

E-Seminar Title: First NSC E-Seminar No 1, 2007: The State's Role in Private Sector Development in New Nepal

Subject: Designated Discussant's Comment on Ms. Mallika Shakya's Paper

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The comments provided are adding to perspectives to Private Sector Development in Nepal rather than providing solution oriented prescriptions.

Defining Private Sector in Nepal

When we talk of Private Sector Development in Nepal, we ought to first get the definition of private sector in Nepali context has to be examined. Nepali private sector is not a cluster of industrialists or conglomerates, but of individuals, enterprises who have clustered businesses of arbitrage and opportunity. It is not about creating core competencies thereby having competitive and comparative advantage, but more by using strategies that would upgrade the rent seeking behavior to look like business. For instance, the private sector in the airlines industry is to do more about leveraging credits on oil, lease rentals and bank credits rather than developing core competencies that can take the airline across the borders, therefore when they fail they fail more miserably than the state carrier. Therefore, when we refer to private sector development we need to understand that it is not development of fly-by-night operators who change businesses from dealing with cloves to dealing with computer hard disks and mobile phones and back to cardamom within a year but of private businesses that would like to develop competencies to take one's business regional and perhaps global one day. So we need to examine the impediments from these perspectives.

The perception of private sector from the outside has been profiteering demand – supply managers and also no one believes that when one starts a business that the entrepreneur is doing for making profits and larger societal contributions. When one begins a hotel project, everyone talks about how much the promoter is going to make in the transfer of land and construction contracts not how much the project would contribute to employment or tourism. Therefore, it is important to examine development of private sector in the context of businesses that would like to strive to create employment and core competencies along with being able to share their successes by partnering with the general public.

We have in an already confused state of definition of enterprise of right of doing business, the views of the Maoists. P K Dahal, B Bhattarai & Co has offered no words for private sector development. If one cannot own land as freehold or get the security over lease land, the enterprises that develop on such land can never be sustainable. Security of land ownership is fundamental right for businesses. Unfortunately, the other parties have nothing better to say too. Erstwhile politicians have only saw businesses as revenue target who have to be doled favors for the bucks they provide. A 'sahu' is source of funds

for the political parties and an option to get jobs to near and dear ones who cannot be put forced upon government corporations. The business community has used this nexus beautifully and the mecca for business people has been the stage of seminars and workshops where they can hobnob with the politicians. So starting a trade association and desire of reaching the coveted positions in the associations, chambers and federations have overtaken the hunger for building competencies and expanding. When one looks at the list of such individuals, one will seldom find any new businesses added by these individuals in the last one decade. Like the worker who would spend his/her time and energy to become a union leader rather than doing a better job and rising higher, the business person gets stuck in the quagmire of politics.

While it is important that policies as indicated by Ms Shakya be implemented by the government, it is also important to see how the defined private sector graduates to the hunger of business success.

Changing the Thinking

Ms Shakya's recommendation of the writing on the wall of "quality, innovation and export competitiveness" has to be surely taken seriously along with thinking of Nepal as land-linked rather than land-locked. Nepal needs to have its own Havana Cigar or Swiss Chocolates or watches that identify us with the product. With a pseudo-militant labor force industries with large deployment of human resources would be difficult therefore clusters of small 'niche product' producers can go behind a brand that is managed by an international firm with the competencies of doing so.

While "co-operatives could be the missing link" as highlighted in the paper, we need to again redefine co-operatives. In Nepal in the financial sector, close to 10,000 co-operatives operate not as a tool for larger integration of financial services and access to finance, but to stay out from the ambit of the regulations of the Nepal Rastra Bank. Some of these co-operatives are promoted by 'pillars of Nepali private sector' and larger than finance companies. We need to therefore get a bit specific when we would now look for definition of the 'genuine co-operatives'.

Looking at Private Sector through the eyes of Private Sector

Successive studies in Nepal on the private sector have been done by non-private sector institutions. To take an example, in India the Confederation of Indian Industries (CII) has conducted many studies and institutions like NASCOM have changed the face of IT business in India. Unfortunately there are no studies on the private sector done by private sector institutions. This void has made understanding private sector development difficult. Further, with most of the good human resources in Nepal being attracted by development agencies rather than private sector contrary to what happens elsewhere in the world, there is a serious lack of capability within the private sector to think of development of the sector. We have bilateral and multilateral organization whose objective is not doing business advising in their own way how business ought to be done, that has also created much confusion. Perhaps, the many agenda that Ms Shakya has

raised in her paper needs private sector champions to take the ideas test it and put to fruition.

In conclusion, many people disagree to the concept that to tackle poverty, wealth has to be created. But this may be the only option left for a country that has seen violence, exclusion and social disparity. The creation of wealth is the business of private sector and as Nepali private sector graduates from individual 'myopic sahus' to largely held efficient global businesses with many constituent shareholders we can look at reducing poverty to a large extent in the emerging Nepal.