

Proceedings Report

Indian Public Policy Experiences: Lessons for Nepal

13 March 2015

Speakers:

Prof. Rajeev Malhotra, Professor, Jindal School of Government and Public Policy
Dr. Shankar Sharma, Former Vice Chairman of the National Planning Commission
Mr. Hari Sharma, Director, Alliance for Social Dialogue

Moderator:

Sujeev Shakya, Chairperson, Nepal Economic Forum

The Nepali economy in current times has been facing a growing complexity of issues emerging in and intertwining between different sectors, be it education, health, infrastructure, politics and so on. Taking these issues into consideration, it is imperative to formulate relevant public policies that critically address the changing needs of the population, as well as various institutions, to ensure growth backed by development. The growth and development trajectory in Nepal, particularly in relation to policy formulation and implementation however remains largely stagnant due to a deteriorating political image as compared to other developing counterparts.

India for instance, has undergone various transitions and emerged as one of the fastest growing economies. Although different nations, the core issues in formulating public policies remain largely similar for Nepal, as in India. Given the constantly evolving discourse, and the similarity in issues faced by the two countries, a talk was organized on “Indian Public Policy Experiences: Lessons for Nepal” by Nepal Economic Forum in collaboration with the Jindal School of Government and Public Policy. The experience and attempts of emerging economies to devise relevant policies could therefore potentially assist Nepal in the formulation of its own public policies. The event comprised of experts in the field of policy making who are currently, or have previously been involved at different levels of policy formulation in Nepal as well as India.

According to the panel there are three prime occurrences that prompt policy makers to urgently address the issue of public policy - globalization, demographic distribution, and the window of opportunity arising from demographic dividend. As a developing nation exposed to globalization, Nepal has undergone an array of transitions in various fields, however it is yet to address some of the challenges posed by the structural changes in the domain of politics, economy and society brought about by **globalization**. It therefore becomes important for government institutions to identify and anticipate these challenges in order to mitigate the negative effects of these changes.

Nepal's **demographic distribution** is tilted towards a younger population. Given this, the state should therefore be adapting to the changing demographic transition and create a viable environment which gives expressions to the aspirations of a restless and young population. Failure to do so can result in the general public taking matters into their own hands to force a response from the state, as has been the case in several instances. Public policy and discourse therefore has to adapt to the changing empirical realities of the country. The fast changing nature of realities and its impact on the state-society relationship so far, has lately been characterized by the public questioning policies from the streets. For instance the Jan Lokpal Bill is an anti-corruption bill drafted and drawn up by civil society activists in India seeking the appointment of an independent body to investigate corruption cases.

Nepal off late is characterized by a **demographic dividend** that closely revolves around a young population. Demographic dividend is achieved when the fall in birth rates transforms the age distribution of a nation allowing for a young workforce population to grow rapidly. During this phase, the ratio of dependent population reduces freeing up more resources for families to utilize, therefore increasing their average Per Capita Income.

This window of opportunity arising from demographic dividend, if coupled with effective public policies, can facilitate rapid economic growth. Demographic dividend however lasts only for a limited time, following which the proportion of the dependent population begins to rise. If the nation fails to utilize this opportunity, various sustainability issues could emerge such as a youth-bulge where the young workforce continues to increase but with limited employment opportunities. This often has drastic implications on poverty, health, safety as well as various other social problems. According to statistics, Nepal has a 3 decade time-frame; as compared to a 2 decade time frame for India, within which it can foster effective policies and extract benefits from its demographic dividend, following which the dependency ratios will begin to rise and policy formulation and implementation will become more difficult.

The prime factor in extracting positive results however still remains **political stability**. There is therefore a need for political as well as systemic consensus to drive forward reforms. Within this domain, the role of leadership and political capital are two core pre-requisites, in terms of the ability of leadership to effectively utilize political capital in determining the extent to which the state can account for the challenges brought about by transitions.

The concept of systemic consensus and the necessity of internal hegemonic guidance between the state and its institutions should also be taken into consideration in regard to policy formulation. For instance in the Indian state-society relationship, the general public has questioned the ability of leadership as opposed to the parliament in Nepal; the supremacy of the parliament however has never been challenged, owing to systemic integrity. To achieve this, there is a need to re-conceptualize and operationalize the definition of "the public" and its roles. Given the rise in awareness among individuals, this should therefore also encompass the issue of inclusion and its growing concerns.

Technological advancements in recent times have enabled individuals to stay closely connected with various events occurring throughout the world, as a result of which they are familiar with a host of complex issues cropping up all over the globe. In Nepal, the rise in awareness has been readily observable with individuals voicing their questions and opinions through various media platforms. Special focus

therefore needs to be placed on identifying and designing careful and appropriate responses to these complex questions. Given that Nepal only has a 3 decade time period in which to take advantage of its demographic dividend, after which its ratio of dependent population will begin to rise, it is urgently recommended that discourses on policy making be facilitated to ensure its long term sustainability.

The Indian experience retains key lessons that Nepal could invariably benefit from. **Effective leadership and political capital remain** essential ingredients in formulating relevant policies to address needs of the population and ensure a smoother growth pattern. The required leadership skills in Nepal are however relatively inadequate despite adequate political capital.

India has observed a shift in policy making towards a **bottom-up process** as opposed to the previously top-down approach, a result owing to changes in social integration whereby individuals grew more aware about various complex issues. In some instances India has failed to account for certain issues which has prompted mass protests from the general public. While these uprisings have been essential to notify the state to account for the issues faced by the public, the protests itself have had a negative impact on certain occasions, regressing the policy making process and resulting in an unpleasant turn of events. It is therefore important for the state as well as its institutions to proceed with caution, anticipate changes, and respond timely to the changing public profiles and aspirations of that profile.

A major change observed in the policy formulation process in India is a shift from ideology to pragmatism. Although ideology is necessary in forming a vision for the future, pragmatism is an important characteristic in politicians during decision making given the complexity of issues in the current era. Another a significant change observed in India involves a shift from centralization to decentralization, wherein federal structures have been strengthened with increased shares in allocation of resources.

Finally, a key challenge for developing nations include **monitoring urbanization** and identifying regulatory mechanisms for managing it. Having the relevant policy and legal frameworks regarding urbanization is necessary primarily because once any operations are undertaken, they cannot be easily retracted. The current manner in which cities in Nepal are expanding, therefore needs to be regulated before more problems arise. For instance the reconstruction of London was possible precisely because a regulatory framework was in place along with ensured cost of construction and urban planning.

Nepal has encountered constant barriers in gaining momentum towards growth, which has manifested itself in the form of political disputes, economic downturns and social unrest. However, the most glaring issue in the current circumstances centers on the limited window of opportunity with regards to the demographic dividend. There is therefore a dire need to utilize the higher share of resources within the given 3 decade time-frame before dependency ratio increases which will inevitably shall slow down any attempts towards progress.

Nepal Economic Forum is a not-for-profit organization initiated by beed and aimed at becoming Nepal's premier private sector led economic policy and research institution.

Nefstalk is a platform for policy discourse and discussion on pertinent economic issues