

## Nepal Policy Institute

### Talking Theme for NPI Chair: Development Plan Dilemma of Nepal

(NPI Interaction program with National Planning Commission, some senior government officials, NPI board members, Bangkok Based experts and NRNA Thailand)

Bangkok, Friday 29 March 2019.

We have been planning for economic development for over six decades, like our neighbors in India and China did, but ours did not produce the desired outputs for Nepal is still one of the poorest countries in the globe. This is a very painful to hear this as a Nepali wherever we live in this globe. While our neighbors have made a great leap economic forward in the development path with pragmatic reforms, but we are still far behind. We need to truthfully assess this and learn relevant lessons.

One cannot attribute this low level of achievement only to prolonged political transformation and instability created by political transition. This challenge should have been an opportunity. But we missed it so far in the middle of domestic dilemma. We could no longer afford to ignore the reality and must strive for meaningful reform in economic agenda.

Many countries have moved forward swiftly following the global economic trends and market economy, after long political turmoil and war-like situation, much better than us than that we are doing in Nepal. We still have time and remain focused on accelerated economic growth, and less embroiled in political squabbling. We must now leave behind our past, take lessons learned forward and strive for a robust economic future with realism and pragmatism. I do not think there is another way forward.

We all recognize that our biggest challenge is eliminating poverty and rural unemployment. Nepal has made progress in social indicators, but it has not addressed the core problems of unemployment and poverty. This social progress alone is not going to be sustainable without meaningful economic progress and a rise in living standards of population.

Eliminating poverty and rural unemployment will require large investment in all economic areas to generate domestic employment and sustainability. Without economic stability and progress, improvements in standard of life of a citizen is a long way dreamy. And, without attaining certain level of economic standards in global standing, our dignity and respect as a sovereign nation is not likely to be visualized.

Some people in Nepal often allude that Nepal can become Switzerland of the East or like economic power like Singapore. But, reaching such goal is a far-fetched dream without realistic approaches in our thinking, smart work, and pragmatic realization on how to achieve the target. We are, thus, advocating for future development plan should be based on pragmatism with clear focus on tangible **outcomes** rather than repeat of subjective **objectives**, and delivery of achievable **'outputs'** on time.

Only a few decades ago when both India and China were not in the global list of economic power houses and at that time their economies were not that very much different than

ours. They have timely reoriented national efforts to pragmatic fold of the global trends and, ever since these nations have been making spectacular achievements. We must learn from such experiences and not squander time debating political philosophies, instead of economics. All economies are affected by global changes which were/are occurring in global political and economic arena. We too are affected by these changes because we are already interconnected globally. We cannot live in isolation anymore or return to the past failures. There is no way out but to move forward.

We cannot remain tight with protectionist policy approach in our development conundrum.

Against this back drop and based on assessment of past development performance we find several reoccurring problems associated with strategy and implementation drawbacks. We wish to highlight some of these as follows;

- 1) Periodic development plans were dependent on bi-lateral and multi-lateral aides and foreign private direct investments in economic growth areas of economic sectors were restrictive;
- 2) Investment laws were not investment friendly and investment laws have limited foreign direct investment in small and medium size enterprises;
- 3) faulty assumptions and misplaced development strategies with shifting government priorities;
- 4) absence of effective monitoring of implementation, governance, fiscal indiscipline, etc. and lack of effective monitoring mechanisms;
- 5) undue influence from political interest groups hindering realistic policy reforms, political instability;
- 6) Mismatch between the plan and the budget allocation affecting delivery of planned output;
- 7) inability of the state institutions to recognize lessons learned from successive failures of the past in delivering the desired outputs;
- 8) challenges emanated from rigid and inflexible bureaucratic processes which are rigid in accelerating development processes, and in adapting to changing regional economic development dynamics and global trends;
- 9) continued isolation from liberalized world economy and inability to benefit from access to trading in open world market;

If we are to accelerate our march on development path these challenges must be addressed without delays.

Given the prevailing socio-politico-economic complexity, economic fundamentals of Nepal and future trends we urge government of Nepal to continue with the pragmatic policy goals as part of the next development plan. These include;

- i. Pro-active engagement to enhance economic cooperation with economic power houses like China, India, ASEAN, EU, the UK and the USA, and reinforce economic diplomacy as top foreign policy priority and create a peaceful environment and favorable conditions for national economic development while embarking on economic alliances for expanding opportunities.

- ii. Explore new opportunities for strategic economic relationships with dominant economies of the world for greater access of Nepali niche products in world market, create best opportunities for investment and develop world class physical infrastructure to reduce transportation costs with increased productivity.
- iii. Develop a market-oriented economy, stabilize the macro-economy, create the environment and drive for socio-economic development.
- iv. Consider economic restructuring with new growth model; improve productivity, efficiency and competitiveness of the economy.
- v. Enhance measures and implement effective anti-corruption measures.
- vi. Improve quality of education to enhance human resource and scientific and technological capability.
- vii. Invest in sustainable and preventative health care system closely linked with the United Nations Sustainable Development Goals for economic development and strive for social advancement and equality and improve people's living standard and quality of life.
- viii. Develop strategies on managing effects of climate change effects, prepare capabilities to deal with natural disasters, enhance management of natural resources and environmental protection.
- ix. Instill effectiveness of public administration and good governance.

Nepal currently faces **three** most pressing challenges hindering the development. The **number one** is the lack of world class all-weather physical infrastructure and transportation. The **second one** is food deficit as seen from rising food imports from India because agricultural produce is declining. **Third one** is the lack of proper management of natural resources, specially water, forest and soil conservation. Nepal needs to redouble its efforts in these key economic drivers.

**We would, therefore, take this opportunity to offer a theme suggestion for National Planning Commission's consideration for inclusion in the Economic Development Plan. The theme "Build, Produce and Manage" should our mainstay in the plan. The motto could be "Build the Nation, Produce Basic Food and Manage Natural Resources".**

The implementation of the theme '*build, produce and manage*' will highlight nation's immediate challenges in development strategy, as follows:

**(1). Build Physical Infrastructure and Improve Cross-Border Transport System** with neighbors. These are the major barriers to developing Nepal's market into a competitive economy in the region and globe. Private builders should be encouraged for investment in development of infrastructure. Without industrialization and manufacturing no nation can achieve economic prosperity and this is not likely without improved physical infrastructure, transportation convenience and ease in cross border trading.

**(2). Produce Agricultural Farm Commodities** to bridge the gap in supply shortages and food imports and to reduce higher prices. This will ensure better choices for consumers with adequate supply at a reasonable cost contributing to market boost that would have a

multiplier effect in the economy. The government should continue with long-term agriculture perspective plan vigorously and monitor implementation of the plan.

(3). **Efficient Management of Water Resources**, including reforestation, soil conservation and expand solar energy. This should be re-energized with new vigor in the plan. Providing safe drinking water supply should remain on top agenda while building small water reservoirs by tapping on rain waters for both household and small-scale irrigation purposes also to be promoted.

In conclusion, we urge government should to continue with exploring new opportunities for development and investment, including in *Knowledge Economy* and strategic economic alliances looking more towards the East Asia, which is the growth engine of the 21<sup>st</sup> century.

Introduce reforms pragmatically for liberalization of capital and stock exchange markets, banking, tourism, mutual fund, insurance, and create favorable environment for foreign and domestic capital mobilization and do away with protectionist policies that have affected investment climate for foreign direct investment and other related laws.

It is unrealistic that government can do everything at the same time in a short-span of time given that we lack adequate additional capital, technical resources and capabilities. Support should be considered because success largely depends on the availability of all three ingredients; man, money and material - all at the same time.

o/o

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