

Proceedings Report

Nepali Statistics – Why Don't We Get It

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Speakers: Alexander Pitt, Resident Representative, IMF
Sashin Joshi, President, Nepal Bankers' Association
Moderator: Sujeev Shakya, Chairperson, Nepal Economic Forum

Economic analysis and critical thinking has not traditionally been a popular subject within the intellectual coterie. One of the primary reasons economic analysis has taken a back seat is due to lack of timely and accurate statistical data. The dearth of data compels policy makers and economists to make crucial decisions based on obsolete numbers and we get to know of issues only after much damage has already been caused. For instance, the recent import statistics, the financial and liquidity crisis can be definitely attributed to the lack of timely statistics. When we say that remittances have reduced based on some old figures, we actually realize that remittances have increased in the month when the reduction was being written about.

Nepal Economic Forum organized an interaction program on 10 May 2010 with an attempt to address this issue, share the learning of practitioners, and initiate discussions and mechanisms to look into the issue of timely and accurate Nepali statistics. NEF invited Mr. Alexander Pitt, Resident Representative of IMF and Mr. Sashin Joshi, President of Nepal Bankers' Association to share their perspective on the issue and Mr. Sujeev Shakya, Chairperson of NEF moderated the event.

The event commenced with the introduction of NEF by Mr. Sujeev Shakya, and the launch of "Issue 2" of its economic periodical, nefport. Mr. Shakya described NEF as an independent national organization committed to improving Nepal through engaging all sectors in a partnership to shape national agendas. NEF, incorporated as a not-for-profit company, is involved in research and information dissemination and its periodical analysis, the nefport, is an initiative taken by NEF to fill the current vacuum of economic analysis. nefport is a ready reckoner on the Nepali economy and takes into consideration the most recently available statistics including sectoral analysis and outlook.

The first speaker of the program, Mr. Alexander Pitt, dwelled on the IMF's experience in obtaining statistics as IMF is a statistics heavy institution. He said that IMF is rather privileged to receive data from Nepal Rastra Bank (NRB) and Central Bureau of Statistics (CBS) which otherwise is not necessarily shared with the public. Though data is available, timely data, for instance trade and foreign currency reserve figures, is not being provided, which has created difficulties for economists and policy makers in credible decision making. Mr Pitt lauded the Central Bank for its publication of the macroeconomic report; however, he feels that rather than focus on Class A banks exclusively, data for Class B, C and D financial institutions should be made available too. Mr. Pitt also pointed

out that division of labor between agencies that compile data are not in line with international standards. He suggested that CBS should compile data whereas NRB should do the forecasting. He also pointed the immediate need for real estate index for the country to gauge where the economy is heading.

Mr. Sashin Joshi provided a practitioners perspective of the situation. He said that due to the lack of proper statistics, pseudo economists and pseudo economic journalists are fabricating information and getting away with it. These distorted figures portray an extremely damaged picture of the economic situation. Similarly due to the lack timely of the data, banks are make their decision based on gut feeling and information available in the market as a consequence they face numerous risks in the future. He also highlighted that there is inconsistency in the statistics provided by CBS and NRB and immediate steps needs to be taken by the government to improve the compiling and forecasting capability of these agencies. He also said that there is a tendency among government officials not to divulge information which should be made available to the general public. He ended his note by requesting the private sector to take the initiative to engage in the business of statistics and numbers so as to ensure credible and timely information.

The event vividly brought out various issues that were shared by the speakers and the audience through their own experience and practice. Some of the major issues can be summarized under the following heads:

- **Lack of data:** Informed decision and policy formulation can be possible only when accurate and credible data is available. Extrapolating data and relying on outdated has become a way of life for decision makers and as a consequence cope with numerous unseen risks. Thus, it is crucial to upgrade the institutional mechanisms to get reliable data. Some of instances where lack of data has taken its toll are:
 - i. **Data mismatching:** There has been high inconsistency in the data produced by NRB and CBS, two government agencies responsible to compile and forecast economic data. Variation in the data elucidates the limitation of concern agencies to deliver accurate forecasting.
 - ii. **Lack of indicators:** There are no indicators available to spell out production numbers in the industrial and agricultural sector. Compilation of sector specific production data can aid analyst to forecast where the sector is heading.
- **Division of the labor** between the governments agencies that compile economic data are not line with international standards. For instance, NRB churns out Consumer Price Index/inflation number, whereas, CBS should be the responsible agency to compile consumer price index.
- **Real estate Index:** Given the contribution and role of the real estate business in the Nepali economy, investors are bound to join this lucrative business. But in the present context, considering the skyrocketing prices of land in urban areas without any index overlooking it, real estate has become a risky venture. Hence, initiatives should be taken by public or private sector to come up with a functional real estate index which should be able to gauge the economic trend comprising mainly of price and volume in the real estate sectors. In addition, it will also lead to credible information being available to the general public.

- **Unreliable Media:** Economic journalism in Nepal is in its infant stage and hence lacks credibility and authenticity. Sensationalism in the media, which is of major concern, has significantly overshadowed credible reporting making the press an unreliable source for information. For example, in order to increase their sales, newspapers print information without doing proper research hence resulting in ridiculous or absurd headlines which affects the investor's sentiments. So to eradicate this problem media should take self initiative in printing out research based information especially in financial reporting, which deals with numbers.
- **Lack of accountability:** There is a serious lack of accountability in Nepal. Due to lack of accountability, fabrication and distortion of information has been a rampant problem. Accountability standards need to be set and legal action must be to correct offenders. Currently, companies, NGOs, advertisements and government agency are quoting hedonic statistics and getting away with it.
- **Comprehensiveness of data:** There has been a massive growth in the number of cooperatives and micro finance institutions in Nepal. With lots of money being pumped into the cooperatives, they have been able to penetrate the unchartered rural areas more than the Class 'A' banks and have managed to lure the public. However, questions have been raised about its transparency from all corners as it is unregulated. Hence to deal with the issue of credibility and accountability Nepal Rastra Bank should take the initiative to bring public transparency in the financial data of these institutions.
- **Right to Information:** Right to Information (RTI) is a right of every citizen. Looking at the current trend, only those companies listed in the Nepal Stock Exchange disclose their financials, which is not sufficient to analyze the overall picture of the financial market and the economy. In Nepal, various financial bodies like the Security Exchange Board of Nepal, Nepal Stock Exchange, Nepal Rastra Bank and Ministry of Finance have constantly clashed amongst themselves baffling the public. Hence, these bodies should take the initiative to bridge the gap amongst them which in turn will help them become more transparent. Along with major banks, co-operatives also have been playing a pivotal role in contributing to the economy so information forwarded by these institutions should also be more crystal clear and monitored.
- **Use of percentages:** There is a culture in Nepal to quote percentages rather than absolute figures which sometime provide misleading information because it lacks the information of the base number.

Mr. Sujeev Shakya wrapped up the session by bringing out the key issues that were raised during the session and also provided his own perspective. He reiterated the fact that there is lack of timely and accurate statistical data due to the existing lapse in the various agencies and institutions involved in the compilation of data. The division of labour between these agencies is not in line with international standards as there are no conformity in the roles and responsibilities of the CBS and the NRB. He also took Mr. Sashin Joshi's point into consideration that in the quest of making headline

news, the data and numbers are not compared and comprehended well by the media and other organizations. The culture of choice and decision making without informing is a much prevalent issue which raises the issue on the Right to Information. RTI, a popular approach in India, needs to be practiced as a legal recourse to accountability and credibility.

He added that there is a tendency among people to believe in rhetoric as they do not believe in the practice of critical thinking and the necessity to back information with figures. This is a rampant phenomenon existing across people, for instance, politicians and companies. Politicians bear manifestoes where provisions for health care and education for all, if at all provided, will consume 30 years of the country's budget. Whereas companies claim soaring figures of sales and distribution and get away without proper mechanisms to hold them accountable. There is also high usage of percentages rather than absolute numbers that distort one's perception.

Mr. Shakya concluded the event suggesting that initiatives, the interaction program and the report, need to be undertaken to make this world of statistics understandable. He shared that the endeavor was to get a practitioners view and to understand the problems faced by them. He said that this program has opened new grounds to the understanding of the economics of *bandas* in the country, which will prove to be of immense help to comprehend the economy as a result of the *bandas*.

Nepal Economic Forum (NEF) is an independent national organization committed to improving Nepal through engaging all sectors in a partnership to shape national agendas. Incorporated as a not-for-profit organization, the NEF believes that economic progress and social development are mutually supportive of peace and prosperity. Business necessarily has, and must acknowledge its social component, while social and public services need to recognize and strengthen the businesses in sectors in which they operate. The NEF builds and energizes the leaders of today's Nepal to develop creative and synergetic strategies which, when undertaken, can directly translate into an improved Nepal. The NEF also provides recommendations on policy reforms to the government and larger Nepali community to ensure a healthy business climate. Towards this goal, NEF is committed to providing a common platform to industry leaders to debate and address critical issues. In the long run, the NEF sees itself as the umbrella organization for all organizations related to the Nepali economy. (www.nepaleconomicforum.org)

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