

HIMALAYAN TRAGEDY

After the earthquake: External debt is a cancer to Nepal. Cancel it now!

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The earthquake-ravaged country's debt stands at \$3.8 billion. Writing off its loans will go a long way in helping it recover from the recent disaster.

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I would like express my heartfelt thanks to all the kindhearted people across the world for their generosity and solidarity in response to the horror of Nepal's earthquake. As Nepali people, Nepalese security forces, Nepali government and civil society along with international rescue teams tirelessly helping the survivors with shelter, water, food, medicine, I would like to call on the World Bank, the Asian Development Bank and other bilateral and multilaterals to stop sucking the money Nepal so badly needs now in the name of "debt servicing".

Nepal was already one of the world's poorest countries and after the recent deadly earthquakes that already claimed more than 8,000 lives, it has become far poorer. It is unacceptable that the World Bank and Asian Development Bank still intend to collect tens of millions of US dollars from Nepal this year - as much or more than the total amount pledged so far to Nepal in aid.

Nepal government external debt is \$3.8 billion. The debt payment due in 2015 is \$210 million.

Of this, \$1,200 million is owed to non-World Bank multilateral agencies (a lot of this will be to the Asian Development Bank); \$1,100 million to the World Bank; \$250 million to other governments (among them India and China); \$64 million to the International Monetary Fund and \$1 million to private lenders.

A crushing burden

Nepalese debt may appear small by global standards but trying to repay it is a crushing burden. Debt incurred by Nepal during the feudal government during the Panchayat era from 1960 to 1990 hardly benefited the grassroots and poor people, despite that debt pouring into the country. After democracy in 1990, corruption rose but despite that, debt continued pouring into Nepal. During 12 years of the Maoist insurgency, development not only failed reach the neediest rural people, but already constructed infrastructure, including schools, hospitals, bridges and power stations, were destroyed. Despite that, debt continued pouring into Nepal. Then, in the "new-constitution-writing-era" over the past seven year, development has been forgotten by the government. Despite that,

debt continued pouring into Nepal.

The deadly earthquake of April 25 has destroyed massive public and private properties and basic infrastructures in the hills and mountainous regions of Nepal that were already poor. All those years, Nepal government has been borrowing in the name of development. For a small and poor country like Nepal, the debt is not just a crisis but has become a chronic condition, like a cancer that never allows Nepal to grow. Some even say debt to “third-world countries” is a conspiracy meant mostly for the benefit of bankers.

There seems no valid economic reason whatever for the rich world to have made Nepal drag its debt burden so far, for so long.

Debt servicing

According to Jubilee Debt campaign’s statistics, in 2012, the country paid 5.9% of total revenue (\$210 million) to service its debt.

Reimbursing Nepal’s debt has been a huge burden and now will lead to unimaginable human suffering. Nepali economy has been wrenched by structural and/or policy adjustment measures dictated by the bilateral and multilateral creditors.

Nepal is among the poorest and least developed countries in the world, with about one-quarter of its population living below the poverty line. Nepal is heavily dependent on remittances, which amount to as much as 22%-25% of GDP. Nepal has considerable scope for exploiting its potential in hydropower, with an estimated 42,000 MW of commercially feasible capacity, but these external debts are rarely used to invest in hydropower generation projects in Nepal. While a few creditors have invested into hydropower, the unjust contracts result in the creditors taking all the benefits and Nepal is left with load-shedding and less access to energy produced.

Nepal can’t afford to pay the debt back as per the creditor’s terms. While these sums are relatively paltry – Japan, China, India, South Korea and the West don’t need the money – the burden on Nepal is enormous.

A disease

One reason the “debt as cancer” is metastasizing is that the in last few decades, Nepalese governments have never had the guts to sit face to face with creditors at the negotiating table. This despite the fact that these supposedly democratic governments are supposed to take up the matter of unjust debt accrued by previous governments and at the same time not to add further debt with similar impossible conditions. Political parties supposedly stand united on this front, but party interest, personal interest have prompted the government ministers and parties to evade this serious matter. This inability has made it even easier for creditors to isolate and browbeat the Nepalese, government after government.

Hence I call our friends from developed countries as well as other countries to push pressures to their governments and these institutions.

The Ministry of Finance should calculate up-to-date debt figures for Nepal from different countries, the World Bank and other institutions. The government should propose paying for earthquake relief, rebuilding and rehabilitation, poverty reduction by the fund that will be available after cancellation

of the debts. This will lift a huge burden from Nepal and greatly help it to recover and rebuild.

Sunil Pant

P.S.

* Scroll.in. May 15, 2015 · 10:41 pm:

<http://scroll.in/article/727811/external-debt-is-a-cancer-to-nepal-cancel-it-now>

* Sunil Pant is a former member of the Nepalese parliament..

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