

Remarks presented by FNCCI President Mr. Chandra Prasad Dhakal at the Inaugural Session of the Federation of Nepalese Chambers of Commerce and Industry's 59th Annual General Meeting

Rt. Honourable Prime Minister,

Honourable Ministers,

Honourable Members of Parliament,

Mr. Chief Secretary,

Secretaries and high-ranking government officials,

Excellencies

Representatives from Diplomatic Missions and Development Partnerss

Former Presidents of the Federation,

Federation Office Bearers and Executive Committee Member colleagues,

District and Municipal, Sectoral, Bilateral, and Associate Member colleagues,

Friends from the media,

Distinguished ladies and gentlemen,

I heartily welcome you all to this inaugural programme of the Federation of Nepalese Chambers of Commerce and Industry's 59th Annual General Meeting and Industry and Commerce Day 2081.

Today marks the completion of two years for the current Executive Committee of the Federation.

In these two years, we strived to transform various challenges into opportunities. We searched for new opportunities. We made efforts to overcome despair. In many aspects, we were also successful. The effort for improvement is still ongoing.

I would like to remind you that two years ago, on this very occasion, we extensively discussed the possibility of Nepal facing an economic crisis similar to

Sri Lanka. During that programme, most speakers suggested to the government that if we did not make timely decisions, Nepal could also face a foreign exchange problem like Sri Lanka. At that time, in my closing remarks, I had stated that Nepal would not become like Sri Lanka.

There were some bases for that, such as Nepal taking concessional loans. The ratio of total gross domestic product to debt was less than 40 percent. Foreign exchange reserves were sufficient to cover more than six months of imports. However, we became overly cautious. We took more precautions than necessary. As a result, we also lost revenue. Trade that used to occur through formal channels became informal. Informal imports became institutionalised. Except for automobiles and motorcycles, all goods entered informally. Simply having robust foreign exchange reserves and ample liquidity within our banking system doesn't automatically translate to a healthy overall economy.

Those policy decisions adopted to control market demand have still not allowed the market to become dynamic. After continuous efforts, the National Statistics Office has released a report stating that there has been a 5 percent economic growth in the last quarter. This is positive. However, we have felt that the morale of entrepreneurs and businesspersons has still not been able to increase. A survey we conducted with around 240 institutions across the country shows the situation. We will make this report public soon.

I am an entrepreneur who seeks favourability in adversity. I want to spread hope, not despair. The situation is improving. However, the current improvement is not enough to fulfil the aspirations of our youth. As long as we are unable to create dignified and high-wage employment opportunities within the country, despair cannot be turned into hope. That is what is fuelling the widespread low morale we are seeing across the country right now.

The government has limitations in providing employment. Currently, about 500,000 people have found employment in the government. The private sector has provided employment to 86 percent. However, even Nepal's private sector does not have the capacity to provide employment to the approximately 500,000

youth who enter the labour market every year. Due to this lack of capacity, young people go to work in economies that can provide employment.

The economies that provide work to Nepalis and Nepal's situation were somewhat similar some time ago. Around 1960, Nepal's per capita income was around \$50, and South Korea's was about \$100. Now, South Korea's per capita income is around \$40,000, while Nepal's is \$1,400.

Over this period, Korea's income appears to have increased four hundredfold. Nepal's also increased twenty-eightfold. However, the purchasing power of \$40,000 and \$1,400 is incomparable. We have made progress, but not as much as should have been. Globalisation has not only increased the needs and desires of the general public but the whole world has opened up to find work according to one's capabilities. We have found opportunities to work in large economies, but we have not been able to make our own economy large.

Bangladesh's per capita income is more than double that of Nepal. Its total exports are above \$40 billion. Nepal, which is also about to graduate from the Least Developed Country status along with Bangladesh, has not even reached that income level. We have moved forward based on the other two indicators. If we are not to regress, the private sector must be allowed to work freely.

Now, I would like to talk to you point by point about what we can do, how that is possible, and what kind of support is needed from the government and other stakeholders.

Our current concern is the easy living of the general public. The main agenda of the Honourable Prime Minister and the current government is 'Prosperous Nepal, Happy Nepali'. Prosperity in the country means everyone getting the opportunity to earn. To earn, one has to invest money, intellect, wisdom and skills. Even before that, it is necessary to have investment of money, which will later create demand for labour and skills during production.

There are two main bodies that invest money: one is the government and the other is the private sector. The government mainly brings money for investment from revenue. Revenue is collected from entrepreneurs, businesspersons and the

general public. The main source of income for the general public is also the private sector because it is the private sector that creates employment.

A study conducted last year by the International Finance Corporation and FNCCI also showed that the private sector's contribution to the economy is 81 percent.

Therefore, for the government to achieve its goal of prosperity, the issue of the private sector being able to work freely should be the top priority. One basis for the happiness of the general public is sufficient employment and the income derived from it, which ensures they don't have to worry about their basic needs as well as the education and health of their families.

First of all, I urge all stakeholders, including government bodies, civil society and the media, to understand this importance of the private sector. The countries that understood this have seen rapid progress. For example, Bangladesh, Rwanda, Cambodia, Vietnam and Laos, which were like us, are now surpassing us on the path to progress.

This is possible. With the private sector moving forward in India, poverty is decreasing at a rate of 1.4 percent annually. In 20 years, approximately 500 million ordinary people have risen above the poverty line.

A country like us, Bangladesh, has seen its exports increase from \$18 billion since 2010 to \$40 billion. Rwanda, which lost 800,000 people in internal conflict over a 100-day period 30 years ago, has had an economic growth rate of 7.2 percent in the last 20 years.

Cambodia, which became a member of the World Trade Organisation on the same day as us, attracts ten times more foreign direct investment than Nepal. If these countries can do it, why can't we? If others can move forward, why are we stuck? We need to identify these issues.

Honourable Prime Minister, Honourable Ministers, Mr. Chief Secretary, Secretaries, and all distinguished guests present here, I want to say, we can do it.

First, regarding investment, I will talk about foreign investment. Currently, only 0.2 percent of the total gross domestic product comes from foreign investment. That

amounts to about 8 billion rupees annually. This can be easily increased fivefold immediately. Let's set a target of bringing in one billion dollars annually by 2030. Because I have already given the example of Cambodia, which became a member of the World Trade Organisation at the same time as Nepal.

In the last two years, we organised four conferences in India, China and Dubai. Each programme had the participation of more than 150 local businesspersons. They are eager to come to Nepal.

Domestic investment can also be doubled in five years. According to a recent study by FNCCI, with some improvements and continuous increase in capital formation, it can reach up to \$20 billion by 2030. This shows the possibility of double-digit economic growth.

Globally, the new economic environment has also indicated benefits for Nepal. Compared to Nepal's competitors, America has set a very low customs duty for Nepal. This has strongly increased the possibility of investment growth in Nepal. We must also take advantage of this. We are studying this matter.

To boost the morale of domestic investors, along with advocacy, the Federation, in its initiative, has established Nepal Development Company, encompassing major private sector organisations, for the mobilisation of domestic capital. This has opened the way for investment of scattered small capital in larger sectors.

The current situation is difficult but improvement is not impossible. We can do it. We smoothly resolved a major internal conflict. We rose from the rubble of structures devastated by a massive earthquake, promulgated the constitution by consensus and embraced the path of stability, and recovered from an unprecedented pandemic like COVID. We will solve the current problem as well. We are resilient, we are wise, we are entrepreneurs; we just need to prioritise the economy above all else. No ideology should disrupt it. Businesspersons should be allowed to work freely. I say again, we can do it. If we can't, who can? If we don't do it, who will?

Due to political stability and its positive message, there was an average economic growth of more than 7.5 percent for three years from 2073 BS to 2075 BS. Even if

political stability is not possible, at least a common understanding can be reached among all political parties on economic issues. A common stance of political parties can be formed on economy, development and prosperity. The first condition is that the political leadership should not engage in any actions that adversely affect the enterprise and business of the private sector and the livelihoods of the general public.

Therefore, the private sector has the capacity to generate an annual capital formation of 1.6 trillion rupees; it is enough for the government to invest only four hundred billion. Double-digit growth is possible. At least 200,000 people can be provided with dignified employment annually. The first condition for this is stability. We have also discussed this issue in the High-Level Economic Reform Commission formed for economic reforms.

Regarding the statistics and reform measures I have presented today, we have been in continuous study and discussion for two years. On October 12, 2023 (Ashwin 25, 2080 BS), we organised a macroeconomic conference and demanded a new phase of economic reform and a high-level commission for it. Now the commission has been formed and we are in the final stages of preparing suggestions.

Another prerequisite for reforms that the general public can feel is good governance. In the last three decades, good governance has emerged as a major problem in the country. This is not just a problem of the current government. It is a problem of all governments. It is a problem of all political parties. It is a problem of the bureaucracy. It is a problem of all levels of government. It is a common problem for all of us.

Nepalis are naturally simple, enjoy small happiness, are friendly, and are a helpful community. Their demands are not many. We are afraid of wrongdoing. But society is gradually changing. Simple and straightforward living is now becoming difficult. If we cannot guarantee good governance, it will not only cause problems in the economy but also lead to the degradation of society itself. Honourable Prime Minister, Ministers, Chief Secretary, our demands are small; your small efforts will add great enthusiasm.

Let's create a place that easily serves young people who want to work.

Let's boost the morale of entrepreneurs who want to increase investment.

Let's reassure the people who ask for security and work for them.

Let's speak a single kind and sweet word to the businesspersons who pay revenue.

Let's not humiliate the private sector that provides employment.

These are not big demands, but even this much will bring about a big change. This is possible through the optimum use of technology and ethical policies. Currently, artificial intelligence is developing in a way that will change the very face of the world. We are asking for simple improvements. We want it so that all work, from business registration to everything else, can be done through the Nagarik App. The government should take the initiative in this direction. The cooperation of the private sector and donor agencies can also be mobilised for this.

The second task for enhancing good governance is to promote ethical conduct. Legal foundations should also be created in a way that promotes good governance. We have examples of retroactive laws increasing mistrust. The policies and programmes and the budget of the current fiscal year need to be brought as a starting point for reforms. We can do a lot.

Honourable Prime Minister, respected distinguished guests,

As you all know, the inability of the private sector to operate dynamically has affected everything right now. The government's revenue has also been adversely affected. Everyone is aware of this, but some mechanisms of the government are not ready to understand it.

Now, I feel that the private sector should take the lead in economic prosperity and development. The practice of looking to each other for resources should be reduced. Let's bring plans, let's discuss how we can work together ourselves. Let's explore opportunities for collaboration with local and provincial governments. Now, the presence of donor agencies will also not be the same as before.

Let's study and discuss how to make our organisations effective from the centre to the local level. We have also formulated some strategic plans. Innovation centres are needed at all levels.

I urge everyone to reflect on the slogan: "Respect for the private sector, the foundation of prosperity." Because:

The sector that provides 86 percent of employment is continuously demeaned.

The private sector, which contributes more than 80 percent to direct and indirect revenue, is continuously neglected.

The private sector, which accounts for 81 percent of investment, is continuously at risk.

The private sector, which accounts for 98 percent of exports, is continuously disrespected.

We take risks, invest everything, make continuous contributions to revenue and employment, and yet, if we always have to feel insecure, how do we build morale? That is why we have raised the issue of security. We have raised the issue of respect. We have raised the issue of the order of precedence. The state has no investment in this. Only goodwill is needed.

Honourable Prime Minister, I am encouraged by your positive stance on this matter. We also understand that to be respected, we must also respect others. We must be aware and responsible towards consumers and other stakeholders.

While raising these issues, we must also express gratitude to those who are making sincere efforts. The government, including the Honourable Prime Minister, has amended approximately 35 laws at our request. The framework for a Bilateral Investment Agreement has been prepared. For transparency and accountability, the Ministry of Commerce has decided to make the certificate of origin completely online at our request. Efforts are underway to improve bilateral trade based on the suggestions of the Nepal-India Joint Business Forum led by FNCCI and the Confederation of Indian Industry. Facilitation is being provided for programmes we organise abroad for Nepal's promotion.

At our request, a high-level commission has been formed to prepare the groundwork for a new phase of economic reform. For all this, I express my gratitude to the Honourable Prime Minister, Ministers, Chief Secretary, the government, all political parties, and their leadership.

I would also like to urge the members of FNCCI that since this new phase of reform has begun at the suggestion and request of FNCCI, everyone should take ownership of it and initiate reforms at all levels.

This reform means improvement in policies and regulations.

This reform means procedural improvement.

This reform means improvement in behaviour and conduct.

This reform means improvement in the way we work and think.

This reform belongs to the centre, provinces, municipalities and wards.

This reform is the improvement of social services including education and health.

This reform is also the improvement of the work and conduct of businesspersons.

This reform is for you, me and our future generations.

All mechanisms of FNCCI need to be engaged in the policy-making process and procedural reforms by observing local needs and the global context. We should not and cannot remain in scarcity, poverty and underdevelopment anymore.

Thank you!