

Address by the President at the National Economic Debate 2.0

Right Honourable Prime Minister,

Honourable Ministers,

Chief Secretary,

Governor,

Secretaries,

Former Presidents of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI),

Presidents of the Confederation of Nepalese Industries and the Nepal Chamber of Commerce, FNCCI Office Bearers and Executive Committee Members,

Excellency Ambassadors and Representatives from Development Partners,

Entrepreneur Friends,

Media Colleagues,

Ladies and Gentlemen,

I would like to express my sincere gratitude and welcome everyone who accepted the Federation of Nepalese Chambers of Commerce and Industry's invitation to be present here on such short notice. Currently, the nation stands at a crossroads of hope and apprehension.

In line with the movement and demands of the youth, the government is striving to establish good governance by reducing corruption in the country. The private sector is also trying to rise up, dusting off the ashes.

It is well known that the private sector is often targeted in every movement or protest. However, the private sector has been more distressed this time compared to past movements. Entrepreneurs invest by somehow managing resources, taking loans, and borrowing money. They contribute to revenue and create employment opportunities. Yet, the looting has reached the very bedrooms of entrepreneurs and business persons. Businesses have been set on fire.

This incident has forced everyone to look back at themselves. We are also reviewing where we fell short, and where society fell short. Here, the very act of earning profit has been portrayed as a crime. But the objective of business is to earn profit. It is due to this difference in understanding that the private sector is attacked. Is the creation of employment and the payment of revenue not important for the state as well? If the perpetrators of arson,

vandalism, and looting are not punished severely, impunity will flourish. This should not be encouraged in any name whatsoever.

The main purpose of organising this programme today and inviting the Right Honourable Prime Minister, Ministers, the Chief Secretary, the Governor, and other high-ranking government officials is to collectively strive for the assurance of the right of the working class to conduct their businesses safely.

According to a study conducted by the International Finance Corporation (IFC) and the Federation, the private sector's contribution to Nepal's economy is 81 percent. The private sector provides 86 percent of the employment. The majority of electricity and all exports are products of the private sector. The contribution of entrepreneurs and business persons to income tax is above 80 percent.

This important segment of the country is trying to rise again. Nepal's private sector is strong and responsible. For example, during the COVID period, even when the court granted time to pay revenue, we paid taxes and encouraged others to pay at the request of the Federation to support the government. In the first fiscal year following the start of COVID, more revenue was collected than the revised target.

We are sensitive this time as well. Even in the current difficult situation, we are responsibly fostering trust and encouraging each other for recovery.

We have felt that the current government also understands this sentiment of the private sector. Following the programme organised at the Ministry of Finance immediately after the losses, customs, insurance, and banking facilities were provided upon our request. This is believed to provide relief for reconstruction. It is necessary to show urgency in implementing those exemptions and facilities.

When business persons were not feeling secure, the Ministry of Home Affairs circulated a notice to all District Administration Offices to include the Chambers of Commerce and Industry in the District Security Committees. This has sent a positive message. It is essential to take action against those involved in looting and arson and boost the morale of the district-level mechanism to prevent such incidents from recurring. The government should leave no stone unturned in this regard.

The efforts made by the Right Honourable Prime Minister, along with the Minister of Energy, Minister of Finance, Minister of Industry, the Chief Secretary, and Secretaries, at my and the Federation's request, to resolve the dedicated feeder and trunk line dispute that has persisted for about seven years, are unforgettable, and I express my heartfelt gratitude to you all for this. I hope the resolution of this matter will be immediate.

Further cooperation is needed to increase investment in the country. According to the Federation's preliminary survey, physical damage of approximately 48 billion rupees occurred during the protests. This resulted in a loss of about 88 billion rupees for the private sector. The National Planning Commission is now collecting detailed information on the losses suffered

by every household, business firm, and government agency. The Federation is cooperating in the collection of private sector details. The comprehensive details will surely be released.

Signs of improvement are also visible in the current situation. If the conditions continue to be unfavourable, this loss will increase. If tourism does not improve, if the supply chain is disrupted again, if there are protests again, the losses will increase.

The World Bank has already published an assessment, lowering its previous forecast, that the economic growth will be only around two percent this year. Considering the country's needs, special initiative from the current government is expected to boost the morale of the private sector, which contributes 81 percent to the economy.

It is essential for the Council of Ministers to pass a motion of public importance, which the state internalises and explains to the general public, where the private sector's accountability to employment, revenue, infrastructure development, and society is acknowledged. As part of that motion, I urge the government to pass a Private Sector Protection and Promotion Plan (PSPPP) that ensures no form of attack on the private sector and provides integrated, swift services and facilities from all agencies with necessary security. The Federation is developing an Economic Recovery Plan. This plan will cover reconstruction, measures to increase low demand that has persisted for about three years, and other issues. I also request its implementation along with this.

Along with this, we would like to request some other decisions and concessions that do not involve government expenditure but create a conducive business environment. The second issue is that of good governance. The Federation has consistently raised this issue. This is also the aspiration of the youth. I request the Right Honourable Prime Minister to establish a good governance mechanism with the participation of the private sector to ensure good governance.

We primarily raised the issue of good governance at our Annual General Meeting held in Chaitra last year. A Good Governance Commission or mechanism formed only by government agencies cannot yield results. Therefore, a mechanism including the private sector must be established immediately.

According to the business environment survey conducted by the Federation last year, small and medium enterprises have to visit 4 to 7 places for registration. This must be reduced. We are requesting a system where business can be registered through the Nagarik App itself. If not, there should be a system to register and pay revenue at only one Ward office. The requirement for renewal should be abolished if taxes have been paid continuously. These and similar good governance issues are also included in the report of the High-Level Economic Reform Commission. I would like to remind everyone here that the proposal for that Commission was advanced by the Federation itself through a similar debate programme.

Similarly, the issue of youth entrepreneurship is very important. The Startup Policy came about through the Federation's initiative. The definition of a startup was included in the law. Now, the grant has started being distributed. But that alone is not enough.

Let us immediately launch a special programme for the development of youth entrepreneurship. This programme can be initiated in collaboration between the government and the Federation's Youth Entrepreneurs Forum. Facilitation on issues of business registration, capital collection, market promotion, and exit is the current need. A result-oriented programme should be prepared by integrating various plans for the youth, such as project loans, group loans, integrated market development, the use of information technology and artificial intelligence, and data centres. A steering committee can be formed to start work immediately.

Another issue is the acceleration of infrastructure construction. A mechanism is also needed to resolve the problems of infrastructure being built by the public and private sectors. Work has not been possible when the government does not show urgency in addressing problems related to forests and the environment, as well as other local demands. There must be a guarantee that there will be no obstruction of any kind in the construction and operation of projects that the state has already approved, whether from local, provincial, central levels or any group, under any demand or pretext. There are also complaints that in some small projects, the demands exceed the project cost due to excessive demands. Therefore, complete security must be guaranteed for operation and construction.

I would also like to inform you that the Nepal Development Public Limited Company was established through the Federation's initiative to increase investor confidence. Capital scattered across the country is being collected and invested through this company, in which the Federation, CNI, Chamber of Commerce, Non-Resident Nepali Association members, and other business persons are affiliated.

There are also some issues concerning the Federation members and the private sector that need immediate attention. For example, export subsidies have been stopped. It is said that this subsidy has been stopped because Nepal is graduating from a Least Developed Country.

The Federation has continuously stated regarding the graduation issue that this is merely an artificial increase in wealth. Bangladesh has already requested the United Nations on September 25 to re-evaluate the graduation issue. I have heard that Nepal is also making efforts in that direction. The deadline for graduation should be postponed by at least three years, and export subsidies should be resumed.

Due to America's customs policy, Indian and other countries' investments are looking to come to Nepal. Work must be done on the agricultural production cycle, from production to marketing. We want to work jointly with local Chambers of Commerce and Industry and local levels on cold storage, market management, and transportation.

There has been a decision to gradually phase out Taxpayer Service Centres and issue PAN numbers from the Ward offices. We had suggested to the new government immediately after its formation and to the Economic Reform Commission that all work related to revenue, business registration, and cancellation should be done from the Ward office itself. It would be appropriate not to close the Service Centres until all services are fully operational. Our request is that a system for taxpayers to pay taxes easily should be established.

The Federation of Nepalese Chambers of Commerce and Industry is probably the largest network organisation after the government. There are Chambers of Commerce and Industry in all districts and most municipalities. These bodies are capable of providing taxpayer services, including facilitating the distribution of PAN cards. The associations used to provide these facilities before. The Federation wishes to cooperate in this.

Banks have approximately 1,100 billion rupees of investable funds. The lack of attraction for investment is also due to the Working Capital Loan Guidelines, strict surveillance, and the blacklisting system. It would be appropriate to allow decisions regarding the Working Capital Guidelines to be made through mutual discussion between the bank and the borrower. Micro-surveillance, as well as loan classification and blacklisting arrangements, should be amended.

Illegal import at border areas is becoming institutionalised. Joint efforts with India are needed to control this. Issues with India include non-tariff barriers, customs duty rates on iron rods and other products, and the difficulty in obtaining Indian Standard Certificates are also concerns of our members. We will definitely draw the government's attention to these matters in writing again. Efforts are needed for the systematic development and expansion of the real estate and share markets.

Export capacity also erodes after a certain period. For example, Nepal's waste gravel, stone, and sand products. After India and Bangladesh reach a certain stage of development, the demand for these might cease. Therefore, allowing exports through legally registered companies that pay revenue, without causing environmental damage or harm to the country, will help earn foreign exchange.

Given that low demand persists in the market, we have requested a reduction in the rates of income tax and value-added tax. If this issue can be viewed positively, it is expected that the purchasing power of the general public will increase, leading to an increase in market demand. By creating a mechanism for automatic adjustment of tax rates with India, illegal imports will be stopped, and demand will increase.

The private sector also needs to pledge to move forward with greater responsibility. The Federation passed and implemented a Business Code of Conduct at its Annual General Meeting in 2058 B.S. Along with its compliance, it is also our duty to conduct business by incorporating new issues that acknowledge our responsibility towards the nation and society.

The efforts of all stakeholders are necessary at this time for sustainable peace, stability, and prosperity. This requires ensuring an environment for timely elections through dialogue and cooperation with all political parties, the youth, and stakeholders. The government is also striving in this direction. We, the private sector, also urge the creation of an environment for timely elections for complete peace, stability, and prosperity. The private sector is ready to cooperate and collaborate in this.