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Public-Private Dialogue Boosts Post-Conflict Growth in Nepal

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PROJECT AT A GLANCE

COUNTRY/REGION NEPAL/SOUTH ASIA

THEME PUBLIC-PRIVATE DIALOGUE
FRAGILE AND CONFLICT-AFFECTED AREA

The Nepal Business Forum (NBF) is helping address key drivers of private sector development and improve market opportunities. It is expected to generate \$10 million in private sector savings through its support for reforms in areas such as tax administration, trade logistics, export promotion, investment facilitation, access to finance, and energy.

CONTEXT

Given the fragile and conflict-affected state of the country, the Nepal Investment Climate Reform Program was considered a high-risk, but nonetheless critical, engagement. It was designed in the ensuing post-conflict period to help build consensus for reform, sustain peace, and support economic growth through private sector development. At the time of its inception, Nepal's peace process was expected to be completed as early as May 2010, the original deadline set by the Constituent Assembly to establish the new constitution. However, in May 2012, the Constituent Assembly failed to draft a

RESULTS AND IMPACTS

- Fifty-five of the NBF's recommendations have been implemented, yielding substantial benefits for private sector development, including investment promotion, trade facilitation, improvement of market opportunities, and the establishment of a social security fund.
- Three reforms in the tax, export credit, and hydropower sectors have generated \$6.4 million in private sector savings.
- The Women Entrepreneurship Development Working Group has helped raise the profile of women entrepreneurs and established their presence as policymakers.

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new constitution and the interim legislature parliament was dissolved. Subsequent Constituent Assembly elections have continued to be postponed and are now expected to be held in November 2013.

The NBF, Nepal's very first public-private business forum, was established through an Executive Order of the Cabinet in May 2010 with a mandate to work on private sector growth and development.

OUR ROLE

Investment climate teams of the World Bank Group have been active in supporting key initiatives through the NBF. The main objectives of the NBF are to: 1) improve the overall business environment, 2) stimulate sustainable economic growth by facilitating structured dialogues with the Nepalese government and the private sector, and 3) attract private sector investment.

The NBF includes nine Working Groups, which are thematic (such as Business Environment) or sector-specific (such as Infrastructure, Tourism). The Women Entrepreneurship Development Working Group has not only helped raise the profile of women entrepreneurs, but also has established their presence as policymakers in the forum. The Eastern Regional Business Forum aims to

promote inclusive development and facilitate the growth of 16 districts east of the Kathmandu Valley. It is now joining with development and private sector partners to establish another regional forum that caters to the needs of businesses in the mid- and far-western regions of Nepal.

The NBF is supporting efforts to improve governance by facilitating a transparent dialogue process in which change occurs according to research, technical inputs, or broad consensus, rather than individual influence. To date, 55 of the NBF's recommendations have been implemented and yielded substantial benefits for private sector development,



including, but not limited to: promoting investments, facilitating trade, improving market opportunities, and establishing a social security fund. Three reforms in the tax, export credit, and hydropower sectors have generated \$6.4 million in private sector savings.

The NBF has become an important and powerful tool for Nepal and is widely supported by the government, and development and private sector partners; thus, it will continue to support improvements in investment climate reforms—such as tax administration, trade logistics, export promotion, investment facilitation, access to finance, and energy—and work to achieve total private sector savings of \$10 million. The NBF will also work to implement reform recommendations agreed upon by the Working Groups, especially those targeting tourism and foreign direct investment-related constraints.

“A key success has been the establishment of the Women Entrepreneurship Development Fund through which women entrepreneurs can have access to finance. This is an immediate and much needed measure which will benefit the growing industry of women entrepreneurs. Capacity building and better representation in relevant government committees are the next steps for developing this sector.”

MS. CHHAYA SHARMA

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