



UNLEASHING

unleashing Nepal

A bold new text provides insights to the answers for age old questions. How can Nepal become prosperous? What form of government will best suit a tiny country that is more racially and ethnically diverse than some continents? Why have the political achievements of Nepal not been followed by the promised economic successes? Sujeev Shakya's narration is clearly an attempt to identify our inherent problems and should, no doubt, serve as a warning to our constitution makers to not repeat past

mistakes. He examines how democracy was commended and condemned at different times during Nepal's history and how relentless power struggles between stakeholders led to a nation characterised by hunger and abject poverty. Yet, there are stories of hope strewn across the book. It is a clear testament to the ingenuity and endurance of the Nepali people who have spearheaded what was probably the smoothest transition from an absolute monarchy to a democratic republic.

The eventful, often poignant, history of Nepal is most alive in the people of this ravaged nation. We have worked wonders

aboard, while having failed to establish a sustainable source for something as basic as potable water. The reasons for such disparities are difficult to establish, but *Unleashing Nepal* is a laudable effort to provide us with a direction. The author has indeed masterfully crafted an enthralling story with lessons that have consequences for the whole region.

Unleashing Nepal was released on 12 October. It is published as a paperback by Penguin Books. The book features a foreword written by famed author and columnist Gurcharan Das and an introduction by Ashraf Ghani, chairperson of the Institute for State Effectiveness.

COMMENTS

What is the significance of the book for Nepal?

There could be no better time for Sujeev Shakya's inspiring book on Nepal. The decade-long Maoist insurgency is over; the king has stepped down without bloodshed; the many parties, groups and interests have come together to give Nepal a new Constitution. The founding fathers of the new republic will soon be making choices in the Constituent Assembly which will decide Nepal's future. They should read this book to guide them in creating institutions which will lead the new nation from poverty to prosperity – a difficult but exciting enterprise, of consequence not only to 30 million Nepalis but to the whole sub-continent.

How and why are the changes happening in Nepal of consequence

GURCHARAN DAS

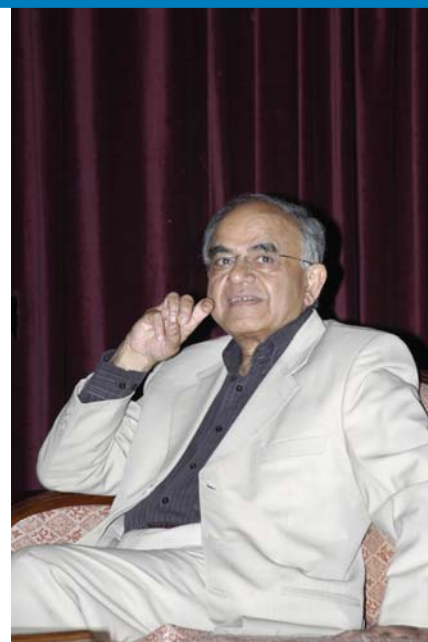
author and columnist

to the whole subcontinent?

Well, we too have a Maoist insurgency in India, and we have realised only now that it has to be decimated. The lesson from Nepal is that to have any kind of development you must first have peace and political stability. There is no room for a Naxalite movement in a modern democracy.

What is the significance of charismatic leaders like Nehru and Deng in the transformation of Nepal? Is there a need for one?

I suspect Nepal will find its own path in the end. Even if it wishes, it will not be able to adopt paths taken by either India or China. They are the result of historical accident and a bit of luck. The Chinese were lucky to have



Nepal has a GDP of just 10 billion dollar, but lies in close proximity to China, India and Bangladesh-an economic bloc consisting of 450 million people and a combined GDP of 160 billion dollar. Nepal is at the centre of this entire economic bloc. If we look at our comparative advantages vis-à-vis India as a nation, there are stark differences and Nepal will always fall short. However, if we look at the regions collectively, in the way mentioned above, Nepal still has the opportunity and comparative advantage to becoming a driving economic force in the region.

had a Deng, who knew the names of high performing technocrats, and he brought them on board when he began the reforms, and who have driven China to prosperity. India was fortunate in having a Jawaharlal Nehru who nurtured the institutions of democracy. The best that Nepal can do, I expect, is to learn from the successes and failures of its neighbours. At a minimum, if it is smart, Nepal will hitch its economy, as Sujeev Shakya suggests, to its fast growing neighbours and reap the benefits of global integration.

What are the choices before Nepal?

Nepal faces two starkly different but equally viable paths to the future-the way of China and the way of India. These huge neighbours of Nepal have become, amazingly enough, the two fastest growing economies in the world and are lifting millions successfully into the middle class. China is clearly ahead, and if the race were to end today, China would be declared a winner. It has delivered more material well-being, raised more people out of poverty than any nation in history. But it is an open question who will be the long-term winner.

Which way would work better for Nepal?

A nation must be true to itself. Democracy comes easily to us in India because India has historically 'accumulated' its diverse groups who retain their distinctiveness while identifying themselves as Indians. I suspect Nepalis are also 'accumulators'. China, on the other hand, has 'assimilated' its people into a common, homogeneous Confucian society. China is a melting pot in which differences disappear while India and Nepal are like a salad bowl in which the constituents retain their identity. Hence, China has always been governed by a hierarchical, centralised state-a tradition that has carried into the present era of reform communism. China resembles a

business corporation today. Each mayor and party secretary has objectives relating to investment, output and growth, which are aligned to national goals. Those who exceed their goals rise quickly. The main problem in running a country as a business is that many people get left out.

India and Nepal, on the other hand, can only manage themselves by accommodating vocal and varied interest groups in their salad bowls. This leads to a million negotiations daily in India and we call this system 'democracy'. It slows us down-we take five years to build a highway versus one in China. Those who are disgruntled go to court. But our politicians are forced to worry about abuses of human rights, whereas my search on Google on 'human rights abuses in China' yielded 47.8 million entries in 13 seconds! Democracies have a safety valve-it allows the disgruntled to let off steam before slowly co-opting them. Nepal should consider this as it debates its future over the next few years in the Constituent Assembly.

What lessons presented in Unleashing Nepal are the most important for the constitution makers of Nepal?

Well, the first lesson from Shakya's book is that there is only one system that is known to work.

Both China and India have adopted the capitalist road to prosperity. They did this after learning painfully in the second half of the 20th century that central planning and state ownership of the means of production are inefficient and perpetuate poverty in the end. In China, Mao's communism resulted in tens of millions of deaths; In India, Nehru's socialism led to a corrupt bureaucratic nightmare called the 'Licence Raj'. Nepal too, as Shakya describes, had the same dismal experience under the kings, Mahendra and Birendra. Nepal's Constituent Assembly must not be tempted to go along this discredited statist path and it ought to make room for the entrepreneurial energies of its people.

Nepal, thus, has no choice but to depend on the market. But the market has to be regulated and this is a delicate art-too much regulation can kill the golden goose; too little brings out the crooks.

What is the role of the state in Nepal?

Although both of Nepal's neighbours have adopted the market for economic decision-making, China's rise has been induced by a purposeful state. India's is almost despite the state. It is being driven by the people-by its entrepreneurs who are stepping into the vacuum as the state is getting out of the way through a process of slow, incremental

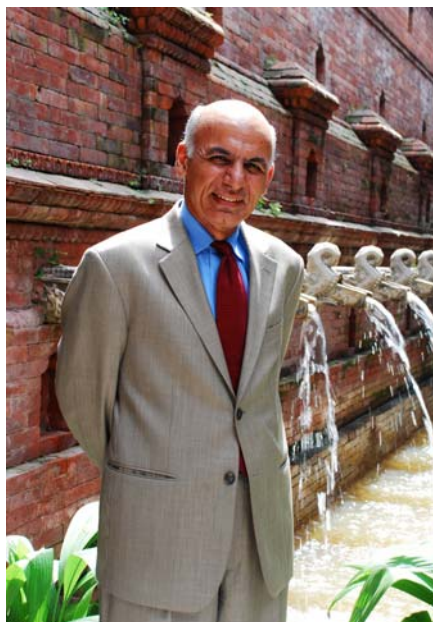
reforms. Capitalism, according to theory, ought to sit more comfortably in India's democracy. Despite its many flaws, India has the Rule of Law and it respects property

Establishing the fundamental building blocks and foundations of a capitalist welfare state will require not only conducive government policies and a willing donor community, but a competent private sector leading the transformation and scaling up of enterprise and vision. Private enterprises that will take the risks involved in hydropower development, enterprises willing to develop different models in agriculture and entrepreneurs who would want to start the next innovative trekking route or eco-tourism programme, are the need of the day. The key requirement would not be just financial but also the availability of human resources with the knowledge and knowhow to lead the transformation.

rights. I have an American friend who has lost his entire investment in China because his partner, who is closely connected to the party, has stolen his company, and he has no recourse. Partly because of the Rule of Law India is spawning globally competitive companies, who are becoming the envy of the world. Rule of Law helps entrepreneurs to enforce contracts. Rule of Law may slow India but it also protects its people (and its environment, as NGOs have discovered).

Democracy also respects property rights. As both nations urbanise, peasants in India are able to sell or borrow (using their land as collateral) against their land. Chinese peasants, I am told, are often at the mercy of local party bosses, who are the ones accumulating wealth in China. A recent survey shows that 90 percent of the 20,000 richest persons in China are related to government or party officials.

"For Nepal to truly progress in measurable and human terms, it has to set into motion economic growth that can include the poorest of the poor. In so doing, it must not compromise on Nepal's hard-earned civil liberties and democratic government or on the entrepreneurial spirit necessary to create a vibrant economy."



ASHRAF GHANI

chairperson, Institute for State Effectiveness
co-author, *The Framework: Fixing Failed States*

security, the rule of law, governance and development are not being met

What are the key economic areas with potential for significant growth in Nepal?

The Nepali economy has two components:

- A dynamic and globalised segment led by imaginative entrepreneurs who have shown their capacity for legitimate wealth creation under difficult circumstances
- A semi-illegal segment tied to networks of patronage and political power

The first segment is not bound by sector and can provide economic leadership in areas ranging from tourism, global services, IT, hydropower and agriculture. However, it is constrained by the lack of political consensus on the direction of the country in general and the economy in particular. The second segment can generate short-term benefit for those involved, but cannot generate sustained wealth creation.

What roles should the future state of Nepal play in the development of the country?

The future state of Nepal should operate on the basis of medium to long-term priorities, not short-term considerations. The government has to identify a goal and work backwards from that goal to remove the constraints that exist today. Then the state has at least the following roles:

- The provision of security of person and public and private property
- The creation of an enabling environment for domestic and international investment
- The provision of legal predictability for

With Constitution Assembly starting the process of writing the Constitution of the Federal Democratic Republic of Nepal, many questions on fundamental economic rights are being asked by an ever more assertive citizenry. There cannot be a better time to save the future of Nepal's economy.

the enforcement of rules and contracts

- Management of public assets, especially the environment, water and other natural assets
- Regulation of the market

How do you critically appraise the book 'Unleashing Nepal' as an author?

I welcome Unleashing Nepal as a serious effort by a Nepali entrepreneur to explain the economic dynamics of Nepal. Sujeev Shakya is one member of the capable, dedicated and internationalised segment of the Nepali private sector which is critical to forging a new way for the country. The analysis provided in the book is essential to understanding the economic assets that could be coherently mobilised in Nepal to ensure significant growth, development and jobs. Sujeev provides a wealth of ideas as to how to transform money into capital and create stakeholders in a secure, prosperous future, with Nepali youth at the forefront. This book is a clarion call for stakeholders from across Nepali society to come together, work to generate the positive change that the Nepali people so desperately want, and ensure the prosperity and stability they so richly deserve.

What parallels can you draw between the emerging democracies of Nepal and Afghanistan?

There are three key similarities between Nepal and Afghanistan:

- The elite have not reached a consensus on the direction of the country
- Trust within the elite is strained or close to breaking
- The expectations of the people for

The biggest deficiency in Nepal's political and business community has been leadership. Although there have been plenty who would take on the mantle of leadership, most have sadly been lacking in charisma, integrity and drive. There is a vacuum of role models for young entrepreneurs.

BOOK REVIEW

Unleashing Nepal – a review

Catrin Froehlich

CSR-Expert, National Business Initiative

This book, which is dedicated 'To all who believe in the possibility of a transformation of Nepal and the unleashing of its potential' is a great read particularly for all *bideshis* who come here with great optimism and dedication to contribute to the development of the country. Looking at Nepal from the somehow naïve perspective of a foreigner, it seems that technically Nepal's potential would be very easy to unleash. However, after *Namaste* and *Dhanyabad*, the fatalistic *ke garne...?!* becomes one of the first terms we learn in



the local language and we are quickly informed about all the problems, challenges and hindrances to unleashing Nepal. Often, this is where the information ends and where one's mind starts revolving about ifs and buts and current stalemates. This book however takes us back to history and explains the socio-economic background and past style of political leadership that still seem to have an immense influence on how things are happening (or not so) in Nepal.

Let us take up the example of the current employer-employee relations: the book describes the *jagir* mentality as one of the reasons why people take jobs for granted regardless of performance or efficiency. It also gives insights about the reasons behind the lack of education and the fact that labour unions have often been misused for political reasons instead of promoting workers' rights

and development. At the same time, the reader learns about the arbitrage-orientation, lack of good business practices and the strong alliance of business with politics which hamper the development of modern management systems. Together with other factors outlined in the book this provides a good insight in how the current conflicts developed and why substantial changes in attitudes, regulation and mentality are needed to not only cure the symptoms but the cause. It is made clear that apart from more technical aspects like education, management systems and regulatory reforms soft factors like new partnerships, cooperation and trust as a precondition for that have to be developed.

Linked with the importance of good labour relations to unleash the potential for economic growth and development is Shakya's persisting concern of channelling the potential of Nepal's



SUJEEV SHAKYA

author, *Unleashing Nepal*

unleash its economic potential despite the impediments that are there. How many people knew of the businesses and business people who have made it big before 1990s? If one was to step back to 1990, how many people would have thought one wave of reforms could sustain the country for two decades. The spread of information technology and communication at affordable prices, the hunger of a post-reform 1990 generation of youth and the emergence of India and China as the next door economic giants will define the economic growth of the next two decades.

What do you see as the most important lessons in your book?

The key is to understand in simple terms that the economic state of Nepal is where it is due to our *jagire* mentality or our rent seeking behaviour. It is to understand how we can understand how we squandered the great opportunities in the early 90s with the wave of reforms, and how the government, private sector and the aid community were all responsible for squandering this opportunity. It also analyses the conflict and the remittance from a perspective that it has not been seen from, how does it relate to the basic Nepali psyche of definition of work along with looking at rights without understanding responsibilities. However, the most important part would be to look at the future potentials of Nepal, be it the opportunity of scaling up, be it redefining its economic boundaries or unleashing its potential of the Nepali youth.

Why read *Unleashing Nepal*?

There are practically no books that have

The children of the 1990s heralded a new age of youth in Nepal. Growing up under the spell of Bollywood and Hollywood while being nurtured by a traditional Nepal, they function as negotiators between the values of old and new. On the side of the tradition stand the values of family, moderation, conservatism, and community, while on the newer side of things stand consumerism, individuality, and progress.

been written about the Nepali economy that caters to a wide audience of Nepalis and people interested in Nepal who could get a layperson's perspective of the economy and business. There has been little attempt to look at the basic fundamental behaviour of Nepalis and link it to our economic situation. This book provides an understanding of its chequered history from the unification to becoming a republic and examines what is possible in Nepal. In a country where people

With India and China coming to the central stage of global economy, even splinter effects of the rapid economy growth of China and India can transform Nepal.

are so used to talking about how we are inching towards failed states and how Nepal is going downhill, it provides a perspective of an optimist who has decided to make Nepal his country of operation because he sees the potential of the country.

Why did you choose to release your book now?

I chose to write this book and release it at this point of time because I feel that people are too busy discussing only politics and we have ignored the economy completely. We cannot wait for politics to settle before we think of economics. Nepal is at the juncture similarly to the early 1990s where it will

It is slightly ironic, that a country which had remained isolated and detached from the world for over a century should, upon re-entering the world stage, immediately lapse into a state of acute dependency. However, such was the case with Nepal and this dependency only grew with time.

youth into productive sectors and activities. Everyone living in Nepal can easily recognise the power of Nepali youth. Uncountable examples of great youth initiatives notwithstanding, often, unfortunately in a way that is counterproductive to fostering their future prospects. The risk of growing unemployment among youth (due to sheer population figures and returning migrant workers) and the cost of potentially increasing conflict pose a massive threat to the development of the country. Targeted to productive activities however the power of young Nepalis carries almost unlimited opportunities for development. Shakya therefore rightfully elaborates about the importance and moreover the possibilities to unleash this potential in the right direction.

Many particular traits of doing business in Nepal find their explanation in the systems of the past which Shakya describes with the

knowledge of an insider but the objectivity and critical perspective of someone who has looked far beyond national boundaries. Reading the book one gets the impression that many of the challenges can be attributed to the fact that the faith of the Nepali people has somehow always depended on the goodwill of either feudal rulers, some influential families or later foreign aid. This mode of dependency of the Nepali psyche as Shakya puts it (or the perception thereof) seems to be one of the biggest hindrances to unleashing the great potentials of individuals and the country in general. Even though one can find (and Shakya describes) immense business opportunities, natural resources and ingenuity in every corner of the country it seems that far too many individuals are still stuck in this perception which prevents them from taking their faith in their own hands

instead of waiting for someone else to do it.

The real beauty of the book therefore lies in part three where Shakya explores the opportunities and potential which lie right in front of the country and all its citizens, being seemingly covered only by the difficult political situation. These opportunities and potentials are indeed abounding. From infrastructure to hydropower, from tourism to health care, from ICT to remittances and from community based organisations to internationally branding Nepal he outlines the existing potentials. Many of them – one has to admit – are not even a hidden secret. If only all Nepali citizens could recognise them. And if each Nepali would realise that it is not THE government, not A party, not anyone else but each individual that can and should unleash its own potential to unleash Nepal's. This book is an important step in this direction.