in May last year. According to Nepal Rastra Bank, the US dollar reserves, which stood at NRs. 11.7 billion in the last fiscal year (FY), have declined to NRs. 9.28 billion in May 2022.

The decline in foreign reserves began in December 2020. But, as much as the severity of the economy is being observed, the seriousness from the government seems to be lacking. The government made an ad hoc decision to provide a two-day public holidays traveling abroad for further consumption but without it within a month. The political leaders seem to be more focused on making quick monetary decisions to avoid plans of default. The concerns are growing over the sustainability of Nepal's economy. Nonetheless, there is still a lot of scope in the new annual budget for the Fiscal Year 2022-23. The government has lately tightened the imports to maintain the declining foreign exchange reserves. Despite the efforts, the government should give utmost importance to the agricultural sector to reduce fertilizer production, substitute imports, and promote employment generation.

Goverance Issues of the Week

1. The District Public Health Office, Kathmandu has formed an investigation committee for cholera prevention and control as five people in Kathmandu have been infected with it. The National Disaster Risk Reduction and Management Authority has confirmed that a cholera-causing bacteria has been found in the tap water of Bagmati, Kathmandu. Read more

2. Government hospitals have also begun to issue statements against the Health Insurance Board which has failed to make payments worth NRs. 13 billion to the service providers across the country. Tribhuvan Teaching Hospital and Dhulikhel Hospital have stated to stop the insurance program if payments aren't make soon, pushing the whole insurance program towards uncertainty. Read more

3. As the federal and provincial elections are approaching, the government has made preparations to pass the Citizenship Act (Amendment) from the parliament to gain the support of Madhes-based parties. The new citizenship bill will formulate policies based on the programs and support of Madhes-based parties. The new citizenship bill will allow the children of Nepali mothers, whose fathers are of minority status, to acquire citizenship. Children of Nepali mothers, whose fathers are of minority status, will be able to obtain citizenship by descent. Read more

4. The deadline of the Sita Irrigation Project, which started in the FY 2003-05, is set to expire at the end of the current fiscal year. However, the project has only made 70 percent progress. The project is making preparations to extend the deadline up to FY 2023-24. The existing estimated cost to nearby NRs. 50 billion. Read more

5. The number of workers traveling for work with a labor permit is now at the highest since FY 2018-19. The current total is the highest compared to the total number of workers for work in the previous fiscal year, within the same time period. The number of workers traveling abroad for further studies has also increased by 14 folds compared to last year. Read more

6. The 720 local units are set to release the annual budget for the Financial Year 2023-24 under the Intergovernmental Fiscal Act 2017. The local units will formulate policies based on the programs and support promised from the budget allocation at the federal and provincial levels, revenue sharing, taxes, and other incomes of local units. Read more

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