



NEPAL

MADHUKAR SHUMSHERE J.B. RANA, Governor

It is a privilege and honour for me to address this 38th Annual Meeting of the Board of Governors of Asian Development Bank, being held in this magnificent, historical city of Istanbul. May I take this opportunity to thank the government and people of Turkey for the very warm welcome and gracious hospitality extended to the Nepalese delegation and myself.

The Bank's initiative in promoting both regional and sub-regional cooperation is highly appreciated by Nepal. We are particularly pleased that Turkey is beginning to look eastwards towards Asia more intensively and we are, therefore, hopeful that it will also examine the vast scope for mutual benefit arising within South Asia as a whole.

His Majesty's Government of Nepal would like to take this opportunity to strengthen our economic relations with Turkey especially in the areas of trade, investment, labour, civil aviation and tourism. With Turkey's active participation in regional and sub-regional cooperation, Nepal envisions sound prospects of integrating economies of Central and South Asia through a re-discovery of historic Silk Route and, going beyond it, to suit the new era of globalization and the dire need for a dialogue between civilizations.

Events in Nepal since the Royal Promulgation by His Majesty the King Gyanendra Bir Bikram Shah Dev, on February 1, 2005, have made headlines across the world. They still continue to do so. I believe that this is justifiable because the reasons for the Royal Promulgation touch the very heart and soul of what should concern the international community as a whole.

Fundamental concerns for the 21st century are and should be: on how to combat terrorism in all its forms; how to prevent vulnerable states from becoming failed states that will eventually endanger regional peace and security? how to prevent insurgencies in a timely manner from being transformed into civil wars that could lead to loss of any nation's independence and sovereignty? how to arrest the factors and forces of the other, parallel globalization that is so sadly amidst us -- a globalization that is being witnessed in such malaise as rampant smuggling and syndication and cartelization of the economy; trafficking in women and children for prostitution; trafficking in drugs, arms and ammunition; and, not least, money laundering?

A raging, unsettled debate continues in the United Nations, and outside amidst international civil society, about what solutions are appropriate to fight terrorism and protect democracy, individual freedoms and the rule of international law.

We suggest to the international community, especially the Asian states, that it recognizes that terrorism knows no geographical boundaries. Today it is in Nepal, but it continues to afflict the countries of Europe and Asia. Tomorrow it can be anywhere and spread like wild fire, if it is not arrested in the nick of time.

The sole purpose of the bold and timely Royal action is to restore peace, provide security to all citizens, defend the Constitution, protect the rule of law by arresting graft, corruption and

youth alienation (an overwhelming reason for the current conflict), and to include all the citizens into the body politic through political, economic, social and cultural measures and thus strike at the strategic threats to the country from the politics of destabilization: politics based on the concept of ethno-nationalism that is being actively pursued by the insurgents to divide and destabilize the nation.

His Majesty's Government's road map is clear. It seeks to do, within a period of three years, the following: to bring about peace; hold free and fair elections to municipalities, district assemblies and national parliament; strengthen the civil institutions so that they can be effective watchdog for healthy development of political process, maintain the supremacy of the rule of law, and have an economy that is market-driven and internationally competitive.

As a testimony to its adherence to the road map, the government recently lifted the emergency in line with the provisions of the constitution. The security forces are now in control of the law and order situation and can eradicate the acts of extortion and looting resorted to by terrorists for raising funds. We need to countervail the frequent calls for strikes and lockouts that have disrupted the continuity of supplies of essential goods and the government's revenue collection.

The Royal Proclamation has been backed up by HMG's 21 Point Policy. On the economic front, it seeks to, *inter alia*, inculcate financial and fiscal discipline through reforms, on the one hand, and through a national austerity programme, on the other hand.

Broadly, as we are engaged in combating counter-insurgency and terrorism actions, we believe that development and security needs to be holistically perceived and integrated in a balanced manner. We believe that there can be no development without peace, law and order. Since the roots of democracy lie in a historical case that took place in 500 B.C., in a location not too far away from here, and grew out of a just quest for the rule of law, I take the occasion to remind us all that democracy is not anarchy and its proper practice lies in respecting the rights of others as much as the rights of oneself. Everyone is entitled to a voice and, in Asia, as a whole, the majority of its poorest have not been given that voice.

The plight of the internally displaced persons in Asia, for example, is a glaring wound that remains woefully neglected. So much so that we have now a looming national sub-crisis involving hundreds of thousand internally displaced persons (IDPs)—estimated to be in the range of 300,000 to 600,000. They are the first and foremost victims of terrorism and are in need to humanitarian assistance, relief, rehabilitation and resettlement.

We intend to accord this a high priority in our forthcoming budget. We solemnly appeal our development partners present here to assist us by providing humanitarian assistance in order to meet the food, income, and security needs of these unfortunate children, women and men.

We assure our development partners that the government is fully and sincerely committed to implementing the aid agreements in their letter and spirit. In order to improve the quality of service delivery at the grassroots level we will introduce innovative approaches wherever necessary. We have already approved Basic Operating Guidelines (BOG) that emphasizes the increased involvement of community groups, local non-governmental organisations and community-based organisations in the basic service delivery with adequate funding and technical support from the government. In addition, we will devise other mechanisms and methods and of delivery and development based on the concept of public-private partnership at all levels—national, district and village communities. The one powerful lesson that Nepal

provides to the world is this: that development can take place even in conflict provided communities are mobilized.

We will, therefore, seek to encourage more direct community-led development efforts so that the communities themselves can be engaged in development according to their capacity and felt needs. This way MDGs will be reached at a faster rate and encouragement will be provided for community ownership not just of the development initiatives but also assets created. For this we must, and will mobilize, the vast social capital already existing in the form of traditional voluntary organizations (TVO).

We will move ahead in the implementation of the Paris Declaration on Aid Effectiveness. We call upon the donors to allow full ownership of development strategy making and execution, foremost in the context of terrorism and counter insurgency operations. The declaration's provision, which seeks to arrest vulnerable States becoming failed States, should be perceived in this context. Its rationale is to strengthen and not weaken the State any further.

Allow me also to add a few words about the current economic situation of our country. The economy is generally passing through difficult times. In spite of this, we have been able to target development programs in such a manner that the percent of people living below absolute poverty has come down to 31 percent from the level of 38 percent within a period of four years. The other contributing factor for this reduction is the remittance income that the country receives every year. Remittance has also been the major contributor to favorable balance of payment, while the trade deficit is growing every year. The government has been able to maintain macro-economic stability through proper blending of fiscal and monetary policies. This is reflected by manageable level of inflation and comfortable foreign exchange reserves. The GDP growth projection for the current year is 3.6 percent, which is about one percentage point less than the initial projection for the year.

Last, but not least, we will innovate towards making the economy market driven by providing full political space for the private sector to play the lead role in economic growth and employment creation in the framework of the WTO commitments. We will take measures to secure the fullest operation of the existing industries and businesses as a matter of priority. Rehabilitation of industries affected by the insurgency and terrorism will be given topmost priority to stabilize the economy and create a favourable foundation for future speedy growth in line with our immediate neighbours—the People's Republic of China and India—as we can serve as the bridge economy between South Asia and the People's Republic of China. This kind of regional cooperation is also the vision that ADB is now trying to promote between member countries.

Historically, in Nepal, Monarchs have listened to the wishes of the people whenever there have been national crises. Such calls have come throughout Nepal's history. The King of Nepal has solemnly sworn before the sovereign people of Nepal that "he wishes to reign, not rule"; to defend the constitution and to put in place the derailed parliamentary process.

The people have widely welcomed the recent Royal move and many feel it was rather late in coming. The security situation has significantly improved in the urban areas. With the new initiatives to create Zonal Administrators the void in the integration of development with security will be addressed more effectively than in the past. As it was hardly possible for the centre to respond to the exigencies of the situation arising in 14 zones, 75 districts and over 3900 village development committees.

I assure you, Mr. Chairman, that in three years we will find Nepal a peaceful, multi-party, constitutional democracy where both electoral democracy and participative development

prevail. What is more meaningful to the common men and women are the first rights to survival, food, shelter, and self-actuation. These can only be realized in the absence of terror.

Thank you.