

GOVERNANCE

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Nepal's Monetary Policy: Navigating Challenges Towards Economic Recovery

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Nepal's economy is gradually bouncing back from a recent recession, and the government is taking decisive measures to support growth, manage inflation, stabilize interest rates, and ensure accessible credit. The ambitious budget and monetary policy have set a target of achieving a 6 percent growth rate for the current fiscal year. To keep inflation in check, the central bank plans to maintain an accommodating monetary policy, which has already contributed to a decline in consumer price inflation from 8.56 percent to 6.83 percent in mid-June 2023.

While these efforts are promising, there are some concerns that need addressing. The soaring cost of petroleum products is contributing to inflationary pressures. Unfortunately, the Nepal Oil Corporation's decision not to reduce prices due to outstanding debts is burdening consumers. The new monetary policy aims to stabilize inflation at 6.5 percent, but the central bank remains cautious about potential risks.

Moreover, the credit flow to the real estate sector hasn't kept pace with its growth, leading to worries about credit fluctuations. To alleviate this, the central bank plans to offer guidance on loan restructuring and rescheduling for sectors severely impacted by the recession.

On a positive note, the central bank's reduction of microfinance institutions through mergers and acquisitions is a commendable step towards efficiency. Additionally, their exploration of a Central Bank Digital Currency (CBDC) and promotion of digital payment services aim to enhance financial efficiency.

Overall, Nepal's monetary policy is geared towards fostering economic recovery while controlling inflation. To achieve its objectives, effective implementation and coordination between monetary and fiscal policies are crucial. It is hoped that these efforts will pave the way for a more stable and prosperous economic future in Nepal.

Read more: [The Kathmandu Post](#), [Sharesansar](#)

Governance Issues of the Week

1. The Election Commission has published the names of the candidates of the federal and provincial elections in 2022 who failed to submit their election expenditures. 2,435 candidates that ran for House of Representatives and Provincial Assembly have been fined at the rate of 15 thousand and have been given a deadline of 7 days to submit their details.

Read more: [EKantipur](#)

2. The National Human Rights Commission has voiced concerns over a provision in the recently endorsed Bill to Amend Some Nepal Acts. The bill allows the withdrawal of cases of anyone from a political party or group who conducted violent protests in the past but is carrying out its activities peacefully now. Critics fear it could undermine the entire Transitional Justice process.

Read more: [The Kathmandu Post](#)

3. The Tribhuvan University's Office of the Controller of Examinations has once again faced criticism over its negligence in finalizing question papers. The 3rd year Bachelor of Tourism Development students on 24 July 2023 were asked extensive questions on Indian History, which later was discovered to have been copied from Delhi University.

Read more: [Nagarik News](#)

4. The Supreme Court has made a decision against the formation of the Koshi Provincial Government. Udhav Thapa, a member of the Nepali Congress, had been elected Chief Minister despite a tie in votes between the Nepali Congress-led coalition and the UML-led opposition. The Provincial Assembly speaker had gone beyond the constitution to vote in favor of Thapa.

Read more: [Setopati](#), [Khabarhub](#)

5. Nepali manpower companies are facing scrutiny from Malaysian employers for charging fees from both employers and Nepali migrant workers. Recently, 25 workers were denied jobs and left stranded after the employers came to know about it, and the employers are also delaying payments to manpower because of it.

Read more: [Naya Patrika](#)

6. The House of Representatives in the last 7 months since the 2022 elections has passed only one bill; namely Bill to Amend Some Nepal Acts. The delay of National Assembly to approve the endorsed bill, the government's slowness in introducing legislation, and the government's reluctance to own the bill proposed by parliamentarians are cited as primary reasons for the issue.

Read more: [Onlinekhabar](#)

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