

Prepared for MOF/ADB

**TECHNICAL ASSISTANCE TO  
THE KINGDOM OF NEPAL  
FOR  
ESTABLISHING ECONOMIC POLICY NETWORK  
ADB/TA 4288 – NEP**

**PROCEEDINGS OF THE INCEPTION SEMINAR**  
**Held on October 5, 2004**

**November 2004**

**TA Focal Unit/ MOF**

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### Abbreviations

ADB	Asian Development Bank
CNI	Confederation of Nepalese Industries
DOLIDAR	Department of Local Infrastructure Development and Agriculture Road
DOR	Department of Road
EAPAD	Economic Affairs and Policy Analysis Division
EPN	Economic Policy Network
FNCCI	Federation of Nepal Chamber of Commerce and Industry
HMG/N	His Majesty's Government of Nepal
MOF	Ministry of Finance
MOICS	Ministry of Industry, Commerce, and Supplies
MOPPW	Ministry of Physical Planning and Works
MOCTCA	Ministry of Culture, Tourism, and Civil Aviation
MOAC	Ministry of Agriculture and Cooperatives
NCC	Nepal Chamber of Commerce
NGO	Non Government Organization
NPC	National Planning Commission
NRM	Nepal Resident Mission
OPMCM	Office of the Prime Minister and Council of Ministers
PRSP	Poverty Reduction Strategy Paper
TA	Technical Assistance
TU	Tribhuban University
WTO	World Trade Organization

#### This Report was Prepared by the Focal Unit Team

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# **Proceedings of the Inception Seminar on Establishment Economic Policy Network**

ADB/TA 4288-NEP

## **Seminar**

Date: October 5, 2004

Time: 1000 – 1300 hrs.

Venue: The Malla Hotel, Thamel, Kathmandu

**The Inception Seminar was held under the Chairmanship of Dr. Bimal P. Koirala, Chief Secretary – Office of the Prime Minister and Council of Ministers.**

## ***I. Welcome Address by the Chief of the Focal Unit***

Mr. Krishna Gyawali, Joint Secretary – Economic Affairs and Policy Analysis Division, MOF and Chief of the Focal Unit of the 'Establishing Economic Policy Network' TA welcomed the guests and gave a brief overview of the TA highlighting the structure of the project. Mr. Gyawali explained that the TA is being steered by a high level Steering Committee Chaired by the Chief Secretary. Similarly, he briefed the structure of the four Advisory Committees formed under the four implementing ministries (MOF, MOICS, MOPPW, MOCTCA) to guide the activities on the four thematic areas (Macroeconomic Management; Economic Policy on International Trade, Investment, and Employment; Economic Policy on Infrastructure Development; and Economic Policy on Tourism, Agriculture, and Regional Development).

## ***II. Remarks by Mr. Peter Logan, Head – Project Administration Unit, Asian Development Bank***

Mr. Logan opined that more progress was necessary to implement policy reforms in Nepal. He expressed that stakeholders had earlier identified weaknesses in the reform process and areas requiring improvements included (i) more comprehensive consultation, (ii) demand driven policy reforms, (iii) appropriate implementation arrangements, and (iv) effective monitoring capacity. Given the present conflict situation in Nepal which is a key binding constraint to progress and which has created divisions within society, he emphasized that the need for a broad policy network constituency to support and consolidate the reform process is more compelling now than ever before.

Mr. Logan expressed that ADB was happy to support the Economic Policy Network (EPN) and pointed out that a similar effort has recently been initiated by ADB in India. He explained that there are five key aspects of the EPN which would serve as a vehicle to (i) evolve and develop a strategic vision for private sector development, (ii) help improve the government's economic policy reform agenda by evaluating policy reforms and providing feedback on implementation, (iii) recommend new ideas and policy options to policy makers, (iv) assist policy makers in analyzing and responding to regional and global economic challenges, and (v) foster a constructive policy dialogue

between the government and other institutions so as to generate a national consensus on policies and thereby enhance the credibility of reforms.

Mr. Logan also reminded the participants that a national seminar would be scheduled around December in which the participation would be from a wider spectrum of society to share the experience of EPN in Nepal and elsewhere and trace a workable path to enhance linkages between the government, private sector, and civil society in the economic policy reform process. Similarly, he mentioned that regional workshops are also planned to reach out to stakeholders across the nation.

*This was followed by a presentation by Dr. Champak Pokharel – Team Leader, on the 'Features and Approach of Establishing Economic Policy Network' TA (Outline in annex 2).*

### **III. Presentation on 'Features and Approach of Establishing Economic Policy Network' by Dr. Champak Pokharel – Team Leader**

Dr. Pokharel informed the participants that the TA was formally launched on August 9, 2004 and is scheduled to be completed by December 2005.

He expressed that issues which led to the initiation of the EPN were identified as (i) supply driven economic reform processes; (ii) inadequate consultation with private sector and people at large; (iii) lack of formal forums for policy debates, consultations and public-private feedbacks; (iv) slow implementation of policies; (v); weak public-private monitoring of implementation; and (vi) apathetic and slow public acceptance of reforms. In view of these, he stressed the need for a participatory and consensus based economic policy reform networking. He explained that the overall objective of the EPN exercise was to promote and facilitate an EPN (i) for an open, analytical, responsive, and result oriented economic policy formulation process; and (ii) to support and consolidate HMG's policy reforms on poverty reduction strategy.

Dr. Pokharel stated that the specific objectives of the TA are to (i) identify economic policy reform agendas; (ii) develop policy papers; (iii) establish improved institutional processes for policy debates and feed backs; (iv) establish public-private monitoring system on policy implementation; and (v) build constituency for economic reforms among principal stakeholders and the general public.

He explained that the scope of the TA included (i) developing an institutional framework for economic policy dialogue and analysis; (ii) providing assistance for policy research and analysis; (iii) creating a forum for policy dialogue and analysis; and (iv) laying the groundwork for an institutionalized consultative process that will ensure continuity of the government's economic policy reform agenda.

He informed the participants that the EPN is expected to produce four major outputs:

- i. development of economic policy reform agendas identifying challenges and concerns for promoting private sector development, as well as specific issues requiring in-depth analysis;

- ii. thirty two demand-driven, results-oriented economic policy papers (8 per thematic area) deriving from the policy reform agenda that will contain important findings and recommendations backed by sound economic analysis;
- iii. establishment of improved institutional processes for policy discourse and reform that are characterized by transparency and openness; and
- iv. establishment of a public-private modality for monitoring the implementation of economic policy reform agendas.

Dr. Pokharel explained that the four thematic areas identified in the TA design are (i) Macroeconomic Management; (ii) Economic Policy on International Trade, Investment, and Employment; (iii) Economic Policy on Infrastructure Development; and (iv) Economic Policy on Tourism, Agriculture, and Regional Development, and informed the participants that the MOF, MOICS, MOPPW and MOCTCA respectively, have been selected to implement the activities under the four thematic areas.

He also presented the work modality, key activities, and the implementation arrangements and explained the TA support for the activities. Dr. Pokharel went on to explain that given the small size of the TA, intensive government involvement was necessary to successfully carry out the objectives of the EPN. He further expressed concern over the large number of policy papers and workshops, and given the timeframe of the TA (17 months), proposed that the workshops should be combined into group discussions, covering more than one thematic area per workshop. He also proposed commissioning about two-thirds of the papers as a working series on high priority areas and building the remaining one-third of the papers from the working series to a more detailed and extended version for cross cutting policy recommendations.

Dr. Pokharel explained that the monitoring mechanism of the TA would include Tripartite meetings (every 6 months), Steering Committee meetings (every 4 months), Advisory Committee meetings (every 2 months), and Focal Unit meetings (every month).

He wrapped up the presentation on two notes: (i) How can we embrace the private sector, academia and various social groups in the economic policy networking process? and (ii) What could be the relevant high priority economic policy research topics for studies at present to enhance private sector development and support the government's poverty alleviation objective?

*This was followed by a presentation on "Best International Practices" by Mr. Bipul Singh, Economist at the Asian Development Bank. His preparation was based on the paper outline by Sandy Cuthbertson – International Advisor (outline of the presentation in annex 3).*

#### **IV. Presentation on 'Best International Practices' by Mr. Bipul Singh – Economist, Asian Development Bank**

Mr. Bipul Singh expressed that all countries face a common challenge in implementing sound economic policy which flows from (i) the indirect or economy-wide effects of economic policies which are often subtle and hidden; and (ii) the scope thereby created for vested interests to manipulate policy to their advantage as the losers from reform

tend to be noisier than the winners. He stated that most countries have government ministries with a sectoral focus and even the economy wide ministries such as finance and treasury have a narrowly defined charter which tends to consolidate the power and influence narrow interest groups.

Mr. Singh provided examples of international economic policy networking efforts and explained how the Australian Productivity Commission which advises the Australian Government on all aspects of microeconomic and trade policy works. He explained that the statutory functions of the commission are to (i) hold public inquiries and report to government on matters related to industry and productivity; (ii) promote public understanding of matters related to industry and productivity; and (iii) initiate research on industry and productivity. He explained that the typical steps in the inquiry are the following - (i) terms of reference drafted by the Treasury and agreed by the Cabinet; (ii) terms of reference finalized and signed by the Minister and sent to the Chairman of the Commission; (iii) Chairman appoints Commissioners (usually 2 or 3 including possibly an outside associate commissioner); (iv) Chairman and Head of Office allocate staff to manage the inquiry; (v) interested parties list is compiled (vi) inquiry advertised in the national press; (vii) issues paper prepared and circulated to interested parties along with a call for submissions which become public documents; (viii) public hearings are conducted and transcripts are public documents; (ix) report is prepared and sent to the Treasurer; (x) Government considers report and releases it to the public; and (xi) Government announces response to report.

Mr. Singh continued that while Australia's approach is highly consultative and transparent, Indonesia followed a very different approach throughout the 1980's and early 1990's. A strong President delegated authority to trusted technical ministers who formed a tightly knit group chaired by an Economic Coordinating Minister. While this approach lacked transparency, public consultation, economy-wide analysis or independent advice it was, by and large, highly successful. But in 1998 a newly elected government saw considerable transfers of power to the Parliament, and with a new constitution to the provincial governments. The cohesion that bound economic ministers together is now much weaker and ministries are now inclined to pursue policy on sectoral rather than economy-wide grounds. In these circumstances some central economic ministries are seeking to strengthen capacities for (i) economy-wide analysis of policy; and (ii) public consultation.

Mr. Singh explained that India's reforms beginning in 1991 tended to come from the top key economic ministries/agencies. They appeared to reflect no grand design. He further explained that there appears to have been little formal processes to 'sell' the changes to the people and that the reform momentum has slowed after 1994.

In the case of Sri Lanka he explained that Sri Lanka has a Tariff Commission which provides stakeholders a say in policy. But the Commission is weakly resourced and has inadequate capacity for independent analysis. Furthermore, he expressed that stakeholders tend to represent more self interests, and thus, emphasized the need to be careful while convening an assembly of stakeholders as they can attract special interest.

Mr. Singh continued that many countries rely on independent research agencies to develop and implement policy. However, he expressed that Nepal's agencies seem to have become weaker in recent years with most economists operating as freelancers rather than being concentrated in units which provide critical mass and authority in

public commentary. He pointed out that the 'Trade and Competitiveness Study' proposed that ways be explored for harnessing this resource.

He concluded by expressing that the problem with stakeholder consultation is that only the stakeholders with significant interests show up. He explained that those with an individually small potential to gain or lose tend to be 'rationally disinterested' even though the sum of their interest might be large. At the same time, he explained that for the government, by nature, it is difficult to 'please everybody'. So, an open, transparent procedure is a good insurance that government is acting in the public interest.

## ***V. Address by the Chairman***

Chief Secretary Dr. Bimal Prasad Koirala, and Chairman of the Steering Committee for Establishing Economic Policy Network remarked that Nepal has been adopting market led economic policy reforms for more than a decade. However, he emphasized that lack of political commitment had weakened the nation's economic reform drive and stressed the need to realign its reform agenda to address emerging challenges.

Dr. Koirala pointed out that the critical fiscal position resulting in very small revenue surplus has left the nation with few alternatives. Hence, he stressed that whatever policy options we choose must be designed intelligently within the limitations.

Dr. Koirala expressed that maintaining the status quo is easy but striving for change is a difficult endeavor. He indicated that there are many difficulties from social and political constraints to reaching universal consensus and emphasized that one must be willing to take the risks and accept the failures in the process and correct en-route. Given these barriers to a smooth and successful policy reform drive, Dr. Koirala stressed the need to develop a strategic vision and to 'stay on the course' through the obstacles. He laid emphasis on the need to take a strong stand on the issues making no undue compromises, and expressed that success stories in other nations have come only through such a stance by policy makers.

He expressed that the role of 'steering' is very important but difficult at the same time. Given the instability of Nepal's politics, he expressed concern that the government is not amply coping with steering the economy with a long term vision. Dr. Koirala gave examples of the privatization drive and explained that it has been very difficult to 'stay on the course' and achieve the goals on time due to pressures from special interest groups and politics.

Dr. Koirala noted that there is a gap between policy reform identification and implementation and stressed the need to develop a sustainable forum for policy dialogue - clearly identifying what is demanded by the market, what needs to be done to stimulate economic growth, and seeing that the policy reforms are followed through. The initiation of an economic policy network, Dr. Koirala stated, was intended to bring the government, academia, intellectuals, and civil society together in the planning and implementation process and build consensus between the government and stakeholders.

Dr. Koirala pointed out that as a signatory of international treaties, Nepal is obliged to liberalize its market and expressed the view that economic liberalization does not obstruct social protection. However, he stressed the need to design policies that fit the needs of the nation and emphasized the need for social safety nets to ensure that benefits of reform reach the poor.

Dr. Koirala reminded the floor that four thematic areas had been identified by the TA, and the challenge now is to look within these thematic areas to identify the aspects obstructing economic growth within the related sectors, and to correct the weaknesses in relevant policies. As per him, we were now in the second generation of reforms and the challenges are greater as policies will have to be more people oriented.

## **VI. Open Discussion**

*The Chairman opened the floor for discussion. Among the speakers were Prof. Dr. Biswambar Pyakurel – Chairman, Economic Association Nepal; Dr. Madan Dahal – Head, Economics Department, Tribhuban University; Mr. Prithvi Raj Ligal – Ex Vice Chairman, National Planning Commission; Mr. Dipendra P. Dhakal – Ex Governor, Central Bank of Nepal among others. The following comments and issues were raised:*

- It was perceived that though Nepal has formulated good policies and implemented many of them, weaknesses remain in accountability of reforms and failures. Questions were raised on the ownership of the EPN project. Who would be accountable? Questions were also raised on who would own the papers once they are prepared? It was stressed that accountability must be incorporated in the project design itself and that the Advisory Committees should own the papers that are prepared under the TA. Furthermore it was stressed that the Steering Committee should take ownership of the papers and the EPN process as a whole.
- Similarly questions were raised on the sustainability of the project at the completion of the TA. How could the EPN be continued? What would the approach be to make it sustainable?
- It was stated that the need to develop think tanks and institutions which can carry out independent research and dialogues had been realized and it was commented that the ADB had moved forward to establish an EPN. However, the question now was whether the government should create the EPN or whether the private sector should be empowered to assume the role? Other questions raised regarding the formalization of the EPN were: under whose chairmanship should such a formal institution be developed? The Prime Minister? Ministry of Finance? the private sector? Should the government create a new institution to sustain the EPN process?
- It was generally agreed that the EPN should be formalized as a partnership between the government and private sector. However, other opinions were that we should move ahead by letting the private sector grow. The need to groom appropriate institutions and to develop them into sustainable 'think tanks' was also stressed.
- It was suggested that the EPN should learn from international experience such as the Malaysia Vision 2020 which led to the creation of successful institutions for creating linkages between the private sector and government for policy reforms and economic development. However, it was expressed that Nepal has its own

experience of policy regime and that the strategies must take this into account and not blindly follow in the footsteps of others.

- It was pointed out that previous attempts have been made to develop 'think tanks' in Nepal but despite these attempts, independent research are perceived to be weak and these think tanks have not been sustainable.
- The modality of the current TA with the Chairmanship of the Chief Secretary in the Steering Committee and execution by the Ministry of Finance was perceived to be potential for success. However, it was stressed that there is now a need to 'look through one window' and to use the EPN to create linkages between government and the private sector and develop common development goals and strategies.
- It was pointed out that consultative processes have been used for the last 10-12 years and they have been more intensive recently, including in the formulation of PRSP. However, the problem was pointed out to be a gap between policy recommendations and implementation. It was thus expressed that carrying out policy research papers and reforms alone would not be sufficient to achieve the overall goal of economic growth and poverty alleviation. So the need to formalize the EPN with a built-in mechanism to monitor policy reforms would have to be heavily stressed.
- The private sector perceived that policies in Nepal were not sustainable and that frequent changes were made without assessing the impacts of enacted policies. Therefore, the need to build on current policies and implement them with continuity was stressed. It was further stressed that the TA should look into the issues in areas where considerable investments have already been made and improve policies related to those sectors. It was pointed out that the Nepal Trade Competitiveness study has identified many priority areas and could be helpful for this TA.
- It was emphasized that the linkages between economic development and the social sector was missing and that no visible output of the fiscal reforms was seen. Therefore, to consolidate the government's efforts in poverty alleviation and the second generation reforms, it was suggested that the four pillars identified in the PRSP should be the guiding approach in selecting the topics for the policy papers.
- It was expressed that economic policies are currently being formulated without adequate consultation with stakeholders. Therefore, the need for stakeholder consultations to identify policy improvement areas was stressed. It was suggested that a stakeholders' meeting/ workshop should be carried out to identify needs, research areas, and policy research topics.
- It was perceived that despite the rhetoric on weaknesses in transparency and stakeholder consultations, there were internal weaknesses in the planning process in policy formulation itself. A need for developing guidelines for the policy formulation process was therefore pointed out.
- It was stressed that while selecting the topics for research it should not be driven simply by a theoretical perspective. Rather, the focus should be on pressing, immediate issues. One such example is the privatization/ deregulation of Nepal Oil Corporation, which has currently become a burning issue and has received widespread attention. It was suggested that some cross cutting areas should be identified for in depth analysis.
- It has generally been accepted that entry into the WTO will change the regime of business. Therefore, it was suggested that we need to identify certain products/

services that Nepal has comparative advantage in and should focus on promoting them.

- Questions were raised on how to incorporate the fruitful work done during the first generation of reforms and carry the second generation of reforms building on them. Concerns were also raised on how to incorporate the government's voice as it was perceived that public criticism of government action is high in general and therefore papers coming from the private sector alone could portray a biased perspective of the actual facts. On the other hand, it was also perceived that the government is very defensive of its actions. Therefore, the need to develop the EPN to bridge this perception gap between the government and the private sector/ civil society to develop more transparent policy reforms was stressed. Suggestions included allocating a certain number of papers (4 – one per thematic area) to the government and private sector jointly preparing them.
- It was felt that commissioning and completing 32 policy papers within the TA period was quite challenging. Therefore, the need to be flexible on the number of papers was stressed. It was suggested that 10-15 institutions/ individuals (from university, consulting firms, NGO, civil society) should be short listed and selections made from within them to carry out the policy research papers. Similarly, it was suggested that the Advisory Committees should take the lead role in identifying the policy research topics. Regarding the publication of papers it was suggested that all of the papers written should be published for dissemination. Approaches for disseminating papers could be through the website, on CDs or by commissioning news articles.
- There was unanimous view that the first round of policy research papers should be initiated from the private sector.
- Discussions were also held regarding the modality of the workshops. It was expressed that separating the four groups (one each per thematic area) during the workshop (Combined workshop proposed in the Inception Report) would not be effective as the participants would be divided and could only be involved in one of the thematic areas, whereas their expertise could be in more than one field. It was thus suggested that two groups present the papers per day, one in each plenary, so that all the participants could get involved.
- Questions were raised on the timeframe of the policy reforms envisaged. Are they to be for the short, medium, or long term? The need to clarify this was stressed.
- Similarly, it was questioned whether there was a loan attached to this TA.

## ***VII. Clarification of Issues by the Project Team***

The Chairman asked the project team to clarify any outstanding issues.

Mr Bipul Singh, Economist from ADB/ NRM expressed the need to support the existing think tanks and suggested giving priorities in commissioning the policy papers through institutions. He also suggested that the voice of the broader civil society should be incorporated through the regional workshops.

Mr. Gyawali, Chief of the Focal Unit and Joint Secretary at EAPAD, MOF, clarified that there were no loans attached to this TA and that the government did not intend to

acquire any loans attached to this TA. He requested the Advisory Committees to hold meetings as scheduled and to make the nominations of members soon. He also requested the respective Advisory Committees to hold meetings to decide on the policy research topics to be commissioned in the near future.

Dr. Pokharel, Team Leader, expressed that many issues raised on the floor were very helpful in tracing the path in initiating the TA implementation. He felt that it being a new exercise, many things would evolve through learning by doing and the TA design is flexible in that context. He also assured that the TA would accommodate the feedbacks that it would receive from the Advisory Committee exercises in the future, for which the present workshop suggestions would be the guide posts.

### ***VIII. Closing Remarks by the Chairman***

The Chairman expressed that many important issues had been raised at the workshop and that the project would try to incorporate them to make the EPN more effective. He stressed the need to use the four pillars of the PRSP as the guiding approach to selecting the policy research topics. He also acknowledged the need to develop independent think tanks and expressed that the EPN was a preliminary form of think tank that may ultimately lead to the development of a resourceful think tank. However, he pointed out that the TA was small and therefore could not cover all areas. He suggested that the focus should be on the most important areas and stressed the need to develop the EPN as a forum for discussing contemporary issues. He conveyed the need for policies to be people-centered and that such an exercise would be possible through the EPN.

The Chairman expressed that the government has taken the lead in establishing the EPN and that the prescription is purely homegrown. He reiterated that the ADB is only funding the project and that it is the responsibility of the government and the stakeholders of Nepal to develop this EPN to make it a success. He stated that a mechanism of resource sharing between the public and private sector should ultimately be developed for the sustainability and joint ownership of the mechanism. He expressed that even though the government has presently taken the lead role in establishing the EPN, the private sector could take the lead in the future. He further added that academia, intelligentsia, government and people at large should all take ownership of this exercise.

Mr. Chairman thanked all the participants for their active participation and cooperation. He also thanked all those who contributed in making the seminar a success and adjourned the seminar at 1:00 PM.

## Annex 1: Program Schedule

**Event:** 'Inception Seminar' on Establishing Economic Policy Network  
**Date:** October 5, 2004  
**Time:** 9:30 a.m. – 1:00 p.m.  
**Venue:** Hotel Malla, Lainchaur

<b>Time</b>	<b>Program</b>
9:30 – 10:00 a.m.	Registration & Refreshments
10:00 – 10:10 a.m.	Welcome address by Mr. Krishna Gyawali (Head – Focal Unit)
10:10 – 10:20 a.m.	Remarks by Mr. Peter Logan (ADB)
10:20 – 10:45 a.m.	Presentation on project framework by Dr. Champak Pokharel (Team Leader)
10:45 a.m. – 11:00 p.m.	Presentation on international best practice by Mr. Bipul Singh (Economist – ADB)
11:00 – 12:45 p.m.	Open Discussion on: <ul style="list-style-type: none"> <li>- Modality</li> <li>- Contemporary policy study topics</li> </ul>
12:45 – 1:00 p.m.	Remarks by Chairman and closing of the workshop
1:00 p.m.	Buffet lunch

## **Annex 2: Outline of Presentation on 'Features and Approach of the TA'**

**Presented by Dr. Champak Pokharel**

### **1. Establishing Economic Policy Network**

Features and Approach

Oct. 5, 2004

### **2. Background**

- Started from 9 August under ADB (TA) to MOF
- TA till December 2005 (17 months)
- Implementing Agency: Ministry of Finance

### **3. Issues on Economic Policy Formulation**

- (i) Supply driven economic reform processes
- (ii) Inadequate consultation with private sector and people at large
- (iii) Lack of formal forums for policy debates, consultations and public private feed backs
- (iv) Public acceptance apathetic and slow
- (v) Weak public-private monitoring of implementation
- (vi) Slow implementation of policies

### **4. Overall Objective of the Economic Policy Network**

- Promote and facilitate:
  - (1) open, analytical, responsive, and result oriented economic policy formulation process
  - (2) support and consolidate HMG policy reforms on poverty reduction strategy

### **5. Major TA Output**

- (i) Lay a groundwork for an institutionalized consultative process
- (ii) Provide assistance for policy research and analysis in major economic issues
- (iii) Create a forum for policy dialogue among public sector, private sector, private sector, academia and various social groups
- (iv) Develop an institutional framework for economic policy dialogue and analysis

### **6. Thematic Areas**

Four:

- (1) Macroeconomic Management
- (2) Economic policy on international trade, investment, and employment
- (3) Economic policy on infrastructure development
- (4) Economic policy on tourism, agriculture, and regional development

### **7. Work Modality**

- Bring also the private sector and academia in the Networking
- Identify economic policy reform agendas and implementation issues
- Develop policy papers
- Apply improved institutional processes for public-private debates debate and feed backs on policy formulation and implementation

- Build a viable constituency for economic reforms with participation of general public and principal stakeholders

### 8. Key Activities and Approach

- 32 Policy papers (8 per thematic area)
- Organize workshops for debate and discussions including regional workshops on policy papers developed (with involvement of wide range of stakeholders, HMG, academia, civil society etc.)
- 2 National seminars (with involvement of regional speakers: one around January)

### 9. Continued

- Opinion surveys with private sector
- Feedbacks to higher level
  - Steering Committee
- Information dissemination and getting public feedback
  - EPN website for public access
  - News articles etc.
- Finalization of modality on economic networking

### 10. Implementation Arrangements

- Executing Agency: MOF
- Steering Committee
  - Chaired by Chief Secretary and participated by related ministries, private sector and expert
- Four Advisory Committees: one each in the four thematic areas
  - Chaired by the respective Secretaries and participated by related agencies, private sector and experts
- Focal Unit at MOF to facilitate Steering and Advisory Committees
  - Chaired by Joint Secretary of Economic Affairs and Policy Analysis Division, MOF and Member Secretaries of Advisory Committees as members
    - Detailed TOR of each actor provided in the Inception Report distributed to committee members

### 11. Implementing Ministries by Thematic Areas

Thematic Area	Ministry
Macroeconomic Management	Ministry of Finance
Economic Policy on International Trade, Investment, and Employment	Ministry of Industry, Commerce, and Supplies
Economic Policy on Infrastructure Development	Ministry of Physical planning and Works
Economic Policy on Tourism, Agriculture, and Regional Development	Ministry of Culture, Tourism, and Civil Aviation

### 12. Supports

- Consultant Inputs
- Workshop and dialogue supports to Advisory Committees
- Secretarial support to Focal Unit and to the Advisory Committees through Focal Unit

### 13. Technical Considerations

- More HMG Effort Intensive
  - TA administrative input small (international expert one month and Team Leader – local 40%)
- Compressed input plan
  - Large number of papers (32)
  - Large number of events; More than 35 workshops (if done individually by the Advisory Committees for each paper developed)
- Steering Committee Recommendation:
  - Combine workshops and hold discussions on papers by groups
  - 32 papers could start from smaller version. About a third, be developed in detailed and extended form on high priority areas

### 14. Monitoring of output

- Steering Committee
  - meet at least every 4 months
- Advisory Committees
  - meet at least every 2 months
- Focal Unit
  - meet with Advisory committees every month
- Tripartite meetings every 6 months

### 15. Suggested study topics

- Tentative and distributed only as food for thought to initiate discussions

### 16. Final Questions

- It is a new exercise. Many things are yet to be clear. So, we are to discuss on:
  - (a) How to embrace private sector, academia and various social groups in the economic policy networking process?
  - (b) What could be the relevant economic policy topics at present to consider for study to enhance private sector development and alleviate poverty?

## **Annex 3: Outline of the Presentation on 'International Best Practices'**

### **Establishing Economic Policy Network Best International Practices**

Presented by Bipul Singh

#### **Common Problems Across Many Countries...**

- All countries, big and small, developed or developing, face a common challenge in implementing sound economic policy.
- This challenge flows from:
  - the indirect or economy-wide effects of economic policies which are often subtle and hidden; and
  - the scope thereby created for vested interests to manipulate policy to their advantage as the losers from reform tend to be noisier than the winners.

#### **Common Problems Across Many Countries...**

- Most countries tend to have government ministries with a sectoral focus:
  - agriculture;
  - industry; and
  - tourism.
- Even economy-wide ministries such as finance, treasury or commerce often have narrowly defined charters.
- The 'silo' feature of government structures applies across a wide range of countries.
- And tends to consolidate the power and influence of narrow interest groups.

#### **The Australian Productivity Commission: An Example Of An APEX Body**

- The Productivity Commission advises the Australian Government on all aspects of microeconomic and trade policy.
- Its statutory functions are to:
  - hold public inquiries and report to government on matters related to industry and productivity;
  - promote public understanding of matters related to industry and productivity; and
  - initiate research on industry and productivity.
- The Commission follows three fundamental operating principles:
  - provides independent analysis and advice;
  - uses processes which are open and public; and
  - concerned for the well being of the community as a whole rather than just the interests of any particular industry or group.

#### **Steps in a typical inquiry**

- Terms of reference drafted by the Treasury and agreed by the Cabinet.
- Terms of reference finalized and signed by the Minister and sent to the Chairman of the Commission.

- Chairman appoints Commissioners (usually 2 or 3 including possibly an outside associate commissioner).
- Chairman and Head of Office allocate staff to manage the inquiry.
- Interested parties list is compiled.
- Inquiry advertised in the national press.
- Issues paper prepared and circulated to interested parties along with a call for submissions which become public documents.
- Public hearings are conducted and transcripts are public documents.
- Report is prepared and sent to the Treasurer.
- Government considers report and releases it to the public.
- Government announces response to report.

### **Indonesia's Approach To Horizontal Communication**

- Throughout the late 1980s and early 1990s Indonesian policy was led by high level ministerial teams supported by inter-ministerial technical teams.
- A strong President delegated authority to trusted technical ministers who formed a tightly knit group chaired by an Economic Coordinating Minister.
- By and large this approach was successful even though it lacked:
  - transparency;
  - public consultation;
  - economy-wide analysis; and
  - independent advice.
- But in 1998 a newly elected government saw considerable transfers of power to the Parliament, and with a new constitution to the provincial governments.
- The cohesion that bound economic ministers together is now much weaker and ministries are now inclined to pursue policy on sectoral rather than economy-wide grounds.
- In these circumstances some central economic ministries are seeking to strengthen capacities for:
  - economy-wide analysis of policy; and
  - public consultation.
- Team tariff in the Ministry of Finance convenes public hearings.

### **India's 1991 Reforms**

- India's reforms beginning in 1991 tended to come from the top key economic ministries/agencies.
- They followed a crisis and appeared to reflect no grand design.
- There appears to have been little formal processes to 'sell' the changes to the people.
- Reform momentum has slowed after 1994.

### **Sri Lanka - Economic Policy Networks At The Border**

- Sri Lanka has a Tariff Commission which provides stakeholders a say in policy.
- But the Tariff Commission is weakly resourced and has little capacity for independent analysis.
- Stakeholders tend to be representatives of specific groups.

**Facilitating Public Scrutiny And Involvement**

- Need to be careful convening assembly of stakeholders as stakeholders can attract special interest.
- Some 230 years ago Adam Smith observed 'People of the same trade seldom meet together... but the conversation ends in a conspiracy against the public'.
- Smith went on to say 'Though the law cannot hinder people of the same trade assembling together it ought to do nothing to facilitate such assemblies'.
- Transparent and open procedures accessible by all citizens are better than access for just some.

**Nurturing Independent Research**

- Many countries rely on independent research agencies to develop and implement policy.
- Nepal's agencies seem to have become weaker in recent years with most economists operating as freelancers rather than being concentrated in units which provide critical mass and authority in public commentary.
- Trade and competitiveness study proposed that ways be explored of harnessing this resource.

**Core Issues**

- How can reasoning triumph over interests?
- Problem with stakeholder consultation is that only the stakeholders with significant interests show up. Those with an individually small potential to gain or lose tend to be 'rationally disinterested' even though the sum of their interest might be large.
- Nature of government is that it is impossible to 'please everybody'.
- Open transparent procedures a good insurance that government is acting in the public interest.

## Annex 4: Inception Seminar Participant

S.N.	Name	Designation	Office
1	Dr. Bimal P. Koirala	Chief Secretary	OPMCM
2	Bhoj Raj Ghimire	Secretary	NPC
3	Susil P. Sharma	Officiating Secretary	MOF
4	Krishna Gyawali	Joint Secretary	MOF
5	Gautam P. Shrestha	Joint Secretary	MOPPW
6	Shankar P. Koirala	Joint Secretary	MOCTCA
7	Bimal Wagle	Joint Secretary	MOICS
8	Asheswor Jha	Joint Secretary	MOAC
9	Mukunda P. Paudyal	Under Secretary	MOF
10	Sohan S. Shrestha	Director General	DOLIDAR
11	Pradip Raj Pant	Senior Divisional Engineer	Department of Road
12	Aditya Baral	Manager	Nepal Tourism Board
13	Dandapani Paudel	Director	Nepal Rastra Bank
14	Dr. Madan Kumar Dahal	Head	Dept. of Economics, T.U.
15	Dr. Puspa Kandel	Reader	Tribhuban University
16	Mr. Prithiv Raj Ligal	Chairman	Economic Forum
17	Dr. Bishwambhar Pyakurel	Chairman	Nepal Economic Association
18	Iswor Raj Onta	Director	East Consult
19	Dipendra P. Dhakal	Advisor	EPN Advisory Committee
20	Rajendra K. Khetan	Chairman	Policy Dialogue Forum, CNI
21	Dr. Hemant Dabadi	Executive Director	FNCCI
22	Diwakar Golchha	Vice President	FNCCI
23	Suresh Kumar Basnet	Secretary General	NCC
24	Peter Logan	Head – Project Adm. Unit	ADB
25	Bipul Singh	Economist	ADB
26	Dr. Champak Pokharel	Team Leader	TA
27	Arun S. Rana	Associate Project Analyst	TA
28	Rupak Shrestha	Assistant	TA
29	Ram Mani Pokharel	Assistant	TA
30	R.C. Poudel	Reporter	Kantipur Television
31	Ramsharan Sharma	Camera Man	Kantipur Television
32	Sindu Pokharel	Camera Man	Nepal 1 Television
33	Bidya Bajracharya	Correspondent	Nepal 1 Television
34	Gehini Joshi	Press Reporter	ATV Business News, Nepal T.V.
35	Manohari Parajuli	Reporter	Kantipur Daily
36	Dambar Dangi	Reporter	Gorkhapatra
37	Saroj Kafle	Reporter	Annapurn Post
38	Nabin Raj Paudel	Radio Reporter	Annapurna Radio
39	Madhusudhan Paudel	Reporter	Star F.M.
40	Janma Dev Jaishi	Reporter	Prakash Weekly
41	Kedarshree Joshi	Reporter	Divya Darshan
42	Arjun Gyawali	Reporter	Rastra Awaz
43	Rabindra Maskey	Press Photographer	Press Photo
44	Rajan Adhikari	Reporter	CERC
45	Kapil Sharma	Reporter	Monthly Santidut
46	S. Chandra Aryal	Reporter	ECR FM 104.2 M. H
47	Ramu Gaire	Chairman	D.C. Nepal