



IIDS | Institute for Integrated
Development Studies • 1979

NITI DAUDAHA 2082

EVENT REPORT

SETTING THE AGENDA FOR NEXT NEPAL

Executive Summary

Niti Daudaha 2082, an initiative of the Institute for Integrated Development Studies (IIDS), was convened at a critical juncture in Nepal's political and economic trajectory. Organized in the lead-up to national elections and in the aftermath of the Gen Z civic awakening, the dialogue sought to move beyond rhetoric and examine Nepal's structural economic constraints through evidence-based discussion. The central theme "Setting the Agenda for Next Nepal" framed the event not merely as a forum for reflection, but as a platform for shaping actionable policy direction.

Nepal today faces what several speakers described as a "new normal", characterized by prolonged economic slowdown, structural stagnation in domestic investment, rising fiscal pressures, and continued large-scale outmigration. While remittances have stabilized the external sector and foreign exchange reserves remain historically strong, the domestic productive engine has weakened. Aggregate demand has collapsed from double-digit growth to below 5 percent, credit expansion has sharply slowed, land monetization has stagnated, and non-performing loans have risen. The country is navigating its fourth consecutive year of economic slowdown — unprecedented in recent decades.

Yet alongside these constraints lie emerging opportunities. The event brought together leaders from IT services, medical tourism, e-commerce, and accounting service exports sectors that are increasingly positioned as viable pathways for export-led growth, employment generation, and integration into global value chains. The dialogue emphasized that Nepal's future competitiveness will not be driven solely by traditional narratives of hydropower and tourism, but by knowledge-intensive, service-oriented sectors capable of generating high-value exports.

Several powerful insights emerged during the discussions:

- The IT sector represents one of the few industries in Nepal delivering upward mobility to middle- and lower-middle-class youth, with global service export potential.
- Nepal holds comparative cost advantages in specialized medical services, particularly ophthalmology, yet regulatory inefficiencies and policy ambiguity constrain growth.
- E-commerce platforms such as Daraaz are expanding rapidly even amid macroeconomic stagnation, demonstrating the untapped potential of digital markets and SME participation.
- Global accounting and financial service outsourcing presents a major opportunity given demographic shifts in Western countries, yet Nepal lacks enabling tax clarity and international regulatory facilitation.

At the same time, speakers candidly addressed why Nepal remains unattractive for foreign direct investment (FDI): policy volatility, red tape, inconsistent taxation frameworks, high cost of doing business, geopolitical uncertainty, and limited institutional credibility.

The dialogue concluded that Nepal's challenge is not the absence of opportunity, but the absence of coherent execution. Structural reform must prioritize productivity over populism, investment over consumption, and export competitiveness over protectionism. Political financing reform, education and innovation hubs, diaspora engagement, regulatory clarity, and sector-specific facilitation were identified as essential components of a forward-looking growth model.

ANiti Daudaha 2082 therefore served as more than a discussion forum; it functioned as a diagnostic exercise and a policy incubation platform. The conversations underscored a generational responsibility to redefine Nepal's economic trajectory through pragmatic, evidence-based policymaking anchored in structural realism rather than aspirational rhetoric.

Background

The Institute for Integrated Development Studies (IIDS), established in 1979, has consistently positioned itself as an independent, non-partisan platform for rigorous policy research and national dialogue. Through initiatives such as the Policy Conclave, Structural Reform 2.0 dialogues, and Nepal Vision 2100, IIDS has sought to elevate economic discourse beyond short-term political cycles toward long-term institutional reform and sustainable growth strategies.

Niti Daudaha 2082 builds on this legacy. The initiative was conceived as a regional and youth-centered extension of IIDS's national policy engagements. Previous editions reached Sudurpashchim and Gandaki Provinces, decentralizing policy conversations that have historically remained Kathmandu-centric. The 2082 edition continued this effort by engaging emerging leaders, sector experts, entrepreneurs, and policymakers in a structured discussion on economic transformation.

The context of this year's dialogue is particularly significant. Nepal is experiencing simultaneous political and economic inflection points. The political landscape has been reshaped by heightened civic consciousness, especially among youth, demanding accountability, meritocracy, and results-oriented governance. Economically, the country is navigating a prolonged slowdown marked by credit contraction, declining capital formation, rising fiscal deficits, and increasing outward migration.

Despite robust remittance inflows and record foreign exchange reserves, structural weaknesses persist:

- Investment has declined for three consecutive years.
- Credit growth has fallen sharply from historical averages exceeding 20 percent to near 5–6 percent.
- Land transactions and share market activity have contracted.
- Fiscal deficits have doubled from roughly 3 percent to 6 percent.
- Non-performing loans have risen, raising concerns about financial sector vulnerability.
- Net outmigration has accelerated, with thousands of young Nepalis leaving daily in search of employment opportunities abroad.

This emerging “new normal” presents a paradox: macroeconomic stability externally, but domestic stagnation internally. Nepal's growth model remains heavily reliant on remittance-financed consumption and import dependence rather than export-driven productivity.

Against this backdrop, Niti Daudaha 2082 aimed to answer three fundamental questions:

1. Where will jobs be created in Nepal in the next decade?
2. Which sectors hold immediate and scalable export potential?
3. What policy reforms are necessary to unlock private investment and restore aggregate demand?

By convening leaders from IT services, medical tourism, digital commerce, and accounting service exports, alongside economic analysis of structural constraints, the event sought to ground political ambition within economic feasibility.

The underlying premise of the dialogue was clear: the upcoming electoral cycle will not merely determine political representation, it will define Nepal's economic direction for the coming decade. Policy credibility, institutional capacity, and sectoral prioritization must therefore be addressed with urgency.

Niti Daudaha 2082 thus positioned itself as a platform for evidence-based agenda-setting; moving from diagnosis toward actionable reform pathways for the Next Nepal.

Opening Session

Framing the “New Normal” and the Economic Direction of Next Nepal

The Niti Daudaha 2082 dialogue commenced with opening remarks that situated the discussion within Nepal’s evolving political and economic landscape. The session underscored the urgency of aligning policy discourse with structural economic realities and the aspirations of a younger generation seeking credible pathways for employment, productivity, and national transformation.



Opening and Context Setting

The program began with a welcome and program outline delivered on behalf of the Institute for Integrated Development Studies (IIDS), highlighting the institutional purpose of Niti Daudaha as a platform for evidence-based policy dialogue. Participants observed a moment of silence in tribute to the late Dr. Meena Acharya, former Executive Director of IIDS, whose contributions to policy research and inclusive development continue to shape Nepal’s intellectual and development discourse.

Welcoming participants, EMCEEs emphasized that Niti Daudaha is part of IIDS’s broader effort to strengthen long-term policy thinking in Nepal through independent and research-driven dialogue. The initiative builds upon earlier national conversations on Structural Reform 2.0 and Nepal Vision 2100, focusing on practical strategies for economic transformation and employment generation.

The opening remarks highlighted a critical contextual shift in Nepal’s policy environment. In the aftermath of recent Gen-Z uprising and with national elections approaching, the country stands at a moment of heightened political awareness and economic uncertainty. The dialogue therefore sought not only to assess Nepal’s present economic challenges but also to inform emerging leaders and policymakers about feasible pathways for growth.

Astha Bhatta, Program Specialist at IIDS, welcomed participants to the third edition of Niti Daudaha 2082 and reflected on the initiative’s regional outreach, including earlier engagements in Sudurpashchim and Gandaki Provinces. She noted that the core objective of Niti Daudaha is to identify high-potential sectors, promote private sector investment, and generate employment through pragmatic and evidence-based policymaking.

Framing the broader national context, she observed that Nepal’s repeated political transitions have not translated into meaningful improvements in citizens’ economic conditions. As she remarked, “Nepal has repeatedly changed its political systems, yet the condition of citizens has not changed.”

This reality, she emphasized, has heightened public demand for tangible economic opportunities rather than symbolic political change.

Introducing the theme “Setting the Agenda for Next Nepal,” she stressed that upcoming electoral outcomes would shape not only political leadership but also the country’s economic trajectory for the coming decade. The session therefore sought to move beyond abstract discussions toward practical questions: where jobs will be created, which sectors can generate export earnings, and how policy can enable these opportunities.

The presence of experts from IT services, healthcare, accounting, and digital commerce reflected a deliberate shift toward examining emerging service sectors as drivers of growth. Participants were encouraged to engage critically and ground future policy ambitions in data, feasibility, and long-term structural considerations.

The upcoming elections will not only elect a new government; but also define the national economic agenda for decades to come. In this landscape, service sectors like Accounting, Healthcare, IT services and e-commerce are no longer just business verticals—they are the new frontiers driving Nepal’s future economic growth.

Keynote Address

“A New Normal and Next Nepal”

Dr. Biswash Gauchan, FCA

Executive Director, IIDS

Delivering the keynote address, Dr. Biswash Gauchan framed Nepal’s current moment as both an economic and political inflection point. His presentation provided a structural diagnosis of Nepal’s economy and challenged prevailing narratives that attribute recent slowdown primarily to short-term shocks.

He began by emphasizing the importance of engaging younger leaders and emerging policymakers in evidence-based dialogue, particularly during periods of political transition. Policy discourse in Nepal, he noted, is often shaped by misinformation and unrealistic expectations. Institutions engaged in policy research therefore have a responsibility to ground public debate in credible evidence and long-term structural analysis.



Understanding Nepal’s “New Normal”

Dr. Gauchan introduced the concept of Nepal’s “new normal,” describing it as a phase characterized by prolonged economic slowdown, structural imbalances, and shifting demographic dynamics. Nepal has now experienced four consecutive years of economic slowdown, an unprecedented trend in its recent economic history.

He highlighted that Nepal’s trade deficit had reached nearly 35 percent of GDP at one point, a level indicative of deep structural imbalance rather than cyclical fluctuation. Current account and balance-of-payments pressures further exposed underlying vulnerabilities. While comparisons with crisis-hit economies such as Sri Lanka were often overstated, he cautioned that Nepal must avoid complacency and recognize emerging risks.

The slowdown, he explained, has been driven by three major structural shifts:

1. Credit Squeeze:
2. For nearly three decades, Nepal’s economy was fueled by rapid credit expansion averaging over 20 percent annually. This growth abruptly slowed to approximately 5–6 percent, constraining investment and economic activity.
3. Collapse of Land Monetization:
4. Credit expansion had been closely tied to land transactions and rising real estate values. As credit growth slowed, land transactions sharply declined, weakening a key driver of domestic demand.
5. Share Market Contraction:
6. Declining confidence in capital markets further reduced liquidity and investment momentum.

Despite continued remittance inflows and public spending, economic activity has not recovered to previous levels. Aggregate demand growth has fallen sharply, reflecting both declining investment and stagnating consumption. Nepal is thus experiencing what Dr. Gauchan described as a “great demand collapse.”

Structural Paradoxes and Long-Term Risks

The keynote highlighted several structural paradoxes shaping Nepal’s economic trajectory. Households remain asset-rich due to inflated land values but income-poor in terms of productive earnings. Labor costs are high relative to productivity, reducing competitiveness. Public and private institutions alike suffer from declining efficiency.

He identified what he termed a “Premature Trinity” constraining Nepal’s development:

- **Premature Welfare Expansion:**
- Nepal has adopted expansive social protection measures despite limited national income. For instance, significant fiscal resources are allocated to universal allowances that may not effectively target the most vulnerable populations.
- **Premature Financialization:**
- The banking sector has grown disproportionately large relative to GDP, resembling financial structures of far wealthier economies while serving a low-income base.
- **Depopulation through Migration:**
- Nepal is experiencing sustained outward migration, with thousands leaving daily in search of employment. While remittances stabilize the external sector, the loss of domestic labor undermines long-term productivity and demographic balance.

He observed that Nepal risks “growing old before becoming rich,” losing its demographic dividend before achieving substantial economic transformation.

The Remittance Paradox and Growth Constraints

Remittances have provided macroeconomic stability, maintaining foreign exchange reserves and preventing external crises. However, this stability masks underlying structural weaknesses. Nepal’s economy continues to rely on exporting labor rather than services or high-value goods. Domestic production remains weak, and consumption is heavily import-dependent.

Dr. Gauchan summarized Nepal’s current economic pattern succinctly:

- Employment opportunities are largely abroad.
- Investment returns have historically relied on land speculation.
- Consumption depends heavily on imports.

This cycle has created a fragile equilibrium sustained by remittance inflows rather than domestic productivity.

Rethinking Growth Narratives

Challenging conventional development narratives, the keynote argued that tourism and hydropower alone cannot drive Nepal's transition to middle-income status. Even under optimistic scenarios, their combined contribution to per capita income would remain limited relative to national aspirations.

Instead, he advocated for a strategic shift toward a knowledge-based and service-oriented economy. Nepal's comparative advantages lie in its youth population, diaspora networks, foreign exchange reserves, natural resources, and emerging digital capabilities. Leveraging these assets requires investment in education, innovation, and globally tradable services.

He proposed a vision of "Silicon Peaks," positioning Nepal as a knowledge and digital service hub integrated into global value chains. Achieving this transformation would require targeted reforms in education systems, regulatory frameworks, and institutional governance.

Governance and Policy Reform Priorities

Dr. Gauchan emphasized that structural transformation cannot occur without governance reform. He highlighted several policy priorities:

- Reforming political financing to enhance accountability and reduce corruption.
- Strengthening public sector efficiency through professionalization and technical expertise.
- Establishing innovation and education hubs to support knowledge-based industries.
- Engaging the Nepali diaspora as investors, knowledge partners, and participants in democratic processes.
- Prioritizing realistic and phased development targets rather than aspirational but unattainable visions.

He concluded by stressing that Nepal must prioritize strategic sectors and focus on execution rather than attempting simultaneous transformation across all domains. Evidence-based policymaking, institutional credibility, and generational leadership will determine whether Nepal can navigate its new normal and transition toward sustainable growth.

A credit squeeze, excessive land monetization, and a share market crunch have caused an economic slowdown, which Nepal has been undergoing for four years in a row—a first in Nepal's economic history. Despite the increase in remittances and public expenditure, economic activity is not returning to normal. We now need to find opportunities amid this "new normal."

INTERACTIVE SESSION WITH SECTOR EXPERTS

01

Identifying New Engines of Growth for Next Nepal

The interactive session with sector leaders formed the core of Niti Daudaha 2082, shifting the discussion from macroeconomic diagnosis toward sector-specific opportunities and constraints. Representatives from information technology, healthcare, e-commerce, and accounting service exports offered grounded insights into Nepal's evolving economic landscape, highlighting both the promise of emerging service sectors and the structural barriers that continue to limit investment and scale.

Across interventions, a consistent theme emerged: Nepal's future growth will depend increasingly on knowledge-intensive, service-oriented sectors capable of integrating into global markets. However, realizing this potential will require regulatory clarity, institutional credibility, and targeted policy facilitation. Speakers emphasized that while opportunities exist, Nepal remains a difficult destination for both domestic and foreign investment due to persistent governance and structural constraints.

Information Technology and Digital Service Exports

Expanding Opportunities for Middle-Class Prosperity

Gaurav Raj Pandey, President, NASIT

Mr. Gaurav Raj Pandey presented a comprehensive overview of Nepal's IT sector, framing it as one of the most promising avenues for export-led growth and youth employment. Representing the Nepal Association for Software and IT Services (NASIT), he noted that the association currently includes around 80 member companies working across software development, AI, and digital services.

He emphasized that the global digital economy presents a substantial opportunity for Nepal. The global IT and digital services market, valued in the trillions of dollars, continues to expand rapidly, driven by artificial intelligence, big data, and digital transformation across industries. Nepal's IT export earnings

remain modest in comparison to regional peers such as India, Vietnam, and the Philippines, yet the sector has demonstrated strong potential to scale if supported by enabling policies.

Highlighting the social impact of the IT sector, Mr. Pandey remarked that digital services have become one of the few industries offering meaningful upward mobility to Nepal's middle and lower-middle-class youth. As he observed, "Most IT entrepreneurs in Nepal come from middle-class backgrounds, and the majority of employees are from middle- and lower-middle-class families. No other sector provides this demographic with such competitive compensation and upward mobility."

This dynamic positions IT not only as an export sector but also as a mechanism for inclusive economic growth. Mr. Pandey also addressed misconceptions surrounding artificial intelligence and automation. While public discourse often frames AI as a threat to employment, he argued that digital technologies will instead reshape industries and create new opportunities. Every sector, from finance to healthcare and logistics, will increasingly rely on digital systems and data-driven services. Nepal must therefore focus on building a workforce capable of delivering globally competitive digital solutions.



Investment and Policy Constraints in the IT Sector

Despite the strong potential of Nepal's digital services sector, Mr. Pandey highlighted a range of structural and policy constraints that continue to limit both domestic expansion and foreign investment. Regulatory inconsistencies, lack of targeted tax incentives, and persistent bureaucratic hurdles discourage firms from scaling operations within Nepal. He noted that Nepal's policy framework remains misaligned with global digital service standards, reducing its competitiveness relative to regional peers such as India, Bangladesh, and Vietnam.

While the global digital economy offers enormous opportunities, Nepal is still rarely viewed as a first-choice destination for foreign technology investment. Despite competitive labor costs and a young, English-speaking workforce, investors remain cautious due to policy uncertainty and limited institutional predictability. Compared to neighboring countries that actively promote IT exports through structured fiscal incentives and regulatory facilitation, Nepal provides minimal strategic support to scale technology-based industries.

Mr. Pandey also stressed the importance of enabling Nepali technology firms to operate globally. Current restrictions on outward investment limit companies' ability to establish international offices, acquire clients, and integrate into global value chains. This significantly constrains growth in a sector where global market access is essential.

The role of diaspora investment was also emphasized. Many of Nepal's successful technology firms have been founded or supported by diaspora professionals. However, such investment often occurs despite policy constraints rather than because of supportive frameworks. As Mr. Pandey noted, diaspora investors frequently engage out of emotional commitment to Nepal rather than due to an enabling investment environment. Without clearer regulatory frameworks, export-linked incentives, and outward investment flexibility, Nepal risks under-leveraging one of its most scalable and globally competitive sectors.

Policy Recommendations: IT and Digital Services

- 1. Regulatory Alignment with Global Standards:** Streamline digital service regulations and align taxation and compliance frameworks with international practices to enhance competitiveness.
- 2. Facilitate Outward Investment:** Allow Nepali IT firms to establish overseas offices and invest abroad, enabling market expansion and integration into global value chains.
- 3. Targeted Tax Incentives:** Introduce fiscal incentives for technology firms, including tax holidays and export-linked benefits, to encourage scaling and foreign investment.
- 4. Curriculum and Skills Alignment:** Strengthen collaboration between industry and academic institutions to align education with emerging digital skill requirements.
- 5. Diaspora Engagement Framework:** Develop structured mechanisms to channel diaspora investment and mentorship into Nepal's technology ecosystem.

It is important to note the social impact of IT sector: most IT entrepreneurs in Nepal come from middle-class backgrounds, and 95% of our employees are from middle- and lower-middle-class families. No other sector provides this demographic with such competitive compensation and upward mobility.

Health and Medical Tourism

Leveraging Cost Advantage and Specialized Services

Dr. Reeta Gurung, CEO, Tilganga Institute of Ophthalmology

02

Dr. Reeta Gurung highlighted the growing potential of healthcare services and medical tourism as a source of export earnings and employment. She observed that Nepal is gradually transitioning from a country whose citizens travel abroad for treatment to one that increasingly attracts international patients, particularly in specialized fields such as ophthalmology.

She noted that geopolitical dynamics and visa restrictions in neighboring countries have already led to an increase in patients from certain regions seeking treatment in Nepal. At the same time, Nepal's comparative cost advantage remains a significant draw. Advanced medical procedures in Nepal are often substantially less expensive than in developed countries and even in some regional competitors.

A key competitive advantage lies in waiting times. As Dr. Gurung explained, *“In many Western countries, patients wait months to see specialists. In Nepal, these waiting times do not exist. Combined with cost advantage and skilled professionals, this positions Nepal as a viable destination for medical services.”*

Nepal's healthcare workforce is well-regarded for its technical expertise and English-language proficiency, enabling effective communication with international patients. Investments in specialized facilities and training have further enhanced service quality.

Policy and Regulatory Challenges

Despite these advantages, regulatory and administrative barriers continue to constrain growth in medical tourism. Visa processes for medical travelers lack clarity and consistency. Import procedures for medical equipment and pharmaceuticals are often delayed by customs bottlenecks. Registration and licensing frameworks can be ambiguous and time-consuming.

Dr. Gurung stressed that policy consistency is essential to building international credibility. Competing countries such as India and Thailand have developed dedicated medical visa categories and streamlined procedures for international patients. Nepal must adopt similar measures to remain competitive.



1. **Dedicated Medical Visa Framework:** Introduce specialized visa categories for medical and wellness tourism to facilitate entry and extended stays for international patients.
2. **Regulatory Streamlining:** Simplify licensing, registration, and import procedures for medical institutions and equipment.
3. **International Accreditation Support:** Support hospitals in obtaining global accreditation to enhance credibility and attract foreign patients.
4. **Public–Private Collaboration:** Strengthen coordination between government and private healthcare providers to promote Nepal as a medical tourism destination.
5. **Infrastructure and Connectivity:** Improve international air connectivity and logistics to support patient inflows and medical supply chains.

Nepal holds a significant cost advantage for medical treatment compared to developed countries. Our hospitals have invested heavily in upskilling doctors, and our medical staff, including doctors and nurses, are proficient in English and well-equipped to cater to international patients. Additionally, the long waiting times to see specialists that are common in Western countries do not exist in Nepal. We urge policymakers to streamline these processes and provide policy clarity; with the right support, we can deliver significantly better results for the national economy.

E-Commerce and Digital Market Expansion

Platforms, SMEs, and New Consumption Patterns

Aanchal Kunwar, Daraz Nepal

03

Ms. Aanchal Kunwar provided insights into the rapid growth of Nepal's e-commerce sector and its implications for SME development and digital entrepreneurship. She noted that Daraz, now operating for over a decade in Nepal, has evolved into a nationwide marketplace connecting sellers and consumers across more than 100 cities and towns.

Despite broader economic stagnation, the platform has experienced strong growth. As she observed, *“Daraz continues to grow even while the overall economy is slowing. This demonstrates the untapped potential of digital markets and consumer demand.”*

The platform hosts approximately 24,000 sellers, with around 85 percent classified as small and medium enterprises. Daily transactions reach hundreds of thousands of consumers, with roughly half located outside the Kathmandu Valley. This

expansion reflects growing digital adoption and the potential for nationwide market integration.

Digital platforms have significantly lowered barriers to entry for entrepreneurs. Individuals can now start businesses with minimal capital, using online marketplaces to reach customers nationwide. The widespread adoption of QR payments and digital wallets further illustrates Nepal's rapid digital transition.



Investment and FDI Constraints in the Digital Commerce Sector

Ms. Kunwar observed that although Nepal's digital adoption has accelerated rapidly with widespread QR payments, expanding e-commerce participation, and nationwide consumer reach attracting sustained foreign direct investment in digital platforms remains challenging. Investors often perceive Nepal as a high-uncertainty market due to policy volatility, regulatory ambiguity, and operational complexity.

She noted that foreign investment frequently enters Nepal indirectly through acquisitions rather than new greenfield ventures. This pattern reflects broader concerns regarding taxation clarity, digital commerce regulations, and long-term policy predictability. While platforms like Daraz demonstrate that digital markets can grow even during macroeconomic stagnation, scaling the sector further will require a more stable and transparent regulatory environment.

Ms. Kunwar emphasized that digital platforms reduce entry barriers for SMEs and enable inclusive participation across provinces. However, without structured investment facilitation, predictable compliance mechanisms, and stronger institutional credibility, Nepal may struggle to position itself as a competitive digital commerce destination in the region.

Policy Recommendations: E-Commerce and Digital Economy

- 1. Stable and Predictable Regulatory Environment:** Ensure policy consistency in taxation, digital payments, and cross-border e-commerce regulations.
- 2. SME Digitalization Support:** Provide training and financial support to enable SMEs to adopt digital platforms and expand market reach.
- 3. Facilitate Digital Payments Infrastructure:** Strengthen interoperability and security of digital payment systems.
- 4. Encourage FDI in Digital Platforms:** Simplify procedures and provide incentives for foreign investment in e-commerce and digital infrastructure.
- 5. Support Returning Professionals:** Develop programs encouraging skilled migrants to return and engage in digital entrepreneurship.

Nepal is among the fastest countries regionally to adopt new technology; today, even small kiosks utilize QR codes for digital payments. Platforms like Daraz are enabling businesses to scale and reach nationwide markets with minimal capital and promotional costs. Furthermore, the rise of ridesharing and the digital gig economy is encouraging returning migrant workers to stay, offering a significant opportunity to bring intellectual manpower back to the country.

Accounting and Professional Service Exports

Positioning Nepal in the Global Knowledge Outsourcing Economy

CA Nil Bahadur Saru Magar

04

CA Nil Bahadur Saru Magar highlighted the emerging potential of accounting and professional service exports as a viable pathway for large-scale employment generation and foreign exchange earnings. He argued that Nepal is well positioned to participate in the rapidly expanding global outsourcing market for accounting, auditing, taxation, and financial compliance services.

Global demographic and labor market trends are creating a structural shortage of accounting professionals across advanced economies. Large cohorts of accountants in the United States, United Kingdom, Australia, and parts of Europe are approaching retirement age, while fewer young professionals are entering the field. As firms seek cost-effective solutions to maintain operations, outsourcing accounting and financial services has accelerated across South and Southeast Asia.



According to CA Saru, this shift presents a significant opportunity for Nepal. The country produces a growing number of qualified CA, ACCA, and commerce graduates annually, many of whom possess strong technical foundations and English-language proficiency. With appropriate institutional support, Nepal could integrate into global professional service value chains in a manner similar to India and the Philippines.

He noted that India's IT and business process outsourcing sectors have generated millions of jobs, demonstrating the transformative potential of service exports. *"India created nearly five million jobs through IT and related services. There is no reason Nepal cannot capture a share of similar knowledge-based outsourcing if the right policies are in place,"* he observed.

Unlike manufacturing, which requires significant infrastructure investment and faces logistical constraints in Nepal's landlocked geography, professional services rely primarily on human capital and digital connectivity. This makes accounting and financial services particularly suited to Nepal's economic structure. The sector offers high-value employment opportunities without requiring heavy physical infrastructure or large capital investments.

Structural and Policy Constraints

Despite this potential, several structural barriers continue to limit Nepal's participation in global accounting and professional service markets. CA Saru emphasized that unclear taxation policies for service exports create uncertainty for firms seeking to operate internationally. Ambiguity regarding value-added tax (VAT) treatment, export classification, and repatriation of earnings complicates business planning and discourages expansion.

Additionally, regulatory restrictions make it difficult for Nepali accounting firms to establish overseas

branches or enter into formal partnerships with international firms. Without the ability to maintain a physical or legal presence in key markets, Nepali firms struggle to build long-term client relationships and secure large contracts.

Data protection and confidentiality frameworks also require strengthening. International clients demand robust legal and technological safeguards for financial and personal data. Nepal must develop clear and credible data governance regulations to build trust and meet global compliance standards.

CA Saru also highlighted the need for skills alignment with international accounting standards and digital accounting systems. While Nepal produces qualified professionals, continuous professional development and exposure to global best practices are necessary to ensure competitiveness.

Economic Significance and Employment Potential

The expansion of accounting and professional service exports could generate substantial employment for Nepal's educated youth. Unlike many domestic sectors that remain constrained by limited investment and demand, global professional services offer scalable opportunities. Remote service delivery enables Nepali professionals to work with international clients without leaving the country, thereby retaining skilled human capital domestically.

Furthermore, the growth of professional service exports can have multiplier effects across the economy. Increased foreign exchange earnings, higher-skilled employment, and greater integration into global knowledge networks can strengthen Nepal's transition toward a knowledge-based economy.

CA Saru stressed that Nepal must move beyond a development model centered primarily on labor migration and remittance dependence. By exporting professional services rather than labor alone, the country can retain talent and generate higher-value income streams.

Policy Recommendations: Accounting and Professional Service Exports

- 1. Clarify Tax and Regulatory Frameworks:** Establish clear and consistent policies governing taxation of exported professional services, including VAT treatment and foreign earnings repatriation.
- 2. Facilitate International Expansion:** Allow and support Nepali accounting and consulting firms to establish overseas branches and partnerships with global firms.
- 3. Strengthen Data Protection and Compliance Laws:** Develop robust data governance and confidentiality frameworks aligned with international standards to build client trust.
- 4. Professional Skills Upgrading:** Promote continuous professional development programs aligned with global accounting and auditing standards.
- 5. Digital Infrastructure and Remote Work Support:** Enhance digital connectivity and cybersecurity systems to support remote service delivery and cross-border collaboration.
- 6. Position Nepal as a Knowledge-Service Hub:** Integrate accounting and professional services into national export strategies alongside IT and digital services to diversify foreign exchange sources.

With a vast number of accountants in the US and other Western nations approaching retirement, global firms must outsource to scale. This shortage is mirrored across the UK, Australia, and Europe, creating a gap that South and East Asian nations are now filling. By upskilling our workforce, Nepal has the potential to employ hundreds of thousands of CA, ACCA, and commerce graduates. To capture this, we must ensure clarity in Tax policies, the provision of establishing overseas branches, and the implementation of robust data processing laws.

Audience Q&A Session

The event concluded with an interactive Q&A session where participants engaged directly with the speakers on sector readiness, investment climate, technological competitiveness, and Nepal's long-term economic direction. The exchanges reflected practical concerns regarding employment generation, quality infrastructure, research and development, and Nepal's preparedness for structural economic transitions.



Question to Dr. Reeta Gurung

Question:

“There is huge potential in medical tourism, but due to lack of quality infrastructure and quality manpower, how can we sustain this sector in the long term?”

Response – Dr. Reeta Gurung:

Dr. Gurung noted that while Nepal holds strong potential in medical tourism, potential alone does not imply readiness. She pointed out that some medical institutions continue to face quality assurance challenges and gaps in practical training. In certain cases, medical education has been treated as a revenue-generating activity rather than a quality-driven professional discipline, leading to concerns regarding competency.

She emphasized the need for stronger regulatory oversight and quality assurance mechanisms from the government to address these distortions. Financial limitations also remain significant for both institutions and patients. According to her, Nepal should focus on gradual improvement of infrastructure and human resources rather than assuming immediate readiness for large-scale expansion. She also stressed the importance of aligning healthcare costs with the purchasing power of Nepali citizens and noted that quality improvements have been achieved through sustained efforts over several decades.

Question to Gaurav Raj Pandey

Question:

“Regarding digitalization: neighboring countries are already advancing with technologies like Starlink while we focus on outsourcing. Are we lagging behind in research and development? How can we attract FDI into R&D in the IT sector?”

Response – Gaurav Raj Pandey:

Mr. Pandey explained that large-scale technologies such as satellite internet require regulatory frameworks that allow significant foreign ownership and operational flexibility. Nepal’s current legal environment does not fully accommodate such models, making entry difficult for global technology providers.

He noted that Nepal’s national investment in research and development remains very low. Private companies attempt to invest in innovation from limited profits while facing relatively high taxation, which constrains their ability to undertake significant R&D initiatives. In contrast, countries such as China, Japan, Korea, and Taiwan have historically supported innovation through state incentives and subsidies. Without targeted policy incentives, regulatory clarity, and government-backed support, attracting substantial foreign investment into R&D-intensive sectors in Nepal will remain difficult.

Question to Aanchal Kunwar

Question:

“How is Daraz facilitating branding, promotion, and sustainable capacity building of local products?”

Response – Aanchal Kunwar

Ms. Kunwar highlighted the structural realities of building and sustaining large-scale digital commerce platforms in Nepal. She noted that while digital adoption and e-commerce participation are expanding rapidly, operating at scale within Nepal’s relatively small market remains challenging. Significant capital investment is required to build and maintain competitive platforms, and sustaining such operations requires long-term policy and regulatory stability.

She explained that Daraz operates as a marketplace platform connecting sellers and consumers nationwide, enabling thousands of small and medium enterprises to access broader markets. However, broader policy and investment constraints continue to affect the digital sector. Regulatory ambiguity, operational complexity, and limitations related to foreign investment influence how global digital platforms operate in Nepal. While digital markets continue to grow despite these challenges, sustained expansion will require greater policy clarity, investment stability, and institutional predictability.

Question: Nepal's Graduation from LDC Status

Question (Audience):

"Nepal is scheduled to graduate from LDC status in November 2026. What implications will this have? What should Nepal prepare for?"

Response – Dr. Biswash Gauchan:

Dr. Gauchan clarified that Nepal's scheduled graduation from Least Developed Country (LDC) status is not linked to recent political developments and should be understood as part of a longer structural transition. He noted that Nepal has historically focused on the perceived benefits of remaining an LDC without adequately considering the opportunity costs of prolonged dependency.

He emphasized that Nepal must graduate on time in November 2026 and should not view graduation with hesitation. Delaying or fearing graduation, he argued, reflects a lack of confidence in national capability. Instead, the transition should be seen as an opportunity to strengthen competitiveness and move toward greater economic self-reliance.

He stressed that Nepal must prepare by shifting from reliance on concessional trade and aid toward productivity, export competitiveness, and investment in public goods. Strengthening institutional credibility, improving the investment climate, and aligning trade and tax structures with post-LDC realities will be essential.

Dr. Gauchan also highlighted the critical role of the Nepali diaspora in the post-LDC transition. He emphasized that diaspora communities should be viewed as long-term economic partners and bridges to global markets rather than as citizens who have left the country. With a large global Nepali population, diaspora-led investment and knowledge transfer could play a decisive role in Nepal's economic transformation.

Dr. Biswash Gauchan (General Reflections)

Responding more broadly to audience concerns, Dr. Gauchan emphasized the importance of pragmatic, output-based policymaking grounded in Nepal's comparative advantages. He noted that Nepal must identify sectors where it holds genuine competitive strength and focus on exporting those strategically rather than attempting to compete across all sectors simultaneously.

He highlighted that Nepal's cost structures often limit competitiveness in large-scale manufacturing and stressed the importance of prioritizing knowledge-based services, value-added production, and globally tradable sectors. He further underscored the need for Nepal to adopt a more globally oriented economic mindset and integrate more strategically into international value chains.

Cross-Cutting Policy Recommendations

Discussions throughout Niti Daudaha 2082 highlighted several structural constraints that cut across sectors and continue to limit Nepal's economic transformation. While sector-specific opportunities in IT services, healthcare, digital commerce, and professional service exports were widely recognized, speakers emphasized that unlocking these opportunities will require coordinated and sustained policy reform. The following cross-cutting recommendations emerged from the dialogue.

1. Ensure Policy Stability and Regulatory Predictability

A recurring concern across all sector discussions was policy inconsistency and regulatory uncertainty. Frequent changes in taxation, compliance requirements, and investment procedures reduce investor confidence and discourage long-term planning. Establishing stable and predictable regulatory frameworks is essential for both domestic and foreign investors. Clear implementation guidelines and inter-agency coordination will be necessary to reduce ambiguity and improve the business environment.

2. Strengthen the Investment Climate and Facilitate FDI

Nepal must move from a passive to a proactive approach in attracting investment. Simplifying approval processes, reducing bureaucratic overlap, and improving transparency in regulatory procedures will be critical. Targeted fiscal incentives for priority sectors such as IT services, digital platforms, healthcare, and professional service exports can help improve competitiveness relative to regional peers. Structured facilitation for diaspora investment, including clearer legal and financial mechanisms, should also be prioritized.

3. Align Education and Skills with Market Demand

Speakers emphasized the growing gap between academic training and industry requirements. Strengthening collaboration between educational institutions and industry will be necessary to ensure that graduates possess market-relevant skills. Curriculum reforms, technical and vocational training, and continuous professional development aligned with global standards will help enhance productivity and employability. Investment in digital skills and professional service training should be prioritized to support service-export growth.

4. Support Research, Innovation, and Technology Adoption

Nepal's investment in research and development remains limited, constraining innovation and technological advancement. Introducing tax incentives, grants, and public-private partnerships for R&D can encourage private sector participation. Facilitating technology transfer, supporting startup ecosystems, and promoting innovation hubs will help strengthen Nepal's knowledge-based sectors and improve competitiveness in global markets.

5. Leverage the Nepali Diaspora as Economic Partners

The Nepali diaspora represents a significant source of capital, knowledge, and global market access.

Developing structured mechanisms to engage diaspora communities in investment, mentorship, and knowledge transfer will be essential. Policy measures that facilitate cross-border investment, business collaboration, and professional exchange can help convert diaspora connections into long-term economic partnerships.

6. Prioritize Service Exports and Competitive Sectors

Given structural constraints in large-scale manufacturing, Nepal should focus on sectors where it holds comparative advantage. Knowledge-based services, digital exports, specialized healthcare, and professional outsourcing offer scalable opportunities for employment and foreign exchange earnings. Integrating these sectors into national export strategies and providing targeted support can help diversify the economy and reduce dependence on remittance-driven consumption.

7. Prepare Strategically for Post-LDC Transition

With Nepal scheduled to graduate from LDC status in November 2026, the country must prepare for reduced concessional benefits and increased competition in global markets. Strengthening export competitiveness, improving productivity, and investing in public goods will be essential. Rather than viewing graduation as a loss of support, policymakers should treat it as an opportunity to transition toward greater economic maturity and self-reliance.

Collectively, these recommendations underscore the need for coherent and coordinated policy action. Nepal's emerging sectors demonstrate strong potential, but without sustained reforms to improve institutional credibility, investment facilitation, and human capital development, this potential will remain underutilized. A strategic shift toward productivity-driven growth, supported by stable policy frameworks and long-term institutional commitment, will be critical for shaping Nepal's economic trajectory in the coming decade.

Conclusion

Niti Daudaha 2082 provided a timely and grounded platform for examining Nepal's economic direction at a moment of structural transition. As the country approaches national elections and prepares for graduation from Least Developed Country (LDC) status in 2026, the dialogue underscored the urgency of aligning political ambition with economic realism. Across sessions, speakers emphasized that Nepal's challenge is not the absence of potential but the absence of consistent policy execution, institutional credibility, and investment facilitation.

The discussions highlighted that Nepal is entering a “new normal” characterized by slower growth, constrained investment, declining aggregate demand, and continued outward migration of skilled youth. While remittances and foreign exchange reserves have provided macroeconomic stability, they cannot substitute for sustained domestic productivity and job creation. Moving forward, Nepal must transition from a consumption-driven and remittance-supported model toward one anchored in export competitiveness, innovation, and knowledge-based sectors.

Sectoral insights from IT services, healthcare, digital commerce, and professional service exports demonstrated that viable pathways for growth already exist. These sectors offer scalable opportunities for employment generation, foreign exchange earnings, and integration into global value chains. However, unlocking this potential will require a predictable policy environment, regulatory clarity, targeted investment incentives, and stronger alignment between education and industry.

The dialogue also reinforced the importance of strategic diaspora engagement, research and development support, and institutional reforms that enhance accountability and efficiency. As Nepal prepares for its post-LDC transition, the need to strengthen competitiveness, diversify exports, and invest in public goods becomes increasingly critical. Graduation from LDC status should be viewed not as a loss of privileges but as an opportunity to build a more resilient and self-reliant economy.

Ultimately, Niti Daudaha 2082 reaffirmed the importance of evidence-based policymaking and constructive dialogue among policymakers, private sector leaders, and emerging professionals. The insights generated through the session contribute to a broader national conversation on shaping a credible economic agenda for the Next Nepal. Translating these insights into actionable policy will be essential to ensuring that Nepal's demographic potential, sectoral strengths, and global linkages are effectively leveraged in the years ahead.