

**E-Seminar Title:** The State's Role in Private Sector Development in New Nepal

**Subject:** Opening statements by moderators

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Namaste. We are at the outset of a historic transformation in Nepal. A whole range of economic elements are deeply embedded into this profound political equation; yet, they have failed to generate a substantial debate at this crucial time in Nepal.

The seminar paper, "The State's Role in Private Sector Development (PSD) in Nepal" aims to capture some of the economic dimensions of the current political conundrum. Nepal is undergoing a profound institutional transition at a time when its neighbours are progressing in leaps and bounds. What regional synergies can we develop in order to capitalize on the regional growth? What regional and internal traps we must save ourselves from? Institutionally, how can the economy adapt to the new demands of domestic populism and international marketism? Sectorally, what should be the new State policy towards the 'old' giants of agriculture vis-a-vis newly evolving sectors of services and manufacturing? As the State undergoes a national reconstruction process, what role should the private sector play in the tall order of infrastructure-building and global integration?

The designated discussants have offered excellent insights into some of these areas, as well as, have raised pertinent questions. Please take a moment to go through these (see e-seminar website). Drawing from this initial panel discussion, I am proposing three main areas for further deliberation among the participants.

- **Theme 1: Macro policy and business environment including the politico-economy:** Almost all of the discussants have correctly pointed out that the 'new' actors in the Nepali State have not yet demonstrated a clear vision on economic development. The economic agendas of the 'old' actors or the mainstream political parties have remained weak compared to their political agendas. As MuktiJi pointed out, is the macroeconomic liberalization that Nepal has been pursuing since the 1992 Industrial Policy likely to continue in the coming decades? What changes are we likely to in the power constellation among the economic/social/political actors on issues relating to PSD in Nepal? How do we balance trade-offs such as equity vs. growth and long- vs. short-term growth?
- **Theme 2: Institutions and Incentives:** As PrachandaJi has rightly highlighted, what is the State's role in making sure that the private sector operates under the right incentive/institutional regime that encourages competitiveness and connectivity? Both in 'big' and 'small' sectors, he has rightly highlighted the need for: (i) sectoral policies to capture/promote niche products; (ii) supply chain connectivity and technology transfer with India and China; and (iii) State guarantee for especially risky projects with large externalities.
- **Theme 3: Public-private-participation:** As VijayaJi has rightly highlighted, what is the best modality to ensure State efforts on institution-building are not mismatched to market demands? How do we bring business associations such as FNCCI on board? And as SujeevJi has emphasized, how do we correct the problem of negative incentives and rent-seeking among the businesspeople?

- **Theme 4: PSD and social change:** JagadishJi and KrishnaJi have raised issues of cultural, social and gender empowerment within the domain of PSD. Can and should cultural/ethnic brands be developed that might offer Nepal's core competence in the global niche markets? What are the modalities of co-operatives that might work to mark a much needed transition in Nepal from informal to formal sector and agriculture to industries? What is the trade off between labour issues and growth?

We invite the participants to participation in these discussions. Please raise questions as well as share your insights and experiences.

**Etiquettes:** We encourage you to mention in the subject heading one of the four themes listed above. Please engage yourself and feel free to raise any pertinent issues or cases. Please keep your postings brief – please do not exceed 300 words in one posting. Please be civil and feel free to contact the moderators if you have any concerns about postings from fellow participants. Please do not post unrelated links or promotion materials in this listserv.

Thank you.

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