

Importance of Ex-ante Impact Assessment Techniques for Shared Growth and Development :Nepalese Experience

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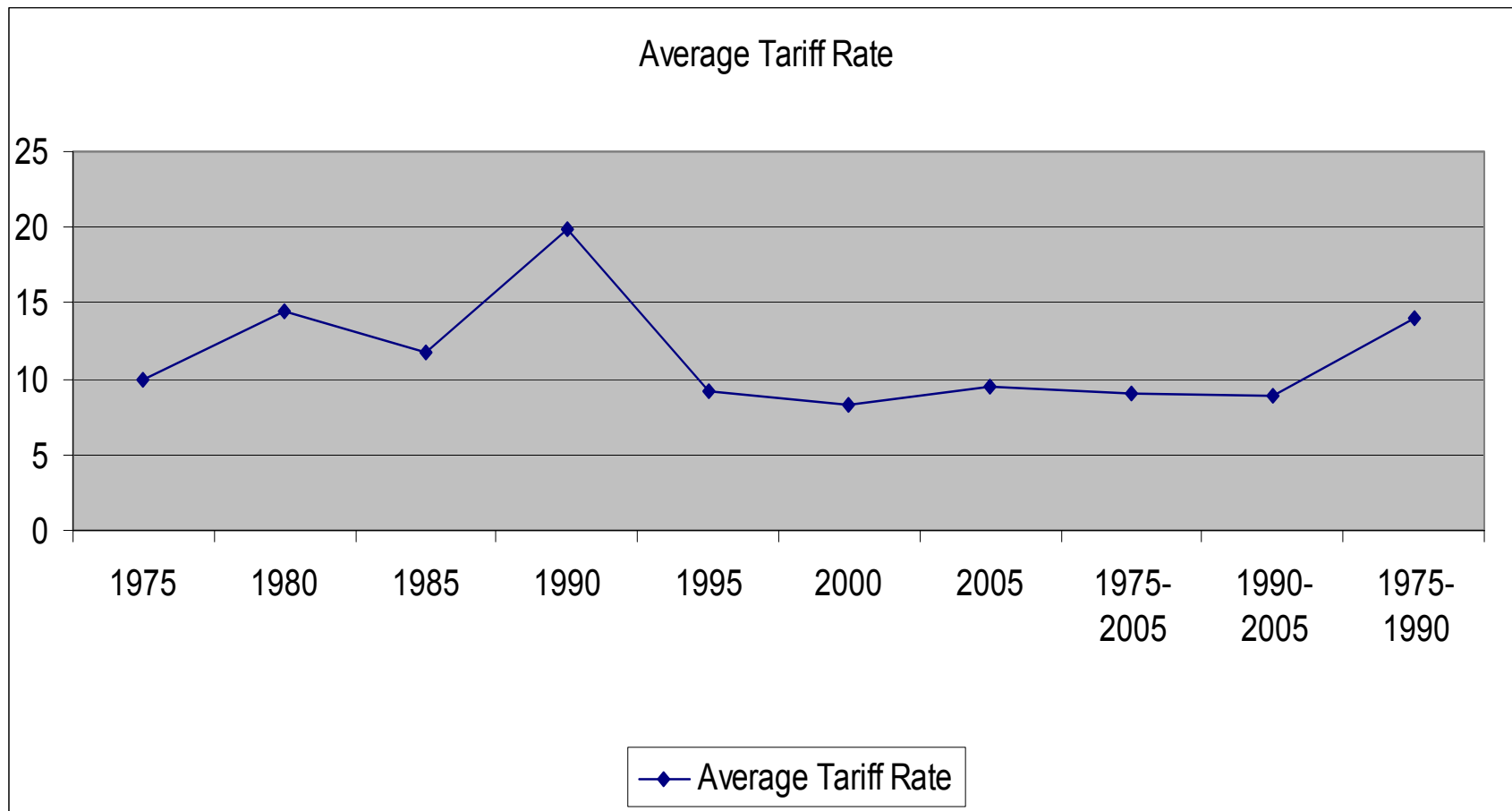
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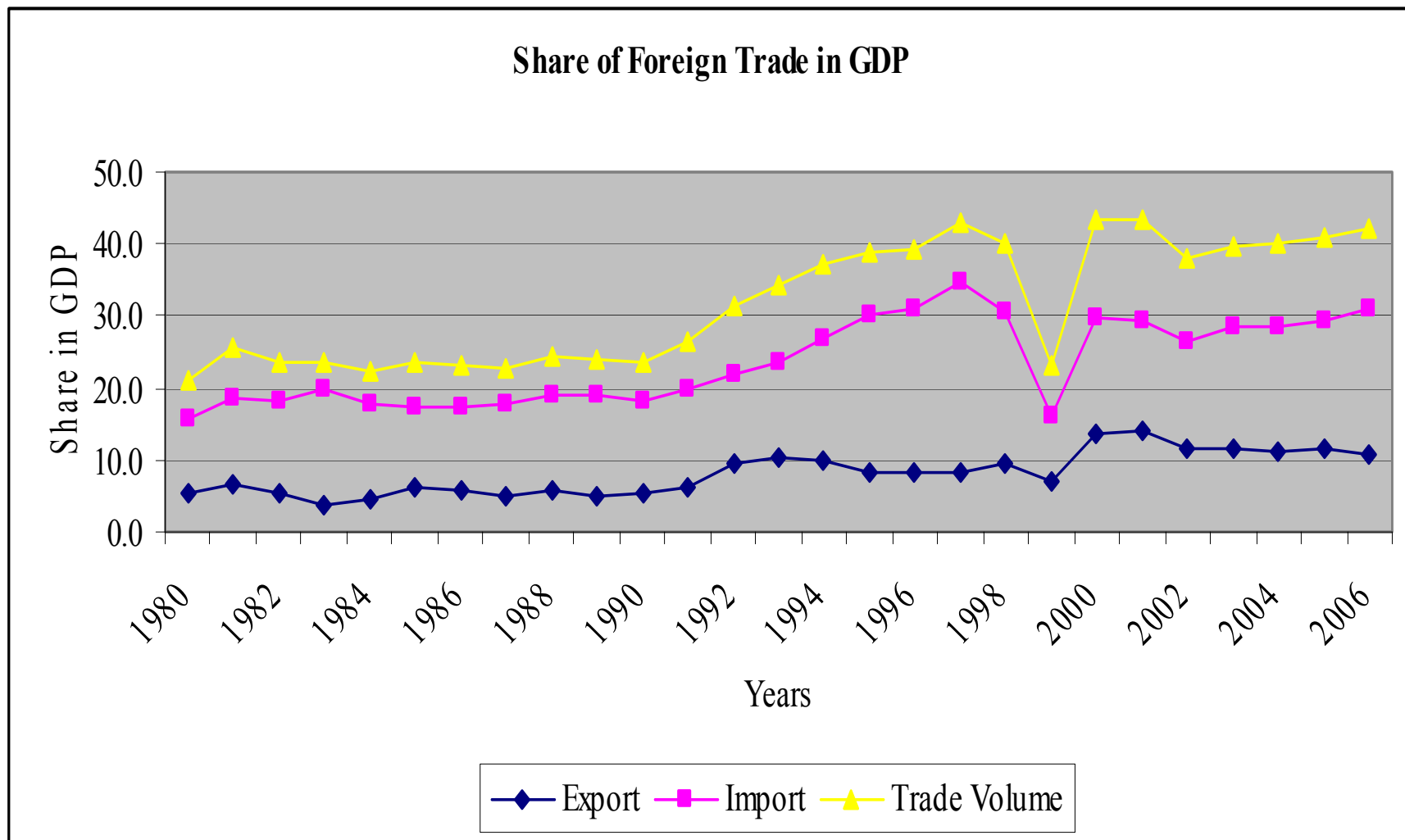
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Background

- Nepal one of the most liberalized countries in South Asia
 - average tariff rate averaging 8 to 9 percent



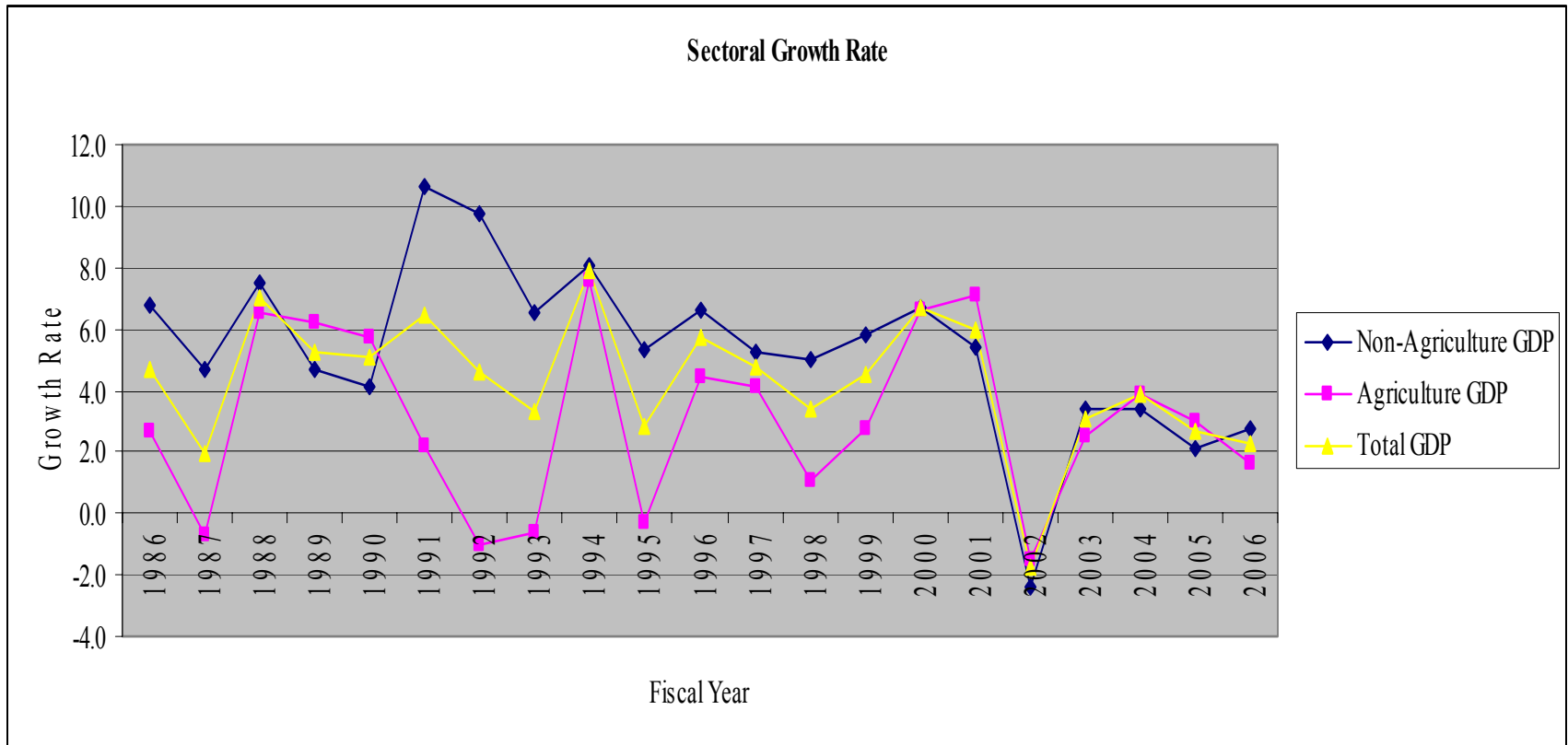
– export/import/GDP ratio also shows opening up of economy



- free convertibility in Current A/C
- 100 percent equity participation in medium and large enterprises
- services sector equally open-up with three fourth equity participation in banking and 100 percent subsidiary in insurance
- ongoing further liberalization under WTO membership obligations

Some positive outcomes

- relatively high growth rate in the aftermath of intensive reforms



- robust exports
- even poverty reduction very substantial during the period 1996-2004 (from 42 to 31 percent)

However some major problems in key socio-economic fronts

- deceleration in growth rate after 1950s with stagnating trends at 2 to 2.5 percent in recent years
- poverty reduction largely remittance inflow driven - contributing more than 7 percent out of 11 percent decline
- growth urban biased capital intensive sectors with agriculture and small industry, trade and business activities being most sufferer in the course of intensive sectors

- more worryingly - income inequality rising enormously from 34.2 to 41.4 during 1996 – 2004
- share of poorest in consumption very low and declining and income share stagnating

	Share in per capita consumption		Share in per capita income	
	1996	2004	1996	2004
Poorest 20 percent population	7.6	6.2	5.3	5.3
Richest 20 percent population	44.9	53.3	50.3	53.4

- informal sector employment as high as 94 percent
- labor productivity in manufacturing and services declining
- more than 1 million households landless, surpassing 23 percent of total households
- caste/ethnicity, gender based exclusion - both economic (low income, absence of opportunity, human (education, health) and physical assets (land, livestock etc) as well as very poor access to physical infrastructure among poor and disadvantaged)
- highly uneven development in rural/urban/remote and relatively accessible areas lacking shared growth and opportunities

- reforms narrowly focused - deregulation and open up centric
 - absence of political economy and institutional considerations
 - gainers and losers not considered in the time of policy design
 - policies mostly externally driven
 - structural conflict/social contradictions ignored
 - absence of policy coordination and policy led benefits captured by elites and privileged – reform processes lacking
 - exclusionary state, economic/social intuitions hardly considered

Why so

- no a priori assessment techniques followed to examine probable gainers and losers/income distribution implication and hence the participation of various constituents/ stakeholders lacking (especially voiceless) in the reform process
- despite several attempts still plans follow capital/output ratio and policy either ad hoc or donor driven
- Even the PRSP did not attempt to introduce ex-ante impact assessment technique (although a MTEF used, not so relevant from shared growth and development point of view)
- resource allocation criteria ad hoc and based on pull and push factors/no input/output/outcome techniques

What type of Ex-ante Assessment Techniques

- adoption of a priory assessment technique essential -getting idea on potential ramification, at the same time providing space to various stakeholders to raise voices for protection of their class or community interest and also for minimizing external influence such a technique/approach necessary
- recently more popularity of CGE and micro simulations models and they help
 - assessment of relative price effects
 - at the extent of households level - poverty and income distribution implication - more broadly welfare implication

but many deficiencies

- too much market based and quite often lacking unique feature/structure of countries like Nepal
- role of government almost ignored
- as an offset resource allocation decision overlooked
- need of developing appropriate model/techniques/ approach followed by institutionalization of policy coordination as our recent research indicates
- experience indicates on the necessity of - three legs
 - growth/ per capita income in a sustainable manner
 - improving the condition of people at large through shared growth and enhancement of social harmony for minimizing structural conflict and social contradiction particularly in a highly discriminatory society like ours along with examination of additional contribution in growth and development process by excluded and
 - addressing environmental issues

- therefore traditionally economic models or paradigms designed treating social and environmental issues as externalities may not work as Nepal's experience exemplifies
- this demands more research and development of suitable development paradigms and economic models to be useful for the countries like Nepal

References

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