

## World's Most Popular Sport and Nation Building of a Frontier Market: A Unique Approach to Socio-Economic Progress

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**Abstract:** Large global sporting events such as the Olympics and the FIFA World Cup have been seen to generate a positive economic impact on the GDP growth of the host country. Moreover the multiplier impact of these events is also seen on infrastructure development, creation of new job and improvement in the skills of the labor force. The FIFA World cup is scheduled to be organized in Qatar in 2022 and the country is spending billions of dollars on the infrastructure development. Interesting impact of this investment can be seen some 3200 kilometers away in the mountainous country of Nepal where a large number of its labour force is being employed on infrastructure development in Qatar. Nepal is one of the poorest countries in South Asian region and has a low level of infrastructure development despite being blessed with natural resources and hydropower potential. This article is an attempt to understand the power of utilizing the Nepalese workforce for infrastructure development who have acquired the requisite skills in Qatar and are likely to return to the home country in the next few years.

**Keywords:** FIFA World Cup, Infrastructure, Labour, Nepal, Skills

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### I. INTRODUCTION: HOW AN INFRA BOOM IN A DEVELOPED COUNTRY CAN HAVE POSITIVE IMPACTS ON A FRONTIER MARKET

An important benefit of a major sporting event is its role in nation building through social and community development. Nelson Mandela acknowledged the role of Rugby World cup played in building South Africa post-Apartheid period. His comment, “sport has the power to change the world. It has the power to inspire. It has the power to unite people in a way that little else does”<sup>[1]</sup>, is especially relevant in the present times. Football is one of the most popular team sports on our planet. The Fédération Internationale de Football Association’s (FIFA) flagship sports extravaganza ‘FIFA World Cup’ is the largest viewed sports event in the world with over 3.2 billion viewers estimated to have watched the last 2014 World Cup Football. This equates to nearly 46% of the world’s population, and indicates the massive popularity of the sport globally.<sup>[2]</sup>

The 2022 FIFA World Cup a flagship event organized by FIFA that is contested by the national football teams of the member associations. It is scheduled to take place in Qatar in 2022.<sup>[3]</sup> It is to be played in a reduced timeframe of around 28 days, with the final being held on 18 December 2022, which is also Qatar National Day.<sup>[4]</sup> All FIFA member associations, of which there are currently 211 nations (much more than the members of United Nations!), are eligible to enter qualification. Qatar is the first Middle Eastern country in the Arabic world to organize this event.

Qatar is likely to spend nearly US\$200 billion over eight years for upgrading and developing its infrastructure to organize this event successfully. Its winning bid included commitments to build nine state-of-the-art stadiums equipped with cooling technology, a new airport complete with a sail-shaped terminal, public transport infrastructure, \$20 billion worth of new roads, a bridge to neighboring Bahrain (the longest in the world), 54 team camps, and new hotels for spectators.<sup>[5]</sup> Fulfilling this dream of rebuilding Qatar is a vast majority of migrant workers who comprise a staggering 94 percent of Qatar’s workforce—1.2 million of its 1.7 million residents—the highest percentage of migrants to citizens in the world. Qatar’s selection to host the World Cup means that worker recruitment is reaching new heights especially from the South Asian countries.<sup>[6]</sup>

The ripple effects of Qatar’s infrastructure boom are being felt some 3200 kilometers away in the mountain country of Nepal. The huge investment being utilized in building Qatar’s infrastructure is interestingly shaping up the resource pool and future economic growth of the country. Nearly 2.8 million Nepalese or about 10 percent its population is working abroad mainly in India and Qatar, sending home more than \$6.5bn a year.<sup>[7]</sup> The

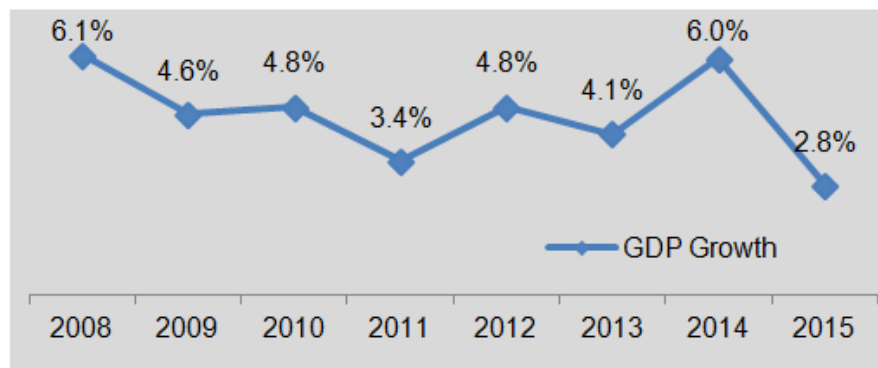
economic and infrastructure development of Nepal is hindered by external factors such as its difficult topography and internal factors such as limited education and availability of semi / skilled resources and labor. While the local government is investing heavily in better access to education to its children, there is a massive opportunity for developing its skilled work through the football world cup event in Qatar. The infrastructure development experience that's its workforce is likely to obtain while working in Qatar could be a turning point in the socio-economic development of Nepal if the newly-trained workers can bring their new skills and experiences back for building Nepal. Some of these advantages of creating new employment opportunities and also expanding the market pool in Nepal have been further analyzed in the article. It has to be noted that a number of groups and media outlets have expressed concern over the suitability of Qatar to host the event,<sup>[8][9]</sup> with regard to interpretations of human rights, particularly worker conditions, the rights of fans in the LGBT community,<sup>[10][11]</sup> and climatic conditions. In the current scenario where the controversial working environment for Qatar migrants forms the headlines this article makes an effort to shift the limelight to a meaningful perspective on the opportunity for skill development in the Nepalese workforce.

## II. WHAT ARE FRONTIER MARKETS?

The term frontier market is used to describe the markets of the smaller and usually less accessible, but investable and high potential countries of the developing world especially in the developing Asia and the Sub-Saharan Africa region<sup>[12]</sup>. Frontier markets are often considered a sub-set of emerging markets (EM), which have market capitalizations that are small and/or low annual turnover and/or market restrictions unsuitable for inclusion in the larger EM indexes but nonetheless "demonstrate a relative openness to and accessibility for foreign investors" and are not under "extreme economic and political instability." Many experts believe that Frontier Markets will have a share of 18% of the World's GDP by 2050 up from 7% in 2012 growing at a rate that is much faster than the global economy in the same period<sup>[13]</sup>. These markets have increasingly become attractive for a specific class of investors that prefer to measure social impact along with financial results as the benchmark of their success (termed as impact investors).<sup>[14]</sup> Good valuations due to first mover advantage, higher returns (both financial and social) and opportunity to catalyze markets make them interesting for these impact investors. Moreover progressive regulations and a high market opportunity due to an emerging middle class and high demographic dividend further makes these countries interesting for impact investment.

## III. NEPAL: SOCIO-ECONOMY DEVELOPMENT TRENDS

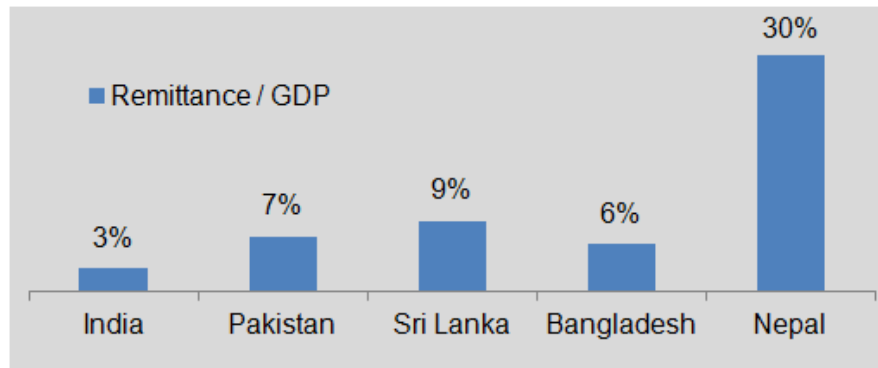
Nepal in many respects displays characteristics of a frontier market. After many years of political uncertainty and insurgency, the country is now on the path of political stability and was able to get its constitution into effect in September 2015 after passing through many hurdles and impasses. The country's GDP was growing at a high rate of nearly 5% to 6% till 2014 (as shown in fig. 1) before a devastating earthquake plagued the nation.<sup>[15]</sup> Nearly 35% of the country's population lies between the age groups of 15 to 35 years giving Nepal a significant demographic dividend and a big flip for economic growth potential in the next few years.



**Fig. 1: GDP Growth rate Nepal (World Bank data)**

Nepal has third highest foreign remittance inflow to GDP ratio in the world with remittance transfers accounting for around 30% of Nepal's GDP in 2015 one of the highest in the world.<sup>[16]</sup> This has been shown in fig. 2. Over 2.6 million Nepalese immigrants (representing nearly 10% of the country's population) working abroad

have played a key role in the rise of income levels for many rural households. Many of the health indicators of such as life expectancy, maternal care, and infant and maternal mortality rates have soon considerable improvement in the last few decades with the maternal mortality during childbirth has fallen to 1/3rd of the deaths recorded in 1990<sup>[17]</sup>. Signs of progress are also visible in terms of increasing private sector activity in the pharmaceuticals, diagnostics and hospitals segments in the country with many tertiary care centers being set up in key population centres such as Kathmandu.



**Fig. 2: Remittances, received as% of GDP (World Bank data)**

The capital markets in Nepal are relatively less developed with low presence of real infrastructure sector on the stock exchange. Off -late there has been an increasing presence of hydropower companies on the stock exchange. There also has been keen interest by a few impact investors in the country in the last 1-2 years thereby offering some scope of investment exit through secondary sales

The growth in the real infrastructure segment of the Nepalese economy has been relatively slow with impeded growth in the roads & railway network, energy & power infrastructure and real estate sector in the country. The devastating earthquake of 2016 has further dented the already weak civil infrastructure in the country. The government was historically the only player in infrastructure development and high political instability in the last decade adversely impacted the progression of these infrastructure & construction projects. There is an increased participation of the private sector enterprises in the last few years but they would need an enabling environment including access to long term patient capital and availability of a skilled workforce to significantly contribute in the nation building in the next few years.

#### **IV. LINKING THE QATAR MIGRANT LABOR WITH INFRASTRUCTURE DEVELOPMENT IN NEPAL: HOW IS IT POSSIBLE?**

Historically India was the prime destination for migrants in Nepal, but recently a shift of this trend is noticed with Middle East countries being the new preferred destination with nearly 400,000 Nepalese working in Qatar. In the last 2-3 years, Tribhuvan international airport is usually brimming with the flow of a large stream of unskilled / semi-skilled workers who are mainly employed for working on infrastructure and construction projects that range from road network development to building steel structures and stadiums in Qatar.

While there have been reports on the deplorable working conditions of these construction workers in Qatar with incidences of fatalities and accidents there is a silver lining in terms of skill development. Many of these construction workers on their return to Nepal would have developed an upgraded skill and a mature work experience and hence could be very crucial for the infrastructure and future economic growth of Nepal if tracked and utilized properly. The problem of skilled labour in the infrastructure segment in the country could be potentially met by these construction labours returning to the country following completion of the huge infrastructure projects in Qatar. This would not only provide long term job opportunity with a better experience but also comfort to these labours of staying back at their home. Moreover with the recent modifications and reforms in the Kafala laws in Qatar<sup>[18]</sup>, a majority of these workers are likely to benefit with better compensation and working environment. The question here is how Nepal could efficiently utilize this skilled labour pool to develop its infrastructure and hence financial progression.

## V. SCOPE OF DEVELOPMENT SYSTEM & POLICIES

There are several avenues of development in the country that could be of potential interest to various stakeholders for investment. For instance, Nepal's commercially exploitable hydropower potential is estimated at nearly 43,000 MW of which only 3% is tapped at present<sup>[19]</sup>. Though majority of the hydropower projects are 'run-of-the-river (ROR)' projects, these could meet the power requirements of the country where 10-16 hours of power cuts are the norm in peak demand months. Moreover these ROR projects could also play a role in better flood control management of marauding rivers plaguing the hilly and the terai regions of the country. Secondly, there is a need of developing the post-harvest infrastructure in the agriculture sector in terms of construction of warehouses and cold storages. Thirdly, establishing logistics and road network chains in the hilly and the terai regions could be crucial to ensure market linkages with production centers to demand hubs. Nepal has several high value crops such as spices (ginger, turmeric, coriander, cilantro), tea and citrus fruits that have a high domestic as well as international demand but are largely inefficiently utilized due to lack of processing and transportation facilities in the country.

Post the devastating earthquake in 2015, that rendered Nepal's infrastructure weak both socially and financially, the country has received grants / charities as well as soft loans and financial assistance for its rebuilding. However given a history of embezzlement and misappropriation of aid money / funds in Nepal, there is an urgent need of establishing a suitable independent agency for proper utilization of these funds. The agency formed can function under the guidance and technical assistance of development financial institutions (such as WBG, ADB) active in the country. This agency could also monitor the return of experienced labour class from Qatar and mobilize them on suitable activities for growth. The key priority of this agency could be to prepare a blue print of the future action plan for infrastructure development and proposed way to utilize the trained and skilled construction workers who would look to return to Nepal in the next few years. Having the right institutions and policies in place along with the effective utilization of its human resources has the potential to propel Nepal towards long term economic growth and hence its socio-economic progression.

## VI. CONCLUSION

Keeping in mind the latest funds and grants received by the country, the upgraded quality of skills of labours returning from Qatar and an efficient agency to sublimate the two together, Nepal can definitely move forward in the aforementioned avenues of development successfully. This article however excludes the impact of socio-political landscape in the country and the transparency in the use of aid and grant money received given its recent unstable political environment. Moreover the article assumes that majority of the workforce would likely return to Nepal upon completion of the infrastructure projects in Qatar.

While many news and journal articles paint a very poignant picture of Nepal and pin fewer hopes for its growth in near future, the authors are hopeful that given the right focus on social progress in the country through reformative infrastructure development could be a game changer for achieving sustainable growth. Hence the role of the proposed independent agency is crucial with participation from key stakeholders such as ministry representatives, regulatory bodies, development financial institutions, infrastructure consultants and construction companies.

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