

Chapter 5

Governance, Political Economy, and Institutional Context

This chapter supplements and builds on the diagnostics exercise by examining the immediate political and governance constraints on faster and more inclusive economic growth in Nepal.

5.1. Key Features of the Current Governance Context

Government capacities are weak and overstretched. Compared with other countries in South Asia, Nepal's government is small, centralized, and has relatively low capacity to reach beyond the Kathmandu Valley, which constrains delivery of public services to a majority of the population. Many positions in the government, especially in remote districts, remain vacant. Some districts have a parallel system that is run by political parties and other groups. Moreover, criminal groups, some with links to political parties, compete with one another to extract resources from the population, often resorting to violence.

Although the central civil service apparatus proved robust during the conflict/civil war and remained largely intact, it suffers from a weak management structure, with limited delegation below the ministerial level, poor supervision and accountability, the dominance of personal networks (operating in the main to serve narrow interests), and inappropriate skills. The ratio of managers and professionals to support staff is very low, the wage

structure is very compressed, and there are other problems of incentives.

The weak capacities also compound the government's ability to raise revenues, which has been leading to severe shortfalls in the capital budget. The composition of spending diverges widely from original budget estimates due to failures to implement planned capital spending and to large expenditures outside the budget. Public financial management has progressed somewhat, in confronting the problems and designing reform programs using the public expenditure and financial accountability approach, but large off-budget liabilities and a large bill for subsidies continue to pose risks. As a result, the government has not been able to make much headway delivering domestic development (e.g., in power and agriculture) despite having praiseworthy macroeconomic management.

Despite the weak and overstretched capacities, the government faces a daunting number of major tasks: to agree on a new constitution; to deliver adequately on a very challenging and contentious commitment to introduce federalism; to discipline and control the Young Communist League and other youth wings of political parties; to alleviate major trade union militancy; to keep a lid on the smoldering, fragmented, and volatile politics of the Madhesh and terai areas; to deal with at least one armed secessionist movement on the eastern border; to resolve the problems of competing security forces; to handle the politically "hot" issue of land reform;

to deal with a large legislative backlog; and, in the face of a major downturn in the global economy, to deliver sufficient material benefits to the poor of Nepal that the parties do not split or leave the government. These tasks are straining the political system (section 5.2).

The challenges posed by constitutional change and by the demand for delivery of faster development are placing severe strains on the limited government capacity.

The political system is vulnerable. Nepal's people are strongly attached to the principle of popular democratic rule. However, the levels of membership in or attachment to political parties are low, and direct political action—riots, strikes, and protests—remains the predominant way for interest groups to make demands on government. As a result, it is unclear how far the main political parties can (1) effectively represent and bargain on behalf of the wide variety of socioeconomic groups that have become politicized and mobilized, sometimes with arms, in the course of the conflict/civil war and the recent rise of militant Madheshi regionalism; or (2) agree sufficiently among themselves to maintain an authoritative, cohesive, and stable central executive power to deal with a range of urgent problems. The political mobilization for delivery of improved government services to support growth lacks effectiveness; for example, in agriculture the political emphasis is on land distribution rather than on modernization.

Integration of the Peoples Liberation Army into the Nepalese Army is still an outstanding issue, and can lead to destabilization if not addressed soon. The Nepalese Army was effectively responsible to the Royal Palace until the monarchy was abolished in April 2008. It has since been largely autonomous. The Maoists' Peoples Liberation Army appears to be still largely intact, although its personnel are divided between (1) the cantonments to which they are formally confined by the peace agreement, and (2) the Young Communist League. The questions of how to integrate elements of these two forces and demobilize others remain unresolved and contentious. The lack of progress means it is politically impossible for the government to bolster

its authority by using or threatening to use significant armed force—beyond that available through the police and related civilian agencies.

Private investors' confidence in the stability of government policies and support is low. As the earlier chapters note, the private sector is facing severe constraints and disincentives. Another key problem is with a variable that is not effectively captured in the formal governance scores—the extent to which potential private investors have confidence that the government will be both willing and able to support them and to protect them from those who might try to prey on their profits. In Nepal, the private sector has decreasing confidence in the capacity of the government to deliver support and protection.

The principal political problem for the private sector lies in the government's inability to effectively exercise authority, to solve the acute problems of political disorder, and to generate a sense of relative security and stability about future policies. Failure to make progress discourages new investment and encourages capital flight, and because most large-scale economic enterprise is in the terai, it is relatively easy to transfer capital and productive enterprise over the open border from Nepal into India.

That the present as well as previous governments were led by the two communist parties may not be a particular problem for the private sector, as so far both these parties' actions and policies toward the private sector have not been significantly different from those of the other political parties or recent governments. Indeed, their policies may be more positive given that they (1) are committed to the notion of ending corrupt, feudal, privileged links between politics and business; and (2) will collect their funds from business centrally rather than through prominent individual politicians. However, their political ideologies have introduced ambiguities and uncertainties. Certain youth wings and trade unions appear to be driven by an anti-business ideology, and the party leadership appears to have lost control of their actions. Deterioration in labor relations and greater politicization of employers is in part politically driven. Poor labor relations have intensified problems of low motivation and poor

discipline among employees. Such factors have contributed to the de-industrialization of the Nepal economy in recent years.

Identity politics are on the rise, especially in the terai region. The Madheshi are a large population group—about 30% of the total—living in a region that contains the bulk of Nepal’s industrial and agricultural resources. They make strong claims to some degree of political and administrative self-government and a significant number of prominent Madheshi businesspeople might support and fund the Madheshi political movement. But there is so far little sign of the stable, credible, and relatively coherent political parties that will be needed if constructive political bargaining is to take place around Madheshi regionalist demands.

Partly because the movement is still very new, the Madheshi do not have coherent party organizations, but depend on webs of personal, caste, and ethnic networks and tend to be fragmented and internally competitive. To the extent that the political agenda has been defined by the Madheshi, to date it has been constructed mainly around issues of rights, citizenship, and power, and not around economic interests such as those of poor farmers.

Nepal’s geography creates special incentives for disrupting road transport as an opposition political instrument. The Madheshi are very well located to deploy direct, informal economic and political pressure on any government in Kathmandu by blocking road transport, as happened in 2007. The near-open border with India and dense cross-border personal and commercial networks limit the damage of such action on the Madheshi themselves.

Clientelism and rent-seeking are key features of the political landscape, although there are signs of shifts to more agenda-centered politics. Clientelism and rent-seeking have long been key elements of the political landscape in Kathmandu and could now feature much more widely across Nepal. In previous elections, the major noncommunist parties had been able to win many rural electorates on the strength of the local power and influence of individuals. Rural political mobilization had by 2007 largely put an end to this elite dominance in rural electorates.

Nepal has caught up with most of the rest of South Asia: elections in rural constituencies are no longer mainly intra-elite contests; politicians will in future have to compete heavily for rural votes, through some combination of clientelist promises of targeted benefits to individuals, families, localities, etc., and, hopefully, programmatic campaigning around general policy issues such as improved agriculture services, support for disadvantaged communities, and land reform.

Regional political and economic relationships are critical for any development strategy for Nepal. The economics and politics of Nepal are inevitably greatly affected by events and policies in the two major countries between which it is landlocked—the People’s Republic of China and India. In particular, the Nepalese economy is highly integrated into the Indian economy and almost entirely dependent on India for the transshipment of physical imports and exports from and to third countries. Large numbers of Nepalis work in India, and Indians comprise a significant fraction of the skilled labor force in Nepal. India and the People’s Republic of China have substantial economic interests in the country with both competing for markets for products and services. Likewise both India and the People’s Republic of China are potential markets—when Nepal develops excess hydropower generation capacity and starts to export electricity. In addition to the economic relations, close and cordial relations with both neighbors are important for political stability in the country.

A prolonged global crisis could deepen the political instability. As noted in previous chapters, Nepal was able to substantially reduce poverty levels despite slow economic growth. Continuing though slow growth has benefited from (1) the opportunities provided by the fast growth of the Indian economy; and (2) the relatively small effect that conflict/civil war had on one of the fastest growing economic activities: migration of unskilled or semi-skilled labor to India, Malaysia, and the Gulf. Industry has been in relative decline but services, which are generally less vulnerable to labor disputes, have expanded. However, these advantages are under threat. Due to the global financial crisis, remittance flows may decline significantly, with

potentially damaging economic and political consequences. And services probably do not have the scope to employ the increasing numbers of unskilled laborers. Large-scale unemployment could pose a risk to political stability.

5.2. Governance, Political Economy, and the Institutional Underpinnings of the Critical Constraints

Previous chapters present a diagnosis of the economy in detail and identify the critical constraints to growth and its inclusiveness. The diagnosis notes that the most immediate and urgent constraint is a cluster of interrelated governance factors that are directly political in nature: policy instability, corruption, crime and consequent insecurity, and extortion from private business. Additional critical constraints include poor governance and weak institutions. The constraints will not be overcome without improving and strengthening governance. The following paragraphs elaborate on the governance, political economy, and institutional underpinnings of the critical constraints.

5.2.1. Inadequate Infrastructure

The poor quality and limited extent of infrastructure are in part due to low and falling levels of public expenditures and limited private investment even where the potential returns are high. Unit costs are also high, and the efficiency of operation and maintenance is low. A key reason is insufficient political and administrative capacity for coordination, decision making, and implementation to do better.

Power. The potential beneficiaries from investments in power are numerous, and the scope for bargaining and negotiation among them is wide. Investment in power could end power cuts and additional hydropower could generate substantial incremental revenue for the government, providing resources for much-needed government services. However, development of Nepal's power potential requires (1) trust among key stakeholders that

long-term outcomes can be reasonably relied upon; and (2) authoritative mechanisms to enforce agreements, resolve differences, and discourage opportunistic behavior. Power outages of up to 16 hours per day have made it clear that something is seriously wrong.

Government responsibility for power is divided between the National Power Corporation; National Electricity Authority (NEA); and ministries responsible for water resources, forestry, and the environment. Coordination among them is poor, and there are long delays as issues go back and forth between them. An environmental assessment can, for example, impose a 5-year delay. The NEA Board is composed of politicians and their nominees. There are widespread concerns about their unwillingness to follow technical advice and the frequency of their interventions to pursue particular interests that are not aligned with sector development needs. A recently announced task force in the prime minister's office may improve matters when it gets started.

Electricity supplies depend heavily on hydropower, for which there is great untapped potential. The authorities have in recent years emphasized private sector involvement in development of hydropower generation. Many licenses have been issued, some as long as 10 or more years ago. Only a few have been implemented and many are said to be in unsuitable locations far from transmission lines and/or lacking road access. Some license holders have no intention of investing but hope to make a handsome profit by reselling the license. The critical step for the private sector is negotiating a power purchase agreement (PPA) with NEA. This can take many months or years. Potential new investors are concerned that an agreement reached now may be overturned by a federal government when the new constitution is in place. They are also fearful of extortion by local groups pursuing inflated claims for compensation (e.g., for forest land occupied by the project) or simply for "protection."

Several PPAs are currently in place for small-to-medium capacity and some have been operating for many years. PPA holders appear content that payments due under their PPAs are made when

they fall due and without default by NEA. Potential new investors, however, claim that the power purchase price currently offered for new investment is unattractive. NEA is said to buy 20% of its energy via past PPAs and at a cost that absorbs 40% of revenue, thus weakening the PPA holders' financial position. An obligation to take PPA power all year round may leave NEA with excess capacity during months of high rainfall.

Investing in capacity on a large scale or for export requires international financing and, in the latter case, export markets. The ample space in theory for mutually beneficial negotiation is in practice hamstrung by political complications on both sides. International financing is constrained by political uncertainty and NEA's financial weakness, as NEA lacks a credible cash flow adequate to pay for additional power generated or to service loans. Within Nepal there are concerns that the wrong kind of negotiations would create huge unproductive rents for contractors and clients, at the expense of uncompetitive power and high cost to the consumer. Progress is also constrained by the difficulty in negotiating with the seemingly divergent interests of India's federal and state governments and those of large (mostly Indian) contractors. Scope for power trading exists as India is in power deficit at times of the year when Nepal could be in surplus and possibly vice versa, but the skeptics argue that experience shows that India may not be interested in two-way power trading.

Eliminating power cuts in the dry season requires investing in additional water storage and/or thermal capacity. NEA is, however, financially weak and lacks resources for investment or to pay for additional privately generated power. Tariff increases are widely believed to be politically impossible—tariffs are already among the highest in South Asia. The current government can blame current shortages on past administrations but would take the blame for an increase while having no immediate improvement to offer, given the long lead times for new investment.

The returns in power generation and government revenue to overcoming these problems appear great enough to merit a very high priority for action on the economic growth agenda. Some of

the obstacles have been created by politicians, and mainly for other ends. Progress with the agenda will require good technical and presentation skills as well as strong political leadership.

Roads. Nepal's road density is the lowest in the region and transport costs are correspondingly high. A thin network of main highways links population centers and traffic often needs to follow indirect routes. A key problem affecting business and trade is the blocking of roads and delay by protestors pursuing economic and/or political ends and delayed customs and other administration due to limited capacity and to rent seeking. Reports of extortion from commercial traffic are common and could be constraining the export trade in, for example, cardamom. Rent seeking almost certainly constrains new investment as well as maintenance operations. The Department of Roads has, with development partner assistance, drawn up an ambitious, high-priority medium-term investment plan for expanding and improving the main road network during 2007–2016. Implementation is, however, constrained by limited capacity and inadequate finance.

The rural road network is limited and many centers are a day or more walk from the nearest road. Moreover, much of the network has been poorly constructed, in part due to the inappropriate use of bulldozers on unsuitable alignments and lack of proper technical design or supervision. Although local government capacity is very weak and staff often absent, funding agencies need to continue finding ways to support rural roads while the negotiations on federalism continue. There are plans for a sector-wide approach aimed at extending “best practice” to government and district development committee systems. However this will only secure lasting change if ways are found to identify and deal effectively with drivers of rent seeking and various adverse practices. Any solution will require effective political action, including strong leadership, as well as good field-based capacity building.

5.2.2. Labor Markets and Industrial Relations

Issues of employment legislation, trade unions, and labor relations are complex and sensitive,

and require very careful handling. In the current volatile political climate, the need is for careful, nuanced policy measures and for the rebuilding of effective institutions for regulating employment relationships, not for sweeping one-sided measures driven by broad prejudice, special interests, or ideology. The extent to which trade unions and the enforcement of employment legislation are perceived by employers as obstacles to investment efficiency seems to vary widely according to location, size of firm, and economic sector. As discussed in Chapter 3, while employers in the (declining) large-scale manufacturing sector perceive such problems, those in smaller scale enterprise or in the service sector, which is the largest and fastest growing part of the economy, do not.

The diagnostic study identifies key constraints of an institutional and political nature, arguing that the tradition of collective bargaining is both recent and undeveloped; that human resource management and business management generally are often weak; and that trade unionism in Nepal, as elsewhere in South Asia, is structured along ideological lines, with unions closely affiliated with Nepal's political parties. This results in issues or disputes that are more political than industrial in nature being brought to the workplace. Labor-management relations are further hampered by multi-unionism at the workplace, with rivalries as each union attempts to outbid the others for gains and for membership. The emergence on the scene of the Maoist trade union federation increased this competitive climate.

The history of exploitative employment practice has not yet been fully corrected. Workers want greater social protection in return for more flexible labor laws. The scale of disputes has risen but many have ended in some form of messy compromise (e.g., the union demand for a hotel service charge) and although new investors hang back, many existing businesses are hanging on.

Just as unions are politicized, so too are the employers' associations. The Federation of Nepalese Chambers of Commerce and Industry does not represent all employers. A recent split created the Confederation of Nepalese Industries. Employers in some key sectors (e.g., transport and hotels)

have their own associations. This makes collective action problematic as all want their own laws and regulations. In some ways, labor problems may be as much about the failure of leadership on the business side as on the union side.

Labor laws are widely regarded as overly restrictive (e.g., on hiring and firing) but capacity for enforcement is very low. The Ministry of Labor is believed to lack the skills to improve industrial relations; one reason may be that the ministry's responsibility for factory inspection has led to an emphasis on engineering skills.

The International Labour Organization is working with the government and the trade unions on revisions to labor laws and a plan for unemployment insurance that would cover both formal and informal sectors. Affordability may be an issue given the large scale of the looming unemployment problem.

5.2.3. Small, Narrow Industrial Base

Nepal's history of industrial policy has been disappointing. In the 1980s and 1990s, the government set up public enterprises in industry and services. But many were in areas where Nepal had little comparative advantage, had few backward linkages, or used few local raw materials. Many were relatively capital-intensive, high-cost processors of imported inputs. Most were poorly managed; heavily over-staffed; and, in the case of service providers, such as for water, petroleum, and electricity, suffered from huge inefficiencies due to excessive politicization. Public enterprises have been instruments of political patronage for rewarding political supporters and for providing employment. These practices have undermined the quality of management and accountability of public enterprises and saddled them with high labor costs and low productivity. The private sector initially responded well to liberalization in the 1990s, but in recent years industry has suffered a decline due in part to the conflict/civil war, security, and instability issues analyzed previously.

Experience from other countries, now well documented, indicates that countries need to acquire specific governance capacities to design, implement,

and enforce an effective industrial policy. This is particularly important for industrial policy aimed at acquiring technology (to increase productivity); when policy provides subsidies or rents to accelerate learning or remove bottlenecks, a key governance capability is the ability to withdraw subsidy if an industry fails to perform. Because picking winners is very difficult, the work must proceed by trial and error and this needs strong technical capacity as well as discipline. Nepal's current patterns of predatory rent seeking could make implementing such a policy difficult. A second key governance capability is the protection of investors from disruption of their operations and from predation; Nepal faces problems in this area too.

The difficulty in brokering a deal to export power does not make for confidence in Nepal's capacity to pursue an industrial policy. Help with identifying opportunities may nevertheless one day yield a high return. Lessons may also be drawn from the more positive experience with developing telecommunications. Some people argue for active promotion of business at the local level (apparently such schemes do not exist at present) to remove particular constraints on investment and production. This might also help to reduce extortion and harassment and a shift in attitude by politicians and policy makers to see the need to make business grow and be sustainable.

5.2.4. Economic and Social Exclusion

Income inequality has increased considerably in Nepal in recent decades. This is of particular concern given the historically very high degree of political and sociocultural inequality and exclusion and a current government dominated by political parties that are highly motivated to address those issues. A main driver has been access to overseas employment, which pays more for unskilled manual labor than can be earned in Nepal. Given substantial improvements in schooling in recent years (despite the conflict/civil war) and the likely continued growth of overseas demand for more skilled employees (in the medium term if not in the next year or two), it is in the national interest to encourage and facilitate this kind of temporary migration and to make such opportunities more widely available by improving

rural education. But the significant numbers unable to migrate need improved opportunities in Nepal.

The Maoist Party in particular faces particularly strong pressures to respond to rural needs. In future elections, candidates will have to make more tangible offers to rural voters, whether through policies likely to benefit broad categories of voters ("programmatic politics") or resources targeted to individuals or small groups of beneficiaries ("clientelistic politics"). Any future elected government is therefore likely to be more responsive to the concerns of poor rural people than past governments have been.

The important question, from the perspective of economic growth and inequality, will be how political parties define and interpret the concerns and needs of rural people. There is little doubt about the likely prevalence of clientelism. Politicians will seek support by offering resources targeted to individuals and small groups. This happens in democratic elections in many countries at Nepal's income level, and, for the rural poor, could deliver more than past voting for powerful "notables" with little expectation of getting much in return. Many resources allocated in this way, especially for local roads, schools, teachers, midwives, etc., are likely to be well used—basic public facilities are still scarce in much of rural Nepal. However, the potential long-term costs to society are considerable if these clientelistic concerns totally dominate rural politics and the allocation of public resources to rural areas.

In a poor agrarian country like Nepal, the sustainable generation of additional work and jobs is the prime way of reducing income inequality and poverty. Nepal badly needs more programmatic rural policies, including substantial allocations of public resources to agricultural development activities that are unlikely to be provided through the market and private enterprise. These include agricultural research, education, extension, large-scale irrigation and flood control, seed certification, etc. More effective policies to encourage agricultural development are needed both for economic growth and because this is likely to be the only major intervention government can make to arrest the increase in income inequality.

The agriculture sector in Nepal suffers from low productivity, has long been relatively stagnant, and is in decline. One set of reasons is the intrinsic challenge posed by low average landholding sizes, difficult terrain, and high rural transport and communication costs in much of the countryside, especially in the hills. But such constraints do not generally apply in the terai. Although the terai has high potential for agriculture, the same picture of stagnation nevertheless applies—in contrast to the situation just over the border in much of North India. Despite the willingness of some development partners to provide support, successive Nepalese governments have paid little attention, and given no priority, to agricultural development activities. This may have reinforced a trend by many external funding agencies to emphasize delivery of social services as opposed to the productive sectors in the drive to achieve the Millennium Development Goals.

A comparison with India helps explain the poor performance of the agriculture sector. In adjacent states of North India, agriculture constitutes a powerful political interest group. Elections are partly fought over issues of the price, quality, and/or availability of fertilizer, irrigation, research, electricity to power pump sets, etc. This is not always positive: it has helped produce large, inefficient public subsidies for fertilizer and rural electricity. But it does provide a constant performance incentive to the public sector providers of services to agriculture. Public services to agriculture are weak in Nepal partly because poor agriculturalists do not constitute a distinct, self-conscious political interest group. There is little incentive for the government to provide good services to agriculture, or to encourage others to do so.

Even in a democratic environment, poor rural people face major obstacles to engaging in sustained political activity at any level except the local. They rarely take the political initiative or shape policy agendas. Instead, they respond to agendas and organizations offered from above by local “notables”; political parties with urban roots; ethnic organizations; or political entrepreneurs, including people who live off government contracts. Such political mediation typically does not result in strong

programmatic demands for government action to develop small-scale agriculture. By contrast, in other major South Asian countries, these kinds of demands—as well as less constructive demands for large subsidies to fertilizer and rural electricity—are relatively powerful. Nepal, along with many other poor countries, is caught in a vicious circle. Lack of political support for agricultural development means that few young people are trained in agricultural colleges and there are few attractive government jobs in agriculture. Few able public servants go into agriculture-related services. There is thus little support for agricultural development from within the public services. In rural areas, the stagnation of agriculture helps focus energies on the alternatives: education and political connections to access jobs in towns or abroad.

Nongovernment and civil society organizations provide a little corrective power, but cannot address the core problem: the lack of central, coordinated effort to provide large-scale public goods and services such as research, extension, education, and irrigation—and the oversight needed to ensure that initiatives to provide them actually benefit agriculture and do not degenerate into rent-taking by politicians and public servants. Addressing these issues will require a government able and willing to take a programmatic approach to electoral campaigning in rural areas, i.e., to offer voters both targeted (“clientelistic”) benefits and a series of plausible policy measures to provide in the longer term the public goods and services that Nepal’s agriculture sector very much lacks. That this could plausibly be presented as a partial remedy for growing inequality might enhance its potential electoral appeal.

5.3. Implications for Development Partners

Work on the diagnostic has made clear that how development partners design and conduct their programs matters as much as, or even more than, what activities and reforms they support. The following summarizes key lessons drawn from the analysis.

Recognize the governance and political-economy constraints to growth. Political economy factors will continue to constitute the main binding constraint to growth at the macro level for the foreseeable future. Strengthening the political settlement and reducing conflict will therefore be central to Nepal’s growth and development prospects in the medium term.

Do no harm. While the political economy challenges can only be addressed internally within Nepal as part of evolving processes of state building and of political negotiation, development partners have a key role to play in ensuring their interventions are conflict-sensitive and do not inadvertently contribute to undermining this fragile political settlement. This is as relevant to the growth agenda as it is to more traditional service delivery concerns. Development agencies and the international community must learn to live with a highly ambiguous situation, and not exacerbate the challenge of effectively governing Nepal.

Avoid overloading the government. Negotiating federalism, reestablishing local government, implementing land reform, and recruiting excluded groups to the public service pose particular problems. Development partners should leave room for the necessary domestic political compromises and not push too hard for complex, interdependent programs that are very vulnerable to failure at a few key points.

Identify “quick wins” and feasible policies at the sector level. Further analysis and dialogue are required to understand the governance and institutional factors that underpin the binding constraints identified in the growth diagnostic, with a view to releasing them. This specifically applies to hydropower, roads, agriculture, and the labor market—where the most severe constraints to growth have been identified. By better understanding how political economy and governance factors operate in these sectors, development partners will be better able to help government identify “quick wins” and develop appropriate policies and institutional arrangements in these areas. This type of analysis will also improve awareness of risks and opportunity and thus increase the impact of proposed investments.

Work with the government and private sector to develop mutual dialogue and trust. Future growth in Nepal will depend largely on the extent to which private sector investors have confidence in the government’s ability to provide both support and protection. This confidence is currently lacking due to the prevailing security situation, rising trade union militancy, and wide-scale resource extraction by political party youth wings and criminal networks. Development partners can play a key role in facilitating a dialogue between government and private sector with a view to developing a shared understanding of the constraints and the steps necessary to address them.

National ownership is key. Development partners should offer dialogue and options, not prescriptions.