

Nepal aims at independent central bank.By **Chaitanya Kalbag**

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KATHMANDU, May 22 (Reuter) - Nepal's coalition government plans to grant the Himalayan kingdom's central bank full independence, the finance minister said on Wednesday.

The Nepal Rastra Bank is currently under the supervision of the finance ministry.

"We are considering that the central bank should be fully independent in the Ninth Plan," Rabindra Nath Sharma told Reuters in an interview.

Nepal's ninth five-year plan is due to start in mid-July, soon after Sharma unveils his budget for fiscal 1997-98 starting July 16.

Nepal follows the Hindu Bikram calendar; its fiscal year's start varies between July 14 and 16.

Sharma said Nepal was forced to follow a Soviet-style planned economy because its largely rural economy was unorganised.

Sharma said he expected real gross domestic product (GDP) to grow by five percent in 1997 compared with 6.1 percent in 1996.

He said growth had slowed because agricultural output, affected by poor weather, was expected to rise by only 3.3 percent this year, down from 5.4 percent in 1996.

Sharma said "wrong planning" was responsible for Nepal's continuing poverty. As much as 61 percent of the country's development budget is funded by foreign aid.

"Most of our people live in the rural areas. Unless we make the villages the centre of our economic activity we cannot improve things."

Sharma said he did not plan to increase taxes in his budget but hoped to expand the tax base with a 15 percent value-added tax (VAT) that is due to be introduced in mid-November.

"A good number of businessmen are hiding their taxes so they oppose VAT," he said. "The tax administration has to be reformed."

He said in the first year of VAT he expected tax revenue to drop as the government streamlined VAT administration.

Sharma noted that 80 percent of landlocked Nepal's trade was with its giant southern neighbour India. The two countries share a 1,500-km (930-mile) open border dotted with transit points for trade.

He said Nepal, which is using only 0.5 percent of its total hydroelectric generation potential of 83,000 megawatts, hoped to export electricity to India to bridge a \$380 million trade gap with New Delhi.

India and Nepal said last week they expect to sign a pathbreaking accord on energy, trade and power-sharing early next month when Indian Prime Minister Inder Kumar Gujral visits Kathmandu.

Sharma said he foresaw problems in payments by India for any electricity it imported from Nepal. Two of India's biggest states, Uttar Pradesh and Bihar which border Nepal have state electricity boards running with chronic losses.

"From where will they pay us? That is the big question," Sharma said.

He said the kingdom was trying to mobilise funds for a second international airport to boost tourism, the third largest source for foreign exchange after foreign aid and exports.



Nepal has designated 1998 "Visit Nepal Year" and Sharma said the campaign was aimed at tourists from developing countries to achieve the goal of attracting half a million tourists.

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