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THE NEPAL BUSINESS FORUM CASE STUDY

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A- BACKGROUND

The Nepal Business Forum (NBF) is born of conflict. It was founded as the early stages of the peace process created an unstable operating environment for businesses. Public Private Dialogue (PPD) has become recognized as a mechanism that is appropriate for implementation in a post conflict environment. Yet such is the nature of conflict that the difference between conflict and post conflict is often measured by incremental degradations of conflict. In Nepal, the post conflict period is measured from the 2006 peace accord. For the Nepalese, the level of ongoing instability from that period, often with an overt threat of a return to conflict, was indicative of the conflicts continuum rather than its end. The private sector stakeholders were not only frustrated by the long period of conflict. They were also frustrated by their inability to engage with the government as an advocate for private sector development. Yet, the issues were not all conflict related. The business membership organizations (BMOs) had to reconcile their own institutional differences. In 2008 when the IFC began to work with the BMOs there was an acknowledgement that the BMOs had to work together to address the many challenges confronting Nepal's economic development. The establishment of the NBF in a time of conflict will become recognized as an important foundation stone as it works to actively resolve challenging investment climate issues in the future.

B- ESTABLISHMENT AND STRUCTURE

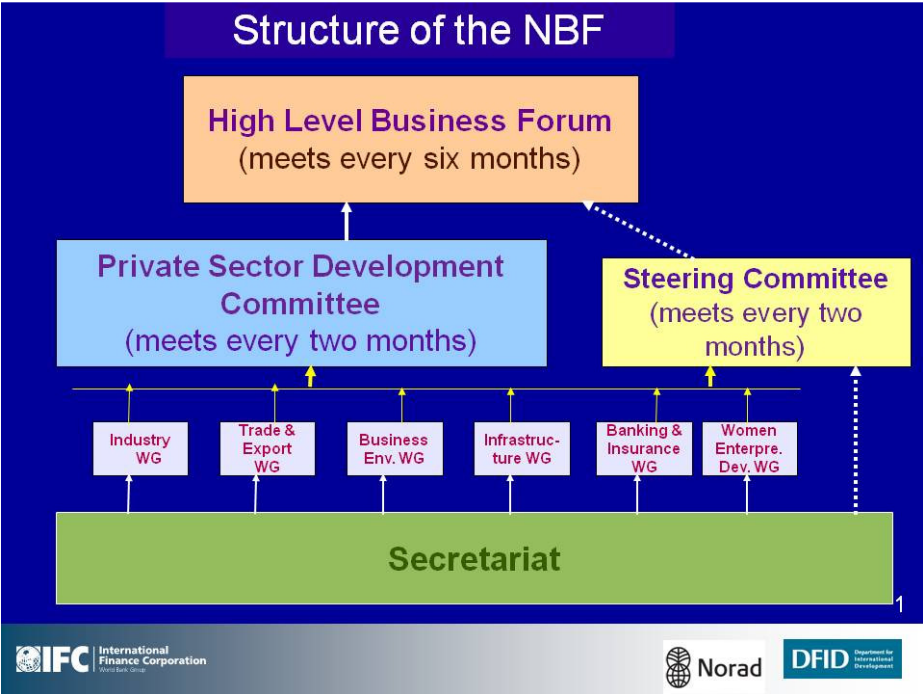
In May 2008 a workshop was conducted in Kathmandu to ascertain the status of public private dialogue in conflict recovering Nepal. The workshop concluded that although PPD did exist in Nepal, it was not results oriented, transparent and broad based. Most importantly, genuine impact from the existing dialogues was limited. In addition, it was agreed by the apex Business Membership Organisations (BMOs) that working together to focus on reform was a joint responsibility. The result of the Workshop was the establishment of a PPD Working Group. The aim of the Working Group was to develop a Concept Note that would outline the basic need for a structured, output focused PPD mechanism. As the Concept Note was completed and discussed with key government stakeholders the demand for the mechanism became a recognized requirement if the investment climate was to improve.

The environment into which the PPC concept was introduced and the NBF structure emerged was one of political turmoil. The peace agreement signed in 2006 did not end the simmering tensions within society. In early 2008 the monarchy was dissolved and the Maoists joined the Parliament. The PPD

Concept that emerged was one that recognized the urgent need to start focusing on private sector development as a contributing force for peace. This recognition of the core responsibility of the private sector provided the basis for implementing a structured dialogue. It did not necessarily remove the personal and institutional issues amongst BMOs. It did, however, provide the basis from which they would work together to resolve national private sector development issues. In the absence of what has become the NBF structure, the environment that existed whereby there was little interaction between the BMOs would have continued.

The NBF has been designed to create a long term impact. This is reflected in its structure that includes twice year High Level Business Forums and six Working Groups. The dialogue mechanism will drive issues through a clearly defined process. The mechanism enables the private sector to identify priority issues.

Agenda preparation: A unique aspect of the NBF is the manner in which issues are agreed upon for Working Group consultation. In Nepal, prior to a WG meeting, public and private sector counterparts meet in a small session. The purpose of the session is to make sure that the agenda items are clear and well supported. The public sector may also submit issues for the agenda. In this context, the agenda is not only formally forwarded to the government for review. The public and private sectors provide a final ‘reality check’ to insure that the agenda is relevant and that the issues raised are well supported within the submission.



C- NBF SECRETARIAT – AN INNOVATOR, MANAGER AND DOER

As with many successful PPDs, the NBF Secretariat coordinates and facilitates the mechanism. With such a dynamic political environment the NBF Secretariat has had to be malleable as it has had to contend with many changes in government and the corresponding personnel changes in its counterpart Ministries. At first, when so much effort is expended on building the partnerships required to start the NBF, the changes seemed daunting. As the political transition from war to peace has continued, the NBF Secretariat team has become increasingly adroit at working with each new challenge.

Early Sub National PPD development: As the NBF began to emerge from concept development and into the final rounds of inter government consultation regarding the formal mandate, the chance for delay in the challenging political environment was a high probability. The NBF Secretariat readily adapted to the situation by supporting the early development of sub national dialogue. The early success of the Eastern Region Business Forum was a spur to implementing the NBF mechanism. The Secretariat readily managed to incorporate the regional dialogue with the NBF.

Managing political transition: The Secretariat has had to manage a sustained period of political instability with key government stakeholders regularly moving onto new posts. This has required a constant process of engaging and updating a number of new counterparts, outlining the NBF concept and insuring support for the nascent Working Groups. In the early stages of a structured PPD, Secretariats manage more than process. They have to manage the multiple aims and objectives of a diverse range of stakeholders.

As the NBF process continues to be implemented the awareness of the benefits of the NBF is growing. The upside of this is that as more public and private sector officials are introduced to the NBF process the general awareness of its structure and benefits also grows. This adds to the long term goal of institutionalization and sustainability.

Checks and Balances

In Nepal it had become politically expedient to raise a Committee or create a Board to address particular private sector concerns. The effectiveness of these bodies had been questioned as the implementation process began. Consequently as the NBF structure was developed by public and private sector stakeholders, it was agreed that checks and balances were required. These checks and balances would focus on the essential question of whether the NBF was performing by delivering direct outputs or not.

NBF Steering Committee: Insuring that the NBF is delivering, checks and balances have been added to the process. The NBF Steering Committee is chaired by the Minister of Industry and consists of the public and private sector Co Chairs from each Working Group. This Committee meets to assess the progress of the NBF WGs. The critical aspect of trust building amongst stakeholders is strengthened when they are able to discuss the status of the WGs on a regular basis.

Private Sector Development (PSD) Committee: The second check and balance is the PSD Committee. The PSD committee is mandated to take identified issues from the WGs and have them implemented. This Committee supports the output focus of the NBF.

The advantage of having Working Group champions involved in Committees with a direct responsibility to the NBF is that the dialogue drives capacity building. Building knowledge and awareness regarding private sector issues contributes to the governments' ability to implement reform.

D- RESULTS

The results from the NBF range from the establishment of special committees to the removal of illegal transit payments. Some are quantifiable and others are qualitative. What is apparent is that there is a clear demand for the type of structure and process that the NBF has introduced. Strengthening capacity for advocacy and creating outputs based on the NBF mechanism will continue to build on what has been a strong start that is well supported by public and private sector leaders. With an already high level of capacity within the public and private sector participants, the biggest challenge will be to insure the sustainability of the process in the long term. This will be achieved as long as the BMOs continue to support each other in the implementation of the WG dialogue.

1. Reduction in illegal electricity connection in Biratnagar
2. Improved security situation in the Eastern Region of Nepal (reduction of kidnappings by 80%)
3. Elimination of illegal tax collection in the Biratnagar region.
4. GoN allocated budget for SEZ pre-feasibility study
5. Reduction of strikes
6. Secure Transaction Registry agreement signed
7. Task Force on Licensing Formed
8. National Trademark for Tea/ Coffee and Pashmina Committee members nominated
9. Nepal Rastra Bank improved its consultative process in introducing new policy or requirements
10. Trademark registration for Pashmina
11. Collective trademark registration tea / coffee funded by GoN
12. Tax payment days reduced from 34 to 22
13. Cash transfer in lieu of VAT exemption for hydro-power construction materials @ NPR 1 million per MW power plant
14. Syndication effectively curtailed in many districts

E- CONCLUSION

Nepal's political situation continues to evolve from war to peace. Gradually the country is becoming more politically stable. It is not expected that the transition to peace will be an easy ride. Turbulence may continue into the future. For the NBF to be sustainable it will have to continue to lay down its unique footprint despite the environment that it is operating in. The evidence that it can succeed exists in the already demonstrated determination of the government and private sector to implement the NBF as outlined in the Executive Order. Already in its short existence, the NBF has weathered changes in key

stakeholders in the government and private sector. The NBF Secretariat has worked with all counterparts to introduce the concept and support implementation. The fact that succeeding public and private sector counterparts have committed to the NBF indicates its broad appeal. It is also an acknowledgement that the post conflict, post political turmoil that has preceded the current development phase in Nepal will end and the next phase of development will be dependent on economic growth to provide jobs and opportunity. The NBF will provide a critical mechanism in building the capacity and resolving the challenges that will deliver a new future to Nepal.

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