

NEW SPOTLIGHT

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NEWSMAGAZINE



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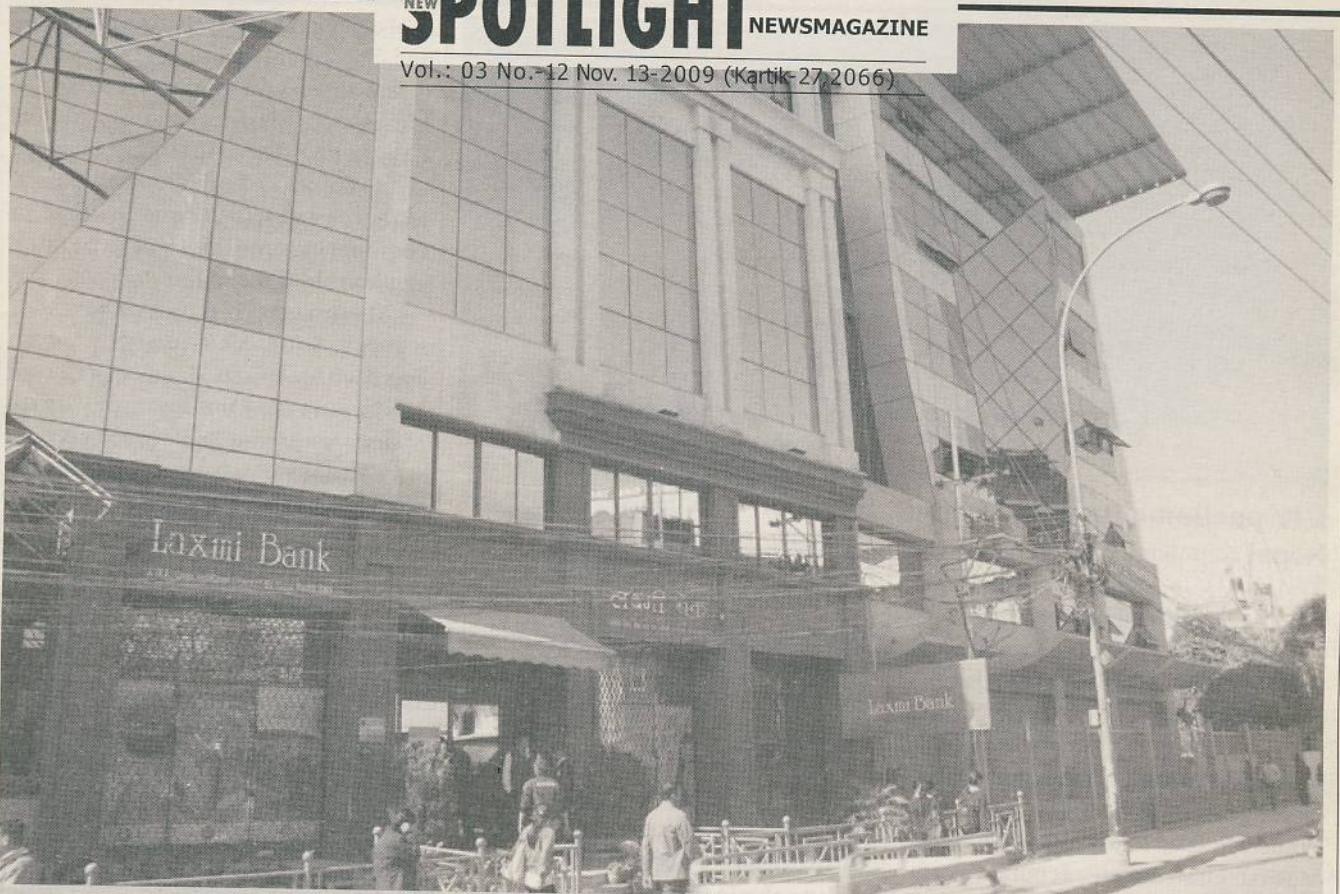
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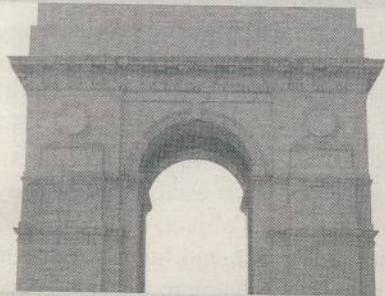




BANKS & FIs: Banking On Fund

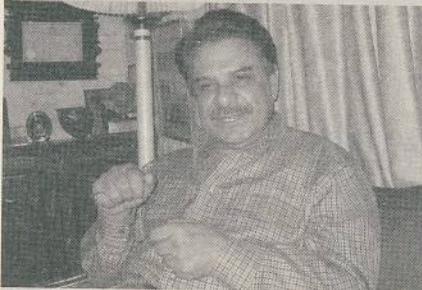
Photo Ram Humagain

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UK parliamentarian Visited Nepal

The UK Parliament International Development Committee completed its 4-day visit to Nepal, in connection with an inquiry into DFID Nepal programme. The visit took place between October 27-31.

During the inquiry the committee met Nepal government ministers, including Prime Minister Madhav Kumar Nepal, Maoist chairman Prachanda, civil servants, representatives of the donor community, private sector representatives, and civil society. The committee also undertook field visits to Surkhet, Accham, Nepalgunj, Pokhara, Parbat and Baglung, to see DFID's work first hand.

"With 31 per cent of the population still living under less than one dollar a day, the challenges to development in Nepal are huge and are further complicated by a slow peace process. Progress on poverty reduction and inclusion of all groups in society, particularly women and ethnic and religious minorities, will not be achieved without peace and stability," the committee said.

"The aim of DFID's work is to help Nepal move to a position where government can deliver the services people need. We have seen for ourselves that there is capability in Nepal to deliver services if more resources are made available."

Led by chair of the UK Parliament International Development Committee MP Malcolm Bruce, the other members in the visiting team were: MP John Battle, MP Hugh Bayley, MP Nigel

Evans, MP Mark Hendrick, MP Mark Lancaster, MP Virendra Sharma, MP Marsha Singh, and MP Andrew Stunell.

The field visits included: visiting a Maoist cantonment, a hospital, a school, and sites of community forestry, roads, skills and water supply programmes, support to the World Food Programme, and a mountain flight to observe the impact of climate change on the Himalayas.

Manmohan Memorial Polytechnic Opened

Prime Minister Madhav Kumar Nepal inaugurated the Manmohan Memorial Polytechnic at Hattimudha VDC near Biratnagar in Morang on November 2, 2009 in the presence of Indian Ambassador Rakesh Sood.

The polytechnic, the first of its kind in the country, has been established with an Indian assistance of NRs.46 crores under India-Nepal Economic Cooperation Programme, according to an Indian Embassy press release.

The polytechnic, which is located at the heart of the industrial town of Biratnagar in eastern Nepal is affiliated

to the Council for Technical Education and Vocational Training (CTEVT). It offers three-year diploma courses in Electronics, Electrical and Mechanical Engineering. The assistance is intended to fill the gap of middle level human resources and expertise in the field of engineering and aims at providing employable skills to the students.

Meanwhile Indian Ambassador Rakesh Sood also inaugurated an approach road from Manmohan Chowk at Biratnagar-Dharan highway to Manmohan Memorial Polytechnic, built with an Indian assistance of NRs.1.94 crores under Small Development Projects Programme.

The second part of the India-Nepal Youth Band Fest was also organized in Shaheed Rangashala in Biratnagar coinciding with the inauguration of the Institute.

A renowned Indian band from Mumbai 'Hipnotribe' and 'Abhaya & Steam Injuns' from Nepal performed at the event.

EC's Project Completes

European Commission Conflict Mitigation Package II (CMP II) concluded with contributions to the sectors of human rights and judiciary over a period of 30 months.

The Conflict Mitigation Package II (CMP II), a € 7 million (NPR 796 million) project financed by the European Commission, was established in May 2007 with the objective to support access to justice and human rights in Nepal. The programme was concluded after 30 months of implementation with the assistance of WYG International.

Over the course of performance, the programme worked closely with the Supreme Court, the Nepal Bar Association, the National Judicial Academy, the National Human Rights Commission and civil society organizations.

Important elements of the CMP programme have been a substantial technical assistance portfolio for programme partners in areas of institutional capacity, procurement of IT equipment and development of software



for the Judiciary and Legal Aid Centres, study tours and a considerable training programme launched in all regions of Nepal.

Among many results, the programme has assisted the NHRC in the re-organization of the institution and strengthened the capacity of NHRC through the delivery of psychosocial counselling to staff in Kathmandu and in regional offices. Technical assistance was provided to thematic areas such as social inclusion, gender equality and the need to eliminate discrimination, witness protection programme and finally four conferences were organised on the subject of advocating for a human rights friendly Constitution.

Army chief returns

Chief of the Army Staff General Chhatraman Singh Gurung returned after



completing his visit to Honolulu, Hawaii of the United States of America after taking part in the 12th Chief of Defense (CHOD).

He was welcomed by officiating chief General Toran Jung Bahadur Singh. Military attaches of various countries based in Kathmandu, acting Deputy Chief of Mission of American Embassy Lawrence Lee Hess and army generals of Nepal Army were present.

AWNN Appeals

The Nepalese government is under mounting pressure from Nepalese and international campaigners, including India's noted activist Maneka Gandhi, to stop the centuries old animal sacrifice at Gadhimai Festival in Bara district.

Nepalese campaigners have joined

hands in the Stop Animal Sacrifice Alliance and Animal Welfare Network Nepal. In a petition signed by over 2500 people, the network calls for an end to the 'extreme cruelty' taking place at 'the world's largest animal sacrifice'.

The petition is addressed to the President, Prime Minister and Deputy Prime Minister, as well as the Minister of Agriculture.

According to Animal Welfare Network Nepal (AWNN), at Gadhimai 'innocent creatures are killed en masse in an unorganized and unregulated manner. The buffaloes are in fact killed by drunken devotees who enter the temple area with *khukuris* or knives to cut off the heads of frightened animals.'

According to the network, 'no one can adequately explain why these practices are carried out year after year - except to say they are 'traditional'. This, however, is not a valuable argument to commence these practices; Nepal, realizing the adverse effects, has abolished a number of 'traditions' in the past, including human sacrifice and widow burning.'

Ambassadors seriously concerned over Maoist protests

Ambassadors and representatives from the European Union, the United States, Russia and other countries and international organisations met Chairman Pushpa Kamal Dahal at his invitation on the afternoon of 3 November to discuss the UCPN (Maoist) protest programmes.

During the meeting, the EU and Russian envoys and the US Charge d'Affaires expressed serious concerns about the planned demonstrations and the risks of escalating tension. They asked chairman Dahal to urgently reconsider the programme.

The envoys urged Dahal to respect the democratic process and to use the Constituent Assembly, Parliament and other peace process mechanisms to pursue their programmes of opposition.

The press statement was issued by the British Embassy on behalf of the Missions of Denmark, European Commission, France, Finland, Germany, Netherlands, Russia, the United Kingdom and the United States.



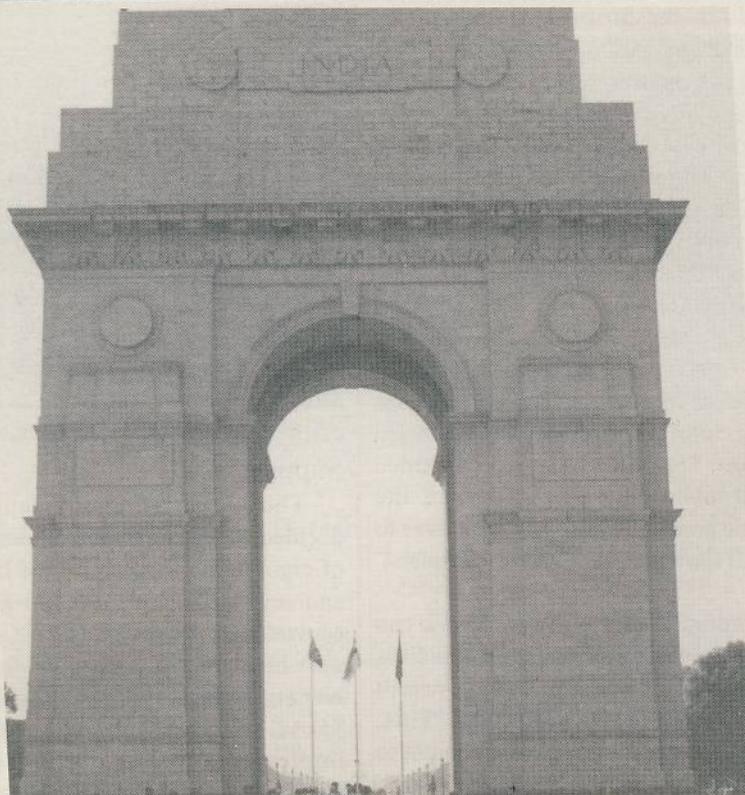
Japanese Government Extends Support

The Government of Japan has decided to extend financial assistance of eighty-nine thousand, nine hundred and seven US Dollars (USD 89,907), equivalent to approximately six million, nine hundred and sixty-four thousand Nepali Rupees (NPR 6,964,000), to SHAKTI SAMUHA for the implementation of the Project for Construction of Safe Home for Increasing Rehabilitation to Victims of Trafficking in Gokarna, in Japan's FY 2009. This financial assistance is extended under the Grant Assistance for Grassroots Human Security Projects (GGP) scheme of the Government of Japan.

According to a press release of Embassy of Japan, a Grant Contract to this effect was signed and exchanged today between Japanese ambassador to Nepal Tatsuo MIZUNO, and Mrs. Chari Maya Tamang, President of Shakti Samuha, Kathmandu.

The Grant will be utilized for the construction of a three-stories building with 10 rooms to be named 'Safe Home' for children and women victims of trafficking as a solid base for rehabilitating survivors of trafficking, and providing care and assistance to enable them to become economically independent.

Nepal is considered as a source country for trafficking. The underlying causes of trafficking in the border villages of Nepal are the prevalence of rampant poverty, gender inequality, discrimination against women, ignorance, domestic abuse, loss of livelihoods and recent political instability. ■



Delhi : Gateway to power ?

POLITICS

Delhi Dallying

Nepal's domestic political players compete to win the foreign referee's favor

By **SUSHIL SHARMA**
with **SAROJ DAHAL**

He was about to board the flight to Kathmandu. After full five days in Delhi. Feeling humiliated on not being given an appointment with prime minister Man Mohan

Singh.

At the last minute, he cancelled the flight. Returned to the hotel. Swallowed humiliation. But could not refuse a hurriedly set meeting with Singh the next day.

The man was none other than the chairman of Nepal's third largest party that is heading a multi-party coalition. Jhannath Khanal is portrayed as hard on India and soft on China. And farther from the 'rightist' Nepali Congress and closer to the 'leftist' Maoists.

But he defied his image and showed

true colors. At what another Nepalese leader, Upendra Yadav, called the Mecca of Nepali politicians.

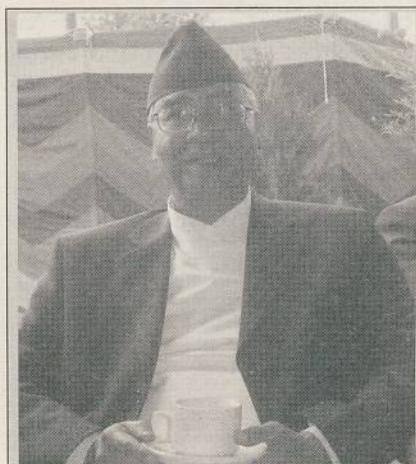
Little wonder, then, that the "secular" Maoists have been desperate to seek the blessing of the God Almighty across the southern border.

Diplomatically snubbed by the north over their unreliability during a recent top-level visit to Beijing, the "nationalist" and "patriotic" Maoists are now desperate to win the hearts and the minds of the "expansionist" Delhi. To be able to return to the seat of power in Kathmandu.

Top Maoist leaders admit they have no option. Notwithstanding the anti-India rhetoric in public. "We have realised that engaging with India rather than dealing with the country's political parties is what yields the desired results"

said politburo member Agni Prasad Sapkota. He told NEW SPOTLIGHT that the party has decided to speed up talks with foreign powers including India. The party has been in constant touch with power centers of Delhi in recent weeks.

It is now expecting a formal channel to open up. Said head of the international relations department, Krishna Bahadur Mahara, "Our leadership stands ready to go to India for talks the moment it receives invitation." According to him, efforts are on for such a move. ■



PM-IN-WAITING?

Message from Delhi according to the visiting Nepalese leaders, in public, is: Let the prime minister Madhav Kumar Nepal continue in office. Moves from across the border are just the opposite, going by what the leaders say in private. They say, the Madhav-led coalition's days are numbered. It may not even see the new year 2010. Does that mean a Maoist-led govt is on the card? Not at all, sources say. The Maoists have apparently failed in their real goal of putting pressure on Delhi through the threat of anarchy. The Maoist agitation has only further alienated the former rebels from the power they think that mattered the most in Nepali politics. According to sources, the man most likely to emerge winner from the present stalemate is the Nepali Congress stalwart and a recent Delhi-returnee, Sher Bahadur Deuba, to head "a national consensus government". Top Maoist leaders have not ruled out being part of it, once the immediate objective of dislodging the present "unconstitutionally formed" government is met. ■

Climate Call

Whistling In The Wind

The SOS signals by least developed and most vulnerable countries fall into deaf ears

By NAVIN SINGH KHADKA

It could not have come at a better time. Less than one month before a crucial global climate summit, least developed and climatically most vulnerable countries have met in the Maldives to make themselves heard – yet again.

The timing is quite right also because international climate negotiations in the run up to the Copenhagen summit have not moved anywhere.

Nepal made a similar effort last September but the regional conference could not come up with a declaration thanks to geo-politics.

Most vulnerable African countries have also held several rounds of such meetings to get their message across.

And this time the Maldives took the lead. Was it any different?

Given the severe climatic vulnerability of the meeting venue – the Maldivian islands facing the rising sea level – it did indeed make news headlines. Just the way the Maldivian cabinet did last month when they met underwater on the India ocean bed.

But the trouble is the developed worlds already know what these poor and vulnerable countries want them to.

Rich countries' own knowledge bank on climate change impacts apart, the Inter-governmental Panel on Climate Change made it clear more than two years ago that it would be poor communities that would be the hardest hit.

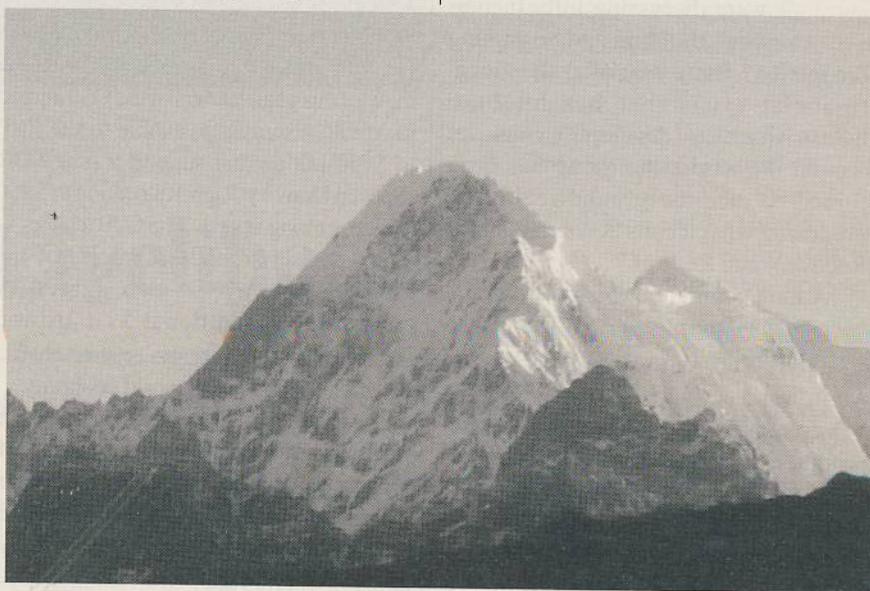
Even the biggest sceptic, the United States of America came out with a white paper last year admitting climate change was happening and that it itself would be affected.

And yet there is no sign of the world's major polluters reaching into any agreement to cut down their carbon emissions – the main reason scientists cite for climate change.

The Bali Action Plan – that was agreed two years ago to prepare the

ground work so that a deal could be reached in the Copenhagen conference next month – has simply failed.

All major players and so much so even coordinating UN officials have made it clear that Copenhagen will seal



Himalayas : Under a threat

no deal and that there would only be an understanding on broader issues like adaptation, financing and technology transfer.

Such understandings may mean some immediate gains for least developed and most vulnerable countries like Nepal.

They may at best get some funds to adapt to inevitable impacts of climate change although the adaptation funding record has been appalling.

Technology transfer, if at all it happens, may also mean energy efficiency for these poor countries although their emissions are nominal.

But the root cause of global warming – increase in greenhouse gas emissions – appears likely to stay for sometime, at least.

Without cutting the carbon greenhouse gas, sea level rising won't

stop, glaciers would continue to melt, rainfall will be even more erratic frequently causing floods, and droughts will be much severe.

In effect, farm outputs will dwindle, public health will worsen and there will be waves of environmental refugees. These are few already observed results.

Climate science is so complicated even for experts of developed worlds that its long term consequences are not known yet.

It is exactly in this context, voices of the most vulnerable countries make sense.

But is anyone listening? Not at least who should.

Key players of the alliance of

developing countries – the G77 plus China – are engaged in a “who blinks first” game with industrialised countries.

For an agreement in Copenhagen, emerging economies like China, India and Brazil want rich countries to cut their carbon by 40 percent from 1990 levels by 2020 first.

While the latter ones want the fast developing countries to make some binding carbon cut commitments.

Caught in this impasse are the least developed countries who are already bearing the climate brunt.

With one after another meeting, they have now begun to make noise.

By the time the Copenhagen conference kicks off, they may even begin to yell.

But will they be able wake those up who pretend to be asleep?

The writer is a BBC journalist ■

SCOTCH MEET

No Cheers

The meeting of G20 countries fails to address the problems being faced by poor countries in the wake of global financial crisis

By BHAGIRATHYOGI in London

Till three years ago, members of G20—a club of major economies of the world—were discussing lofty themes like “Building and Sustaining Prosperity.” But a year after the global financial crisis that has hit both industrialised and developing countries around the world, the group has been forced to face the ground reality by proposing what it calls “Global Plan for Recovery and Reform.”

A joint communiqué issued after the conclusion of the meeting of G20 finance ministers and central bankers at St. Andrews, Scotland, on November 7, however, said that economic and financial conditions have improved following “our coordinated response to the crisis.” “However, the recovery is uneven and remains dependent on policy support, and high unemployment is a major concern. To restore the global economy and financial system to health, we agreed to maintain support for the recovery until it is assured,” the Group said.

The meeting—that came ahead of the UN conference on Climate Change due to kick off in Copenhagen in December—failed to agree on a global target for what has been dubbed as ‘the climate finance.’ The finance ministers also failed to agree the amount of money that will flow from rich countries to poor to help the developing world limit carbon emissions. Nor did they agree how any funds would be spent as and when an amount will be agreed.

The financial crisis is going to affect different aspects of the world economy. According to the IMF, foreign direct investment is expected to fall by 20 percent this year. The cost of borrowing

has risen significantly, and in some cases may be unavailable. Remittances from citizens working abroad are likely to fall. And aid flows are potentially threatened by budget pressures in donor countries.

During their summit meeting in London in April this year, leaders of the G20 agreed to treble resources available to the IMF to \$750 billion and support a new SDR (Special Drawing Right) allocation of \$250 billion, among others. The G20 leaders—that represent around 85 percent of the global economy—also agreed to constitute an additional \$1.1 trillion programme of support to restore credit, growth and jobs in the world economy.

“We are undertaking an unprecedented and concerted fiscal expansion, which will save or create millions of jobs which would otherwise have been destroyed, and that will, by the end of next year, amount to \$5 trillion, raise output by 4 per cent, and accelerate the transition to a green economy. We are committed to deliver the scale of sustained fiscal effort necessary to restore growth,” the G20 leaders said.

But analysts point towards the fact that only a tiny fraction of that money may be directed towards the developing countries. Historically too, the rich nations have not kept their promise, according to studies. In 1970, in a United Nations resolution, 22 of the world’s richest countries had vowed to spend 0.7 percent of their national income on aid. By 2005, only five countries had lived up to that promise.

Impact of Recession

With the major western economies reeling under severe recession, prospects of aid for poor and developing countries look more



G-20 Ministers : No progress

uncertain. Italy, that hosted the summit of world’s eight richest and industrialised countries (G8) in July this year, has already cut its aid budget citing domestic financial difficulties.

For countries like Nepal, global financial crisis has posed many challenges. Though hundreds of Nepali migrant workers have already returned home especially from Malaysia and the Gulf countries, the overall volume of remittance hasn’t declined as yet. But, as expected, there have been less demand for major Nepali export items like carpet and garments and number of tourists visiting the country has also declined.

“Nepal needs to study the impact of global financial crisis closely and devise ways to deal with them in both the short and long-term,” said Dr Shankar Sharma, former vice chairman of the National Planning Commission, who has recently been appointed Nepali envoy to the USA. “As Nepal is increasingly getting connected to the outside world economically, we can’t remain aloof from the fluctuations in the global financial market,” he added.

Unfortunately, as the country is mired in prolonged political crisis, there seems little motivation or commitment among the officialdom to analyse the situation and devise proper response. It will only mean that we will continue to suffer from the shocks of the crisis in the days to come—in the creation of which we had no contribution at all. ■



CARDAMOM : Bumper price

CARDAMOM

Changing Livelihood

Cardamom has transformed subsistence agriculture of eastern hills to commercial farming

By **UMA KANTA KHANAL** in Phidim

Indra Prasad Dangal of Lungruppa-9, Panchthar, is very frustrated that the production of large cardamom has decreased. He says he has lost 80 percent of his total production this year.

"I have near about 25 kilograms of large cardamom this year, but last year I had sold nearly 400 kilograms," says Dangal, showing his dry fruit brought to Phidim for sale.

The field of Sharan Rai of Sidin-2, Panchthar is not better than Dangal's.

Rai says, "Diseases like *fushre*, *chhirke* (unidentified diseases named locally) have affected our fields."

The cardamom fields in eastern hill districts are under assault by different kinds of diseases. Plants are drying up and production has seen a sharp decline.

Dangal says that the government should bring remedies to the diseases. "It is not only our property, so the government should give emphasis to

save the fields," he says.

Like Dangal most of the large cardamom farmers are likely to change their farming because they no longer see any speedy solution to control the disease in their large cardamom fields.

Cardamom plantation has played a key role in the farming adopted by the households in the eastern hill districts. It is the only cash crop viable for livelihood for the marginalized rural communities in the region. There are over 70 thousand farm households involved in cardamom cultivation across the country, according to Large Cardamom Entrepreneurs Association of Nepal.

Large cardamom farming not only increases the economic status of people of rural areas but also maintains permanent green cover on forest floor that prevents soil erosion and enables fragile ecosystem to remain intact. It is ecologically adapted farming on the mountain slopes and under-forestry

system. The price of large cardamom has reached up to Rs. 400 per kg, which is the largest price till now at the local market.

The entire production is meant for export to India and the third countries because there is not much consumption in Nepal. This is widely used to prepare spices, sweets and other Indian dishes. The hill districts of Purwanchal like Taplejung, Ilam, Panchthar, and Sankhuwasabha are renowned for large cardamom production. The total land used in the large cardamom cultivation is 13 thousand 7 hundred and 84 hectares.

"The production of large cardamom has decreased by up to 80%," Deepak Nepal – a businessman in Phidim, Panchthar says, "The crop which was regarded as black diamond in the eastern hills is in decline. And this is dangerous for agriculture."

As per the record of last fiscal year, large cardamom was exported to India and the third countries to the tune of about Rs. 1 billion and 350 million. But the farmers say this record will be reduced if the diseases are not controlled in time.

Mercy Corps – an INGO, which is assisting farmers in large cardamom farming and its marketing strategy, is also in the process of finding the facts regarding the diseases in the fields and the procedures of prevention. The program manager of its Birtamod office, Tej Thapa says, "This may be the effect of climate change which is affecting the entire ecosystem of the earth. We are assisting the farmers to overcome the problems of diseases in the fields." ■

NEW SPOTLIGHT

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BANKS & FIs

Banking
On Fund

Along with the explosion in the number of banks and financial institutions in recent times, there has been a rapid swelling of funds the banking system has collected. In recent count, the banks and financial institutions were sitting atop whopping Rs 500 billion of funds. That apart, the loosely controlled Saving and Credit cooperatives also had additional Rs 65 billion of funds with them. However, due to absence of proper investment climate and opportunities, many say that the funds have not been put to productive use.

By SANJAYADHAKAL

Recently, an interesting cartoon appeared in a broadsheet daily newspaper. It showed a baffled villager face to face with bankers who had swooped down his village looking for house to open new branch.

The cartoon, though a bit far-fetched, was quite telling about the rapid expansion of the financial market in the country.

While the remote villages may not yet be attractive for the banks, the urban and semi-urban centers are literally 'swarming' with banks and financial institutions of all kinds.

A casual walk along the streets in Kathmandu valley will provide more than enough evidence of the banking boom.

The number of A class commercial banks alone has reached 27. The development banks and financial institutions have similarly multiplied.

The report by the Nepal Rastra Bank (NRB) – the central bank – also reveals the trend of opening financial institutions in the country.

Two and a half decades ago, there were only two commercial banks and two development banks in the country.

However, the adoption of economic liberalization policy in early 1990s opened the floodgates.

The NRB report, including the data till mid – January 2009, states that there are altogether 235 banks and non-bank financial institutions licensed by the central bank that are in operation. "Out of them, 25 are A class commercial banks, 59 B class development banks, 78 C class

finance companies, 12 D class micro-credit development banks, 16 saving and credit co-operatives and 45 NGOs," the report states.

In the subsequent one year, a couple of development banks have been upgraded to class A category.

Surfeit Of Funds

Finance Minister Surendra Pandey has gone on record saying that the financial system currently has plenty of funds.

"The banks and financial institutions have Rs 500 billion of fund with them. And the cooperatives also have around Rs 65 billion," he said at a recent interaction at the Reporters' Club.

His remarks correspond with the statements made by the bankers themselves.

Shashin Joshi, president of Nepal



NIB : Bank with pride

Bankers' Association (NBA), said that of the total deposits in the banks and financial institutions, they have made loan investments to the tune of Rs 450 billion.

The NRB report states that along with the increase in number of Financial Institutions as well as volume of transactions, the total assets/liabilities of the financial system, too, has witnessed continuous growth over the last seven and half years.

During the period 2001 to mid – January 2009, the total assets of whole financial system increased by 14.97 percent per annum and reached to Rs.829293.3 million in mid – January 2009 from Rs.273946.2 million in mid – July 2001. In mid – January 2009, the total assets registered a growth of 17.41 percent compared to 21.26 percent in mid – July 2008.

The structure of financial assets/liabilities shows that Commercial Bank alone hold more than 80 percent of the total assets and liabilities of the financial system. As of mid – January 2009, Commercial Bank group occupied 82.3 percent of total assets/liabilities followed by Finance Companies 9.4 percent, Development Banks 6.0 percent, Micro-credit Development Bank 1.7 percent and others 0.6 percent.

“This Uncertainty Is Critical”

Dr. Jagadish Chandra Pokharel

T h e government says it has enough funds. But the development expenditure is very little. What do you say?



The funds have not been properly utilized. Besides, due to prevailing uncertainty over budget, no investor is likely to come forward.

What do you mean?

Even though the government may call tender for development projects, no contractor will come in unless the full-fledged budget is passed.

What about the impact on investment climate?

The delay in approving the budget will affect the overall budget cycle. Tenders will be delayed. Investors will fretter. This uncertainty is critical. ■

Apart from banks, the government itself is also basking in the glory of huge increase in fund thanks to revenue growth.

“In the first four months of this fiscal year alone, we have collected over Rs 38 billion revenue,” said Keshab Acharya, senior economic advisor at the

Ministry of Finance.

Furthermore, the revenue collection is growing at an average of 50 percent compared to the previous year.

It was, therefore, not surprising to find Finance Minister Surendra Pandey under little pressure despite the looming budget crisis.

Thanks to political wrangling, the budget has not been passed by the parliament even four months after it was presented. Currently, the government is running out of legal validity to spend the budget.

As per the advance expenditure bill passed by the parliament, the government can lawfully spend only one-third of the budget allocated for each title.

As such, the government has run out of lawful limit in paying salaries to ministers and parliamentarians. From mid-November, it is set to cross the limit in paying salaries to tens of thousands of employees.

Despite the squeeze, Finance Minister Pandey recently said that he had no problem regarding funds.

“We have enough funds and revenue is also coming in handsomely. The only problem is political,” he said.

No Opportunity

Even though the financial system has enough funds, the absence of proper investment climate and opportunities threatens to adversely affect the economy.

In recent years, the astronomical rise in inward remittances sent by overseas workers – this year they sent Rs 200 billion worth of remittances – has ensured that the financial system remained flush with funds.

But the very reason that these workers had to leave their country for earning is now throttling the proper investment climate of the money they have sent home.

The bandhs and strikes, unending political squabbling, labor unrest, and so on have hurt the investment climate.

Consequently, many banks and financial institutions and most cooperatives have invested in unproductive sectors like real estate and share.

“The NRB has, time and again, alerted the banks about the risk of investing heavily in real estate and shares. These bubbles can burst anytime,” NRB governor Bijaya Nath Bhattarai had said recently.

But the banks are unwilling to accept that they have invested heavily in such risky sectors. “Only few banks have made heavy lending in real estate sector. In totality, only 14 to 15 percent of total lending is in real estate. Likewise, the investment in shares is less than 10



NRB : Challenges to monitor

Photo : Ram Humagain

percent,” said Shashin Joshi, president of NBA.

Economists say that funds would be better utilized if they could be invested in job-creating areas such as huge infrastructure development, factories, industries and hydropower.

“But the government has not been able to create that climate,” says economist Dr. Jagadish Chandra Pokharel.

A former vice chairman of National Planning Commission (NPC), Dr. Pokharel added that amid the current

uncertainty over budget even the government-sanctioned projects will not be attractive to investors.

Even within the limits of the advance expenditure bill, the government can spend up to Rs 35 billion in development expenditure – of the total Rs 106 billion set aside for development this year.

But till date, the government could only spend a paltry Rs 2.3 billion in development.

As such, despite the huge funds, the same has not been able to engineer the economic growth. ■

प्रिमियर बचत योजना

ब्याज दैनिक मौजदातमा

न्यूनतम मौजदात रु. २०००/- मात्र



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Franchise is fair

-BIRENDRA RAJKARNIKAR

BIRENDRA RAJKARNIKAR, managing director of the House of Rajkarnikar, is an innovative person best known for his role in organizing business fairs. As a pioneering company, the House of Rajkarnikar is organizing FRO 2009 Kathmandu Seminar, a franchising fair on December 17, 2009. Rajkarnikar spoke to New Spotlight on various issues. Excerpts:

What is the FRO 2009 Kathmandu Seminar all about?

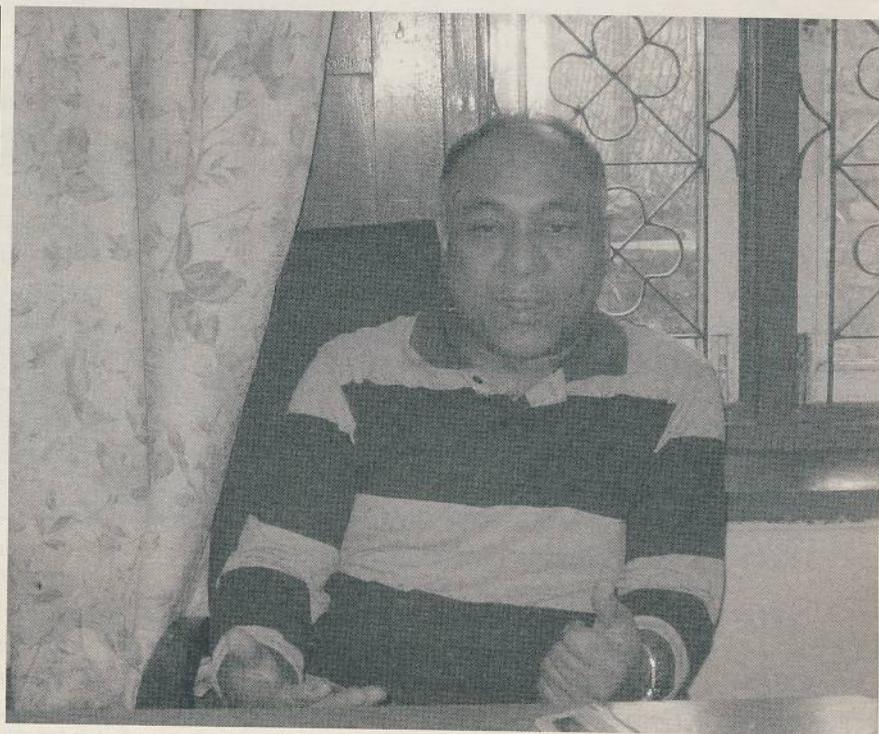
This is basically a fair on franchising. We are trying to have face to face meetings with franchisers on the one hand and franchisees on the other. Franchisers are the companies or individuals with particular brand names or particular branded establishments that could be food product, clothing or real estate or anything like that. If he/she hits the business, he/she wants to propagate and expand it into other areas without having to invest himself/herself. Basically what he is doing is he is seeking or he is trying to solicit investors who would pay certain amount of royalty or fees to him in which case he will replicate his business in that particular locality and in that particular country.

What will franchisers do?

The franchisers will pass their knowledge, technology and management processes. They will also be supplying franchisees with not only equipment, which could be furniture or raw materials, but also replicating their business and success from one area to another but with a different investor. The investor would have to pay royalty of some sort. For others, he or she would have to purchase from principal company. An investor will get already successful business in his locality.

How will Nepal benefit from this?

Obviously, franchisers coming to the market are mostly Indian franchisers. Some of them are Indian franchisees that



have master franchise for Nepal as well. So, they will be seeking Nepalese investors, businessmen and women who would be interested in replicating their business in Nepal. The opportunities that would come will be more targeted to small, medium scale and middle sized business people. There will be opportunities for the business houses also depending upon the kind of franchise. But the beauty of this event is that it provides opportunities for small investors as well as big investors. By small investors, I mean the companies with just five lacks of investment. This is going to be a wonderful opportunity for Nepalese investors to find these kinds of partners to invest and start business in Nepal.

What is the objective the fair?

The objective of the fair is to introduce the concept of franchising in Nepal, to educate potential Nepalese franchisees on the legal, financial, technical and management-related issues of taking a franchise and to provide a networking forum for

franchisers, franchisees and support business such as bankers and lawyers.

Which areas are you going to cover?

We will cover the areas of franchising such as conceptual introductions, why a franchising could be your best option, franchise contract and agreement, do's and don'ts in franchising, when and how to develop your successful business as a franchiser, franchising potential and challenges in Nepal and business opportunities for franchising in Nepal.

Who will take part?

The seminar would be open to the business community in Nepal, especially entrepreneurs, investors, retail outlet owners, bankers, relevant government officers and those business visitors who sign up for the prescheduled appointments during the fair.

One thing we have to remember is that what I mean by franchising is not necessarily just for consumer products and it could be a business to business product. Main businesses are coming from business sectors, offices, INGOs, NGOs, and different office setups. They will require it for their set up. ■

“The Situation is Volatile”

- BASANT RAJ MISHRA

For many years, Chitwan was the second largest foreign currency earner

Tourism entrepreneur **BASANT RAJ MISHRA** is well known for introducing eco-tourism in Nepal through jungle lodges and resorts. As someone with long experience in the travel trade, Mishra, the executive chairman of Temple Tigers, heads Nepal Association of Tour Operators (NATO). He has received several international awards for his contribution to eco-tourism of Chitwan National Park. **KESHAB POUDEL** caught up with Mishra for his views on the controversial decision of Nepal government not to renew the licenses of seven lodges located inside the national park. Excerpts:

How do you assess the state of tourism in Nepal in the context of agitation announced by the Maoists and the closure of the jungle lodges inside the Chitwan National Park?

According to statistics of the Pacific Association of Travel Agents (PATA), the number of tourists arriving in the Asia and Pacific countries declined in the year 2008. It declined by about 8.7 percent because of problems in India and Thailand as well as due to the spread of swine flu. However, tourist arrivals increased in Nepal during that period. Thanks to the return of normalcy, the growth picked up and we all are encouraged by the results.

What type of tourism are you promoting?

We just don't need only an increase in the number of tourists, we need more quality tourists. They should spend money for the benefit of our people. An increase in the number of backpackers has very little impact on Nepal's economy. Our tourism is nature-based and we cannot go for mass tourism.

How were the lodges in Chitwan doing?

The seven jungle lodges of Chitwan National Park used to be the highest paid places, where only affluent tourists came and stayed. For many years, Chitwan was the second largest foreign currency earner despite the lower number of hotels after Pokhara. We were the highest tax payers. It is unfortunate that the government suddenly issued closure notices to such lucrative profit-makers without any prior notice. This decision has sent a negative message throughout the world.

How do you say that?

We have failed to capitalize on opportunities. The sudden closure of seven hotels in Chitwan National Park is a major drawback in the tourism sector. From US Secretary of State Hilary Clinton to Indian leader Sonia Gandhi and for a number of Hollywood and Bollywood actors and actresses, Chitwan jungle lodges attracted everyone and showed how conservation and tourism could go side by side. For

all the conservationists in the world, Nepal's eco-tourism was a model. Unfortunately, the government issued short closure notice to such a tourist paradise.

Will the government decision improve the image of the place?

The decision only carries a bad image, not just in the tourism sector, but all over the world. It has sent a message that Nepal's situation is unpredictable. It has damaged the tourism industry a lot. Despite the closure of hotels inside the park, we have managed the inflow by sending tourists outside the national park, but the level of satisfaction is different. Living inside the park and outside are different. Many tourists complain that they did not get the services and facilities they expected. This will definitely harm Nepal's market for 2010 and 2011. International tour operators will remove Nepal from their brochure for those years.

How do you look at tourism development generally?

One of the problems in our tourism is perception. The message has spread worldwide that Nepal is a safe place, especially after the Comprehensive Peace Agreement between the government and Maoists. Even during the height of insurgency, our situation was not like that of Pakistan and Sri Lanka. There were no cases of stranded tourists and no tourist was harmed.

What contributions have you made personally in the sector?

The way we are usefully promoting eco-tourism makes the hotel entrepreneurs of our neighboring countries jealous. We are pioneers of wildlife tourism in Asia. After Africa, Nepal is a pioneer in wildlife tourism and we have global image for that. India, Thailand, Malaysia and Indonesia learn from our expertise of eco-tourism in Nepal and they have started similar products.

Who benefits from the government decision?

The closure of our jungle lodges gives a golden opportunity to others to lure tourists. From October 15, Kanarban resort was opened in India. After its operation, many tourists who aspired to come to Nepal cancelled their booking from India. How can we convince politicians?

What does the Public Accounts Committee say?

After completion of their study, the Public Account Committee members of Legislature Parliament recommended to the government saying that the lodges should be allowed to operate this season. Suddenly, another committee intervened and asked not to issue the permission before the

completion of their report. This conflict of interest for the jurisdiction gave another wrong message to the world community that Nepal's decision making process is unpredictable.

Why is there this dispute?

Because of the disputes between two committees, the issue cannot be settled in four months. Frankly speaking, we are in a great uncertainty. We have sent a number of contradictory letters in course of three months. Due to our decisions, we have lost our credibility. The disputes between two parliamentary committees have sent a bad message.

Don't you think you are promoting your own interest?

It is not a question of just Temple Tigers or Tiger Tops or others. This is related to the commitment and image of the country. This also showed the maturity of the parliament. Country's parliament is just a recommendatory body, but it is the government which needs to take decision. The government has to punish the wrongdoers, if there are any. The country is losing 2.5 million rupees as revenues per day. Jungle lodges were there for the last forty-four years. If something went wrong, those who committed mistakes should be punished.

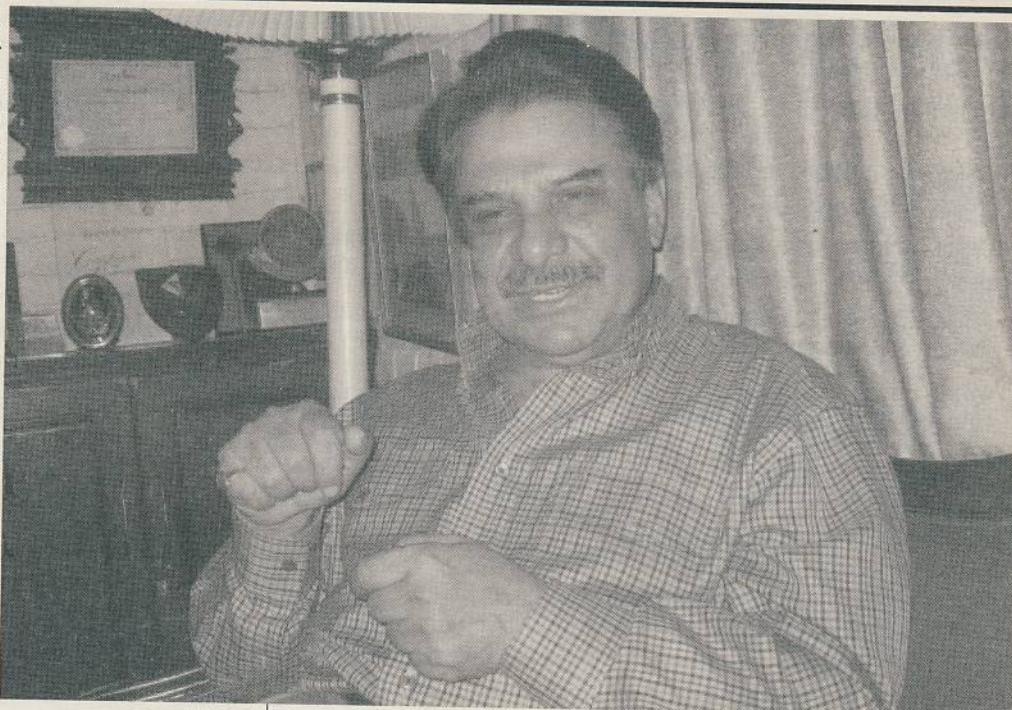
Why did you not take the initiative long before the closing down of lodges?

We knew that our agreement was going to expire on September 2009 and we had been taking the initiative for last four years. According to a clause of our agreement, the government needs to take mid-term evaluation before issuing any notice. The mid-term evaluation report has not recommended closing down but the ministry issued closure notice without any justification.

Didn't you have sufficient time?

Frankly speaking, they issued the closure notice with a trick. The ministry never considered the labor problems, image of the country and implications to tourism. Whoever took this decision, it is very immature. After more than forty-four years of hard work, we earned this reputation. We earned a lot of foreign currency for the nation in the last forty-four years.

Your are blamed that jungle lodges supported poachers. How do you respond?



During the height of insurgency when the army deserted the check posts and employees left the park, we took care of the wildlife including rhinos and tigers. When we started lodges inside the park, there were less than 60 rhinos and now there are 500 rhinos. Although the Ministry of Forests translocated more than 85 rhinos in the last 20 years in Babai Valley of Bardia National Park, the number is now just 22. There are no jungle lodges inside the Bardia National Park. Why is it not multiplied in Babai as in Chitwan?

Then why are you thrown out?

There is this statistic. Despite all these data, we were thrown out. Surrounded by the notorious area of Indian state of Bihar and villages in all sides, the wildlife in Chitwan National Park is protected by the community, hotel entrepreneurs and the army. The decision to close the jungle lodge will benefit the poachers. Our hotel staff live all through the season inside the park with resources like elephant, four wheel drive and manpower. We are partners of wildlife and national park. We cannot imagine business without preservation of wildlife. We don't understand why they closed. Parliamentary committees are accusing each other. This is very sad.

Given the Maoist threat of nationwide agitation and sudden closure of lodges, how do you see the future of tourism?

It is still a very volatile situation. We have seen a rise in the number of tourists this year. This is happy news but the challenges before us are to maintain our market. It is very unfortunate that our policymakers destroyed a product which has global recognition. ■

During the height of insurgency when the army deserted the check posts and employees left the park, we took care of the wildlife including rhinos and tigers.

Inflation In Nepal

Summary:

- The Year-on-Year inflation rate as of mid-September 2009, according to Nepal Rastra Bank's (NRB) latest macroeconomic report, is 9.7%.
- Price index of food and beverage group up 16.3% while price index of non-food and service group up 2.1 % as of Mid-September 2009.
- The annual budget of the Ministry of Finance and the Monetary Policy report of the NRB has projected an inflation target of 7% for FY 2009/10
- After remaining in negative territory for over 3 months, Wholesale Price Index (WPI) based inflation in India as of Oct 17th, 2009 is 1.51 %.

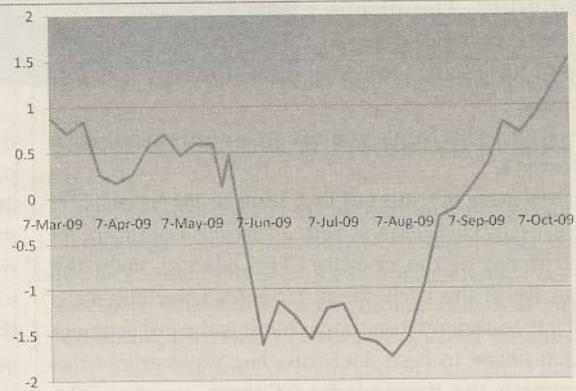
According to the latest macroeconomic report from Nepal Rastra Bank (NRB), the year-on-year (y-o-y) Consumer Price Inflation (CPI) moderated to 9.7% in mid September 2009. Though still high compared to international standards, after reaching the highs of above 14% on mid Jan 2009, inflation has moderated gradually during the last few months (see figure 1). The annual budget of the Ministry of Finance (MOF) of Nepal for 2009/10 and the monetary policy of the NRB has projected an inflation target of 7% for Fiscal Year (FY) 2009/10. The annual average inflation in FY 2008/09 was 13.2% which was higher than the target of 7%. In its annual monetary policy report, the NRB has indentified supply side constraints as the primary cause of the high inflation.

is making an average consumer worse off whose consumption basket is predominantly tilted towards food and beverages side.

Inflation in India

After remaining in the negative territory for over 3 months, the Wholesale Price Index (WPI) based inflation rate has gradually inched up to positive territory during last one month (see figure 3 for details). According to the official figure, the WPI based inflation rate has increased to 1.51 % for the week ending on Oct 17th, 2009. Indian

Figure 3: WPI based Indian Inflation since March 2009



Inflation rate had gone down to as low as negative 1.74% on the week ending on Aug 1st, 2009.

Given the recent gradual reversal in inflation rate, policymakers and economists

doesn't allow for tightening of monetary policy.

Global inflation

In March 2009, the CPI based US inflation turned negative for the first time in 54 years reaching negative 0.38%. At the end of Sept 2009, the inflation in US is at negative 1.3% (see figure 4). Low inflation in major advanced economies is largely due to the economic recession from the fallout of the financial crisis of 2008 and remarkably low oil and other commodity prices during first half of 2009.

Experts however are divided over the outlook of the inflation in the United States. With the fed funds rate at the lowest bound possible, there is abundant liquidity in the US which could push up price levels. And because of

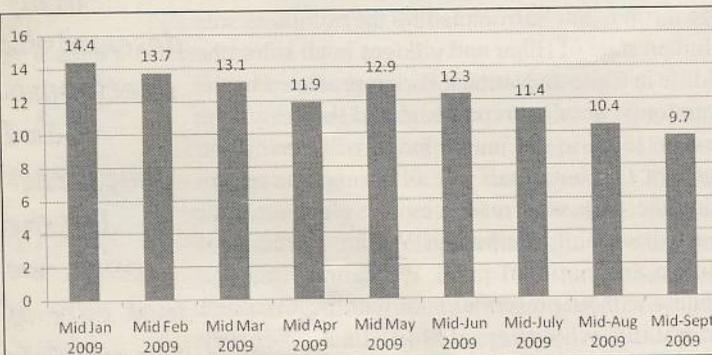


Figure 1: The Year-on Year (y-o-y) inflation figure (Source: NRB)

Inflationary pressure, according to the NRB macroeconomic report, has been driven primarily by significant price rise of 17.8% in **food and beverages group** and a moderate rise of 2.1% in **non food and services** group. Despite a recent decline in inflation figures, the high price increment in food and beverage group

in India are worried that inflation may spike up too soon and spoil the current economic recovery. However recent inflation figures need to be put in the proper perspectives as the high inflation during first half of 2008 created a high base effect and led to negative inflation numbers during June-July of 2009.

ECONOMY

the high unemployment rate in the US, the Federal Reserve is not in the position to raise the fed funds rate any time soon as a rate hike could kill the nascent US economic recovery. The Year-on-Year inflation in Euro zone, Japan and China are also in negative territory.

Reasons for high inflation in Nepal

While the inflation rate is falling all over the globe, why inflation has been skyrocketing in Nepal is still a conundrum, and worrisome for policymakers and public in general. During the first half of 2008/09, global food crisis and huge increase in commodity prices were significant drivers of high inflation. However, despite sharp fall in commodity prices, we have not seen commensurate decrease in domestic inflation level. Officials at the Nepal Rastra Bank (NRB) and the Ministry of Finance (MOF) have attributed higher inflation to supply constraints emanating from energy

billion in FY 2008/09 (See figure 5 for details). Though there is no formal research on the uses of remittance inflows in Nepal, anecdotal evidence shows that most of the remittance income has been used up for consumption purpose. Even if the remittance incomes are used

argue that remittance has also been instrumental in driving up the price levels.

In these contexts, the inflation target of 7% in FY 09/10 might not be unattainable. On the monetary side, the NRB, with the view of containing inflation, has put a lower projection on

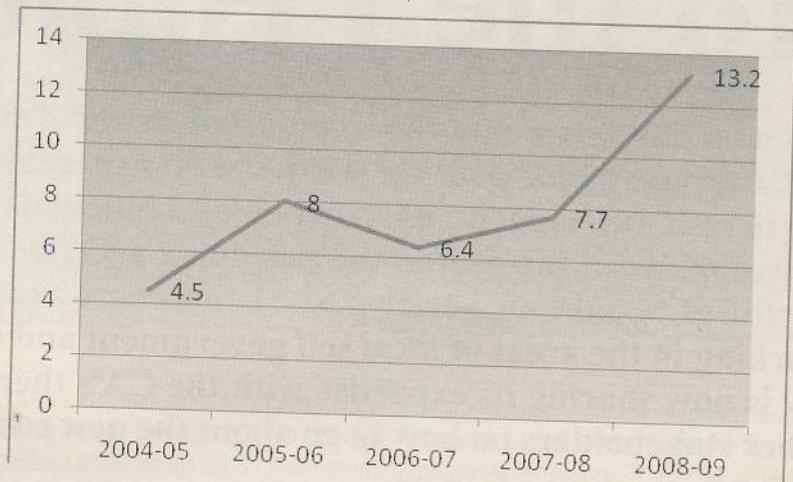


Figure 6: Annual average CPI based inflation for last 5 years

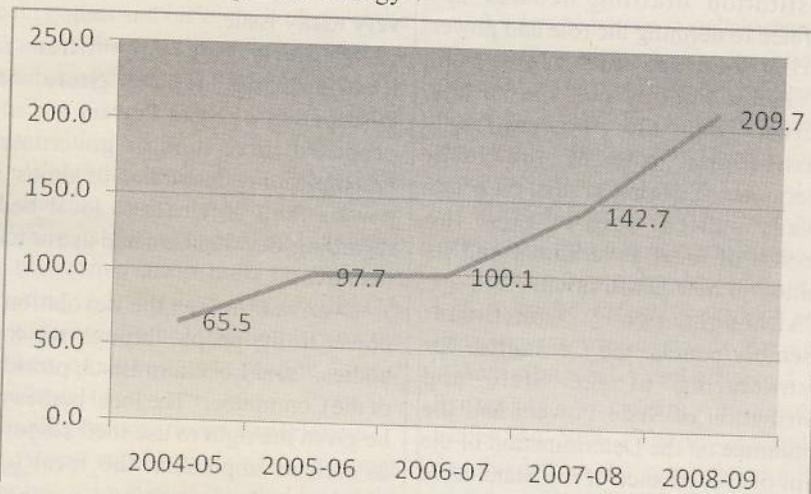


Figure 5: Annual Remittance for last 5 years (amount in Rs. Billion)

crisis, constant strikes and bandhs and carteling among businessmen.

These supply-side factors have played major role in pushing the prices up, however, going forward if the NRB is not able to soak up the excess liquidity in the market then inflation might further creep up especially with a larger government expenditure programs. Domestic economy has been inundated with record remittance inflow – Rs 210

predominantly in consumption, they can be productive provided that higher consumption, through multiplier effects, leads to expansion of production. However, manufacturing sector has not been able to pick up in Nepal (In FY 2008/09, the manufacturing sector witnessed a decline of 0.5%). Given the above background of elevating remittance inflows and shrinking and stagnant production sector, one can

the growth of M2 – broad money- of 17% in 2009/10 compared to 21% in 2008/10. ■

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NEPAL LAW SOCIETY

Power To the People

Even as barely six months remain before the deadline to promulgate the new constitution, major political parties are nowhere close to consensus on determining tiers of government, its structure and functions and ways by which to devolve power between the center, the provinces and the local bodies. It is here the expertise of Nepal Law Society (NLS) may come handy. With its long experience of working in the areas of local self government and devolution of power, the Society is now sharing its expertise with the CA's thematic committees and various other stakeholders on how to go about the new constitution.

By A CORRESPONDENT

Although Nepal has more than six decades of experience of running the local government, nobody knows how it is going to be translated in the federal system and what the position of the local government will be in the new constitution.

At a time when every group is demanding empowerment and protection of their rights, the new constitution will need to spell out clear mechanisms and institutions to devolve power from the centre to the provinces and on down to the lowest units.

In making these arrangements, the previous experience and the pool of expertise available with Nepal Law Society can play an effective role.

"In the new federal system, the people do not want to see another Singhadurbar (centralized power) at the provincial headquarters. What people really want is the power at their doorstep so they can decide on their development priority, protection of their political rights and utilization of the resources," said Krishna Man Pradhan, executive director of Nepal Law Society. When the

constitution drafting debates are confined to defining the role and power sharing between the center and provinces, nobody has shown any interest on the powers and constitutional role of the local government. Looking at this, NLS has already started work to raise the question of local government and its position in new constitution."

Although two Constituent Assembly panels, the Committee for Restructuring of the State and Distribution of State Powers and the Committee on the Determination of the Form of Governance of the State, have already proposed three tiers of government units, they are yet to finalize the role and powers that go to the lowest level of local government. Devolving power from provinces to the local level units, experts say, is a tough job.

"We have almost reached a consensus among all parties to propose three tiers of government including the center, provinces and local units. We have yet to decide what kinds of system will be there in all three tiers," said Sambhu Hajara Dusadh, president of the Committee on Determination of the Form

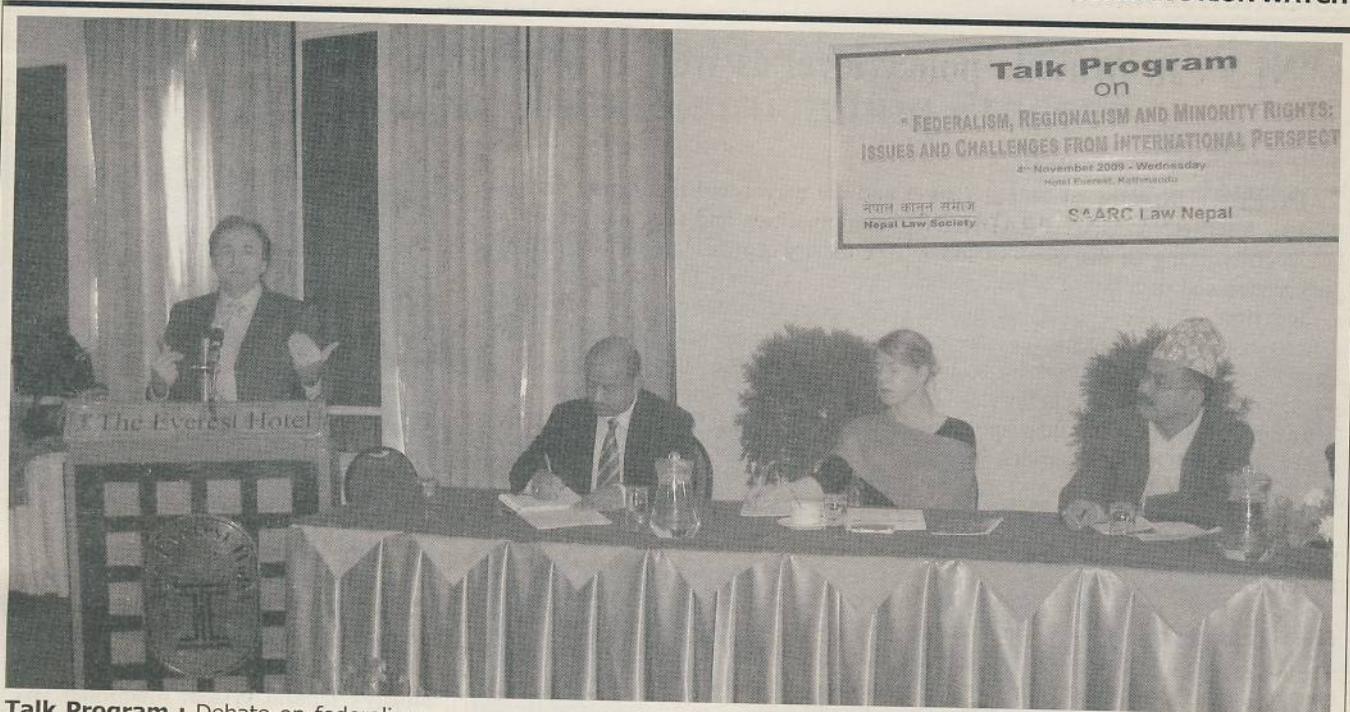
of Governance of the state. "This is a very tricky issue."

Similarly, the Committee for Restructuring of the State and Distribution of State Powers has also proposed three tiers of government recommending devolution of almost all powers from provinces to local bodies regarding development and use of local resources.

"We want to see the devolution of power to the people through the local bodies," said Lokendra Bista, president of the Committee. "The local bodies will be given the right to use their resources as well as implement the local level development activities."

When CA's committees are discussing local bodies, the expertise and experiences of Nepal Law Society may be important at this juncture. It played a role in drafting the local elections act 1991, presented the report of observation of local level elections in 1993, and published the local body bulletin for more than decade.

It publishes the local body representatives' guidelines in a book form. After working in the Local Self Government and Decentralization in



Talk Program : Debate on federalism

Nepal Project, it published a report in 1992 and 1993. It also worked to improve the laws at the local level.

Nepal Law Society has been organizing nationwide training programs to train the elected representatives of local bodies and officials working at the local level. It has already organized a number of programs to strengthen local bodies and their institutional capabilities.

When the country is in the process of drafting a new constitution, NLS is offering its pool of experts and expertise in the constitution making. "We are sharing our experiences with CA members and other stakeholders on the issues of local governance," said Pradhan.

Sharing International Experiences

Along with organizing interactions among various local stakeholders at the local level, NLS also organizes talk programs, seminars and workshops inviting international experts to share experiences in devolution of power in various parts of the world.

At all the levels, the debate is now going on regarding the issues of federalism and regionalism. A group of Nepalese scholars discussed the constitutional, legal and other aspects of federalism with stakeholders and international experts.

International IDEA, Nepal Law Society and SAARC-Law Nepal organized a talk program on federalism, regionalism and minority rights: Issues and Challenges from International Perspective.

A renowned expert from Italy shared his views with academicians, political leaders, constituent Assembly members and lawyers about the issues. He said federalism and regionalism are not the panacea for the protection of minority rights.

"Federalism is useful and some provinces may make provisions to protect minority rights devolving power but it is the effectiveness of local government which makes the entire system competitive and efficient," said Professor Giovanni Poggeschi, EURASIA-NET. "The power should be devolved from the center to provinces and from provinces to local bodies. Federalism does not mean holding all the powers at the provincial capital; the power must reach the door step of the people through the local government."

With his extensive experience on federalism, regionalism and minority rights in the global context, professor Poggeschi argued that challenges before any political system is how to reach the people. "Whether it is a unitary or a federal state, what is important is to provide the government at the door step

of the people. Federal system is popular because it provides the government at people's doorstep. Even in a federal system, a system of local government is necessary to empower the people. Of course, federalism empowers people but it is not panacea."

Nepalese constitutional experts argued that federalism is a reality now. "Thanks to the failure of regionalism and decentralization to delegate powers to the people, Nepal accepted to go for federalism. We cannot go back from federal structure now but we also need to consider some sorts of views of local government," said constitutional lawyer Purna Man Shakya.

Supreme Court judge Kalayan Shrestha argued, "Nepal needs to do a lot of homework. The complicated and difficult issues now are devolution of power between center and province and province and local level."

Shrestha added, "The organization like Nepal Law Society can contribute a lot to settle the issues showing its own experiences of the past."

In the process of constitution making in Nepal, International IDEA has been playing an important role by providing relevant support. "When Nepal is writing the federal constitution, views expressed by professor Poggeschi will be useful," said Leena Rikkila Tamang, head of Mission, International IDEA. ■

“NLS can provide policy level as well as implementation level support”

-KRISHNA MAN PRADHAN

Executive director of Nepal Law Society **KRISHNA MAN PRADHAN** has been working in the areas of local governance and devolution of power for a long time. As the country is in the process of state restructuring, Nepal Law Society has been working to use its expertise and experiences in constitution making. Pradhan spoke to **NEW SPOTLIGHT** on various issues. Excerpts:

How long has NLS been working in the area of power devolution and local government?

Since 1990, Nepal Law Society has been working particularly in three areas to make local government more effective and efficient. We conducted a series of studies, held interactions and brought out publications which were useful to the policymakers before the promulgation of present local self governance act in 1998. Through all our programs, NLS was able to give intellectual feedback to then members of parliament. Thanks to our expertise, we were given the role to prepare a recommendation to then prime minister Sher Bahadur Deuba on the decentralization and devolution of power. Under our recommendation, the new local self governance act was formulated by the government. One of the objectives of the Local Self Governance Act is to turn the local bodies into a local government. Unfortunately, it was not fully executed.

What role can your organization play now?

We can provide policy level as well as implementation level support. Since Interim Constitution has already declared Nepal as a federal republic, the elected Constituent Assembly's Committee for Restructuring of the State and Distribution of State Power has been working to prepare the draft. This is going to be a major challenge. In the past, NLS supported drafting of the act at the center but it also supported the process of institution building at the district, municipal and village levels in all 75 districts. We held training and workshop to the officials of local level as autonomous units.

How do look at the challenge?

Although in many districts, the president and the vice president of DDC

and the mayor and the deputy mayor of municipalities and the chairperson and the deputy chairperson of the VDC were elected on behalf of similar parties, we saw disputes among them on the issues of exercising power. Keeping in view our experience of the past, there is the possibility that such kinds of disputes might recur at the various stages involving elected representatives in the provinces and local levels.

What needs to be done to deal with this?

Even after the demarcation of provinces and federal units, there remain challenges to devolve the power down to the grassroots level or to the local bodies. Our constitution makers have already agreed to make three tiers of government in the new constitution. Power sharing between the center, provinces and local government is going to be the major challenges. We have been working now in the areas as to how to reduce the differences during the transition of power from center to provinces and provinces to the local level.

Are institutions strong enough to cope the new situation?

We have institutions at district level, Illaka level, city level, village level and ward level. They have been functioning under the Local Self Governance Act 1998. Under the unitary form of government, these institutions worked to give people the sense of government at the doorstep. Had the act been implemented completely, Nepal would not have to go for federalism. In the course of recommending for the federal units, CA must produce a road map to the local government. If new federal constitution does not properly address the issues of local government, Nepal's problems will remain. The CA must decide how many VDCs or local units are going to be there and what kinds of authorities will be allocated to them. Our experience is that effectiveness and functions of federal state will depend upon the power allocation to the local level.

In which way are you supporting the process now?

We are now working how to make the local government more effective and efficient under the federal provinces.



We need to frame the constitution in which the centralized power is devolved from the center to provinces and form the provinces to the district and village levels. The power ultimately passes to ward level. In this way, we can make Nepal's federal system functional. We need to reduce the number of VDCs and increase the municipalities.

How are development partners extending support to this process?

Nepal's development partners are now supporting the constitution making process and only a few donor agencies are showing the interest on this important issues. After the promulgation of the new constitution, the need will be to amend hundreds of acts. We need to restructure the provinces and how to make linkages between the provinces and the center and provinces and the local government. One of the challenges is going to be to define the relations between provinces and local bodies. Federalism does not mean just to devolve power from the center to province. Nobody wants another Singhadurbar in provinces and what people want is absolute devolution of power from the center to lower units or up to the people.

Which organizations are involved in supporting this?

International IDEA has been supporting at the policy level for constitution making process. Similarly, The Asia Foundation has also been supporting for NLS in the area of strengthening of judiciary. We are also getting support from other agencies. Nepal Law Society is the only institution which can support both at the policy level and the implementation level. We have the expertise as well as nationwide network to support such programs. We have a network down to the ward level.

Social Inclusion: Political Confrontation in Nepal and the Agenda for State Restructuring Process

By: Mohan Das Manandhar
Rojan Bajracharya¹

Nepal is currently in constitutional drafting process so the country is expected to have major political transformation process in further days. The contemporary political scenario has evolved as a result of the decade long Maoist Armed Movement against autocratic constitutional monarch and the confrontation of kingship and major political parties of Nepal which, in later days, took the form of Peoples' Movement II (Jana Andolan II) in 2006. The country had Constitutional Assemble election as an achievement of Peoples' Movement II which instituted the present Constitutional Assemble (CA). This CA had already declared Nepal as Republic State with appointment of first President of Nepal and it is currently in constitution drafting process. Specifically, this CA should be aware to encapsulate the overall socio-political discourse raised by 2006 Peoples' Movement II in present constitution drafting process. One of the leading agenda of this movement was that of social exclusion and discrimination.

The discourse of Social Inclusion and Discrimination took hike in post 1990's Nepal since the 1990's political transformation empowered the Nepali populace with Right to Speak. The civil societies, human right activist and few NGOs were the forerunner to raise the issues of social exclusion/ inclusion. Specifically, they raised the issue in light of socio- economic development approach so they focused on limited access of Adivashi, Janajati, Dalits and Marginalized communities on education, employment opportunities, hospital/ health service and others. With the establishment of Nepal Adivashi Janajati Mahasangh (NEFIN) – an umbrella organization of indigenous nationalities of Nepal – there is substantial effort on institutionalization of the social inclusion agenda as NEFIN classified the diverse Indigenous groups of Nepal and frame common agenda of social inclusion from diverse voices of the different indigenous groups. On the



Giovanni Poggeschi Presenting His Views in the Talk Program

other hand, Government established National Dalits Commission (NDC) and National Foundation for Development of indigenous Nationalities (NFDIN) – the institutions that support government to frame social inclusive plan and policies. However, critics often complained that these institutions had docile influence on Government's overall activities because of their limited institutional authority/ responsibilities. Specifically, they argued that the political parties (other than few Madhesh based parties) had not brought out social inclusion as their political agenda so the Ministers from these political parties had limited interest on empowering and strengthening NEDIN and NDC. Summing up, the social inclusion agenda had remained as development agenda in first half of 1990's which did not get influential as the political parties who lead the country did not consider social inclusion as their agenda keeping other efforts almost into vain.

In the later second half of 1990's, the social inclusion/ exclusion discourse took new turn as Maoist initiated its armed movement in the country. Nepal Communist Party became first party of Nepal to bring out social inclusion as political agenda. One of the focuses of party's revolution was against the dominant caste/ ethnic group and the

traditional caste system prevailed in country which favor the Hindu high caste king, high religious gurus (Brahmin) and kinship of Chhhetri and discriminated the low, marginalized and/ or indigenous caste and ethnic communities. In this regard, a factual account is that there is high presence of Indigenous and Dalits in high ranking post of Maoist's People Army however such presence is marginal in Nepal Army. The experts often explain the reason behind the speedy grooming of People's Army is the Maoist's mighty political aim to address the social discrimination and exclusion which attract indigenous, Dalits and marginalized groups. Gradually, this initiation of Maoist reshaped the political conformation of country as the Indigenous organizations and some NGOs enhance their role and responsibilities from human activist to civil leader. It also got transcended in Peoples Movement II which was joint revolution of major political parties of Nepal and Maoist against autocratic king.

During the People's Movement II, the role of Indigenous organization was influential as other pressures groups like political activists, professional organizations, community institutions and others. NEFIN provide backlog support to political parties as the

movement was focus on major political transformation to address the agenda of excluded and marginalized group. The agenda was to form socially inclusive state structure where all caste and ethnic groups will be equally included. Various other indigenous and caste based showed alliance with the political parties which got materialized with 19 days long continuous movement despite the fact that the leaders of major political parties were either in house arrested or jailed.

However, there is political confrontation between major political parties and Madesh based politicians on addressing the issues of Madesh pre CA election period. Specifically, Madesh are discriminated in term of access to state structure and nationality identification. The political conformation led to 2007 Madesh Movement which ended with joint agreement between then Government and Madeshi based political parties. Nevertheless, the political confrontation still remains as the interpretation of joint agreement differ between major political parties and Madesh based parties. Specifically, Madesh based parties are claiming for "One separate State for Madesh" whereas other parties refuting such agenda.

At present, it is the role of CA to address the social inclusion agenda that has been raised during Peoples' Movement II and Madesh Movement. Some measure has also been observed as the CA election adopted proportional representative method of election which legitimizes proportional representation of all caste groups in CA. Nevertheless, CA should also need to address the agenda of federal state structure which would resolve the issues of socially excluded centralized state structure and unequal distribution of development resources. In this regard, CA need academic and knowledge based support to frame new constitution.

It is fortune that Social Inclusion Research Fund (SIRF) has recently completed its first phase in mid- July 2009 and has come out with 24 research fellowship and 149 research apprenticeship studies on Social inclusion issues of Nepal. SIRF has disseminated the finding of these researches to political parties and CA members through various means. It had



Talk Program on "Social Inclusion and Federalism" with Giovanni Poggeschi

interacted with all 24 political parties of CA individually and jointly. It has organized various workshops on language, natural resources, women and others and the outcome of some of these workshops were highly useful to CA members. SIRF has made research proposal call for its second phase under the overall context of "Social Inclusion in the Context of State Restructuring". SIRF expects an intense discourse on Social Inclusion and State Restructuring among intellectual circuit during the course of SIRF's second phase researches.

On 3rd November 2009, SIRF is fortunate to organize similar type of interaction workshop on "Social Inclusion and Federalism" with Italian constitution expert - Giovanni Poggeschi. In the program, Shayam Shrestha – Senior Journalist and Political Expert – first presented the contemporary issues of Nepal's Political Transformation Process. He highlighted that Nepal needs to adopt federal state structure as the country's old state structure is highly centric favoring exclusionary state practices which result inequity in development and progress. He stressed that Nepal should adopt mixed federal state and the demarcation of federal unit should be made on the basis of national population composition, economic opportunities and geographical and administrative feasibility. He stressed that the federal state should have independent politico status with its own parliament and it should have right to govern its fiscal management, natural resource management and basic service delivery.

He added that there should also be provision of local level unit which should also be well represented by highly marginalized minority groups. He argued that the state restructuring is the dynamic process which changes with politico scenario of the country. Mr. Poggeschi, shared the experience of federalism in different European countries. He argued that federalism model differs between countries and has different ideas, concepts and outcomes. He argued that federalism will be fruitful if it is framed on the basis of geopolitical and cultural status of country and if there is clear link between various federal units. He informed that Germany has unitary federal system because of its homogenous society, Belgium has divided federalism structure and Italy has regional federal system because of North- South diversity. He highlighted that the high disaggregation of federal state might invite threat to country's identity. He suggested that Nepal has to encapsulate the voice of diverse group and communities while drafting constitution and restructuring the state and the special attention should be given to minority groups and communities and their identity, language and culture.

The activities of SIRF and other related organizations would be substantial input for CA to design socially inclusive constitution. The CA should now devote substantial effort to understand contemporary issues of state restructuring and draft the constitution within stipulated time.

1 Mr. Manandhar and Mr. Bajracharya are engaged with Social Inclusion Research Fund. The views present in this article are those of authors' own.

Indigenous Knowledge System of Raji People

By: Sumi Maskey¹

Introduction

The indigenous people are the original inhabitants including hunters, shifting cultivation practitioners, fisherperson, nomads, pastorals and settled farmers who have little participation in the market economy. Nepal National Foundation for Development of Indigenous Nationalities (NFDIN) Act 2002 defines indigenous nationalities as a tribe or community with own mother tongue language, traditional rites and customs, cultural identity, social structure and written/ unwritten history. Nepal - a multicultural and multiethnic country - has different sect of indigenous populace. The 2001 Population Census of Nepal enumerated 103 distinct caste/ ethnic groups and 92 different languages. The Government Gazette dated 10 December 2001 had identified 61 nationalities in the country of which 21 nationalities are from Himalaya, 23 from Mid hill, 7 from Inner Terai and 10 from the Terai region. Among them, Nepal Federation of Indigenous Nationalities (NEFIN) has identified 59 indigenous nationalities.

Indigenous people own Indigenous Knowledge (IK) which develops informally by practicing skill or working directly with nature. Generally, they use IK on community based natural resource management. Such IKs are generally transferred orally so there is lack authentic documentation of IK. Therefore, there is high risk of knowledge being extinct and there is illegal use of IK by the individuals or organizations who have researched on it.

Raji

Raji is one of the endangered indigenous populations of Nepal. The 2001 Population Census numbers 2,399 populations of Rajis which accounts 0.1% of total population. However, their location of residence is gradually squeezing over the years. The Rajis were spread over 74 districts of Nepal during 1991 Population Census which has decreased to 65 districts in 2001 Population Census. The native residence of Rajis is in Inner Terai of Nepal predominantly found in Surkhet and Bardia districts of Mid-western Development Region.

There are many accounts of cross cultural similarity between Raji, Raute and Majhi. Rajis are traditionally engaged in ferrying and fishing like Majhis and they like to live in jungles like Rautes. Rajis have three sub-groups with own language with oral tradition and falls under Tibeto-Burman family. Moreover, Rajis have own cultural/ ethnic identity - specifically in terms of Festivals, Dress, Dance, Deities and Life Cycle Rites.

Rajis possesses rich Indigenous Knowledge particularly in term of natural

provided mixture of Garlic, Onion and Batule. For Gastritis and Indigestion, Garlic is eaten regularly with two drops of Golaichis and Bam Fish (Eel). For Dysentery, the patient is provided the mixture of dried powder of Saal Bark and Dahi (Curd). For Headache and Fever, powder of Saal Bark is taken. For - Injuries, Wounds and Cuts - Raji care with different plant species viz. Neem, Leaf of Chukile and fruit of Karnamul.

For Epilepsy, Raaj tree is used for treatment. For Sprain and Rheumatic Pain, the paste of Aakh resin is applied

Rajis possesses rich Indigenous Knowledge particularly in term of natural biodiversity. In this regard, this article explores on Indigenous Knowledge and Practices of Raji people on biodiversity conservation.

biodiversity. In this regard, this article explores on Indigenous Knowledge and Practices of Raji people on biodiversity conservation. It is based on the research study conducted in Chhinchu VDC of Surkhet District in the Mid-western Region of Nepal in 2007.

Indigenous Knowledge System of Raji People

The Rajis use wide variety of natural resources and have deep affection with the nature. They conceive the environment as an integral system rather than separate ecosystem. Specifically, the IK of Rajis can be grouped into three heads as follows:

Health and Medicine: Raji community has tremendous treasures of IK on medicine which they use to cure different diseases. In the following two paragraphs, the medicinal plant species are documented on the basis of disease. It has been observed that the single medicinal plant species does not cure single disease rather there is composition of various medicinal plant species to treat single disease.

For Fever, Ghortape Leaf is grind into smooth paste and mix in water for a bath. This is generally used for small children. Likewise, Dried Liver of Sahar Fish is grind and mixed with hot water for a drink to patient and Leaf or Bark of Neem is made fine paste to apply in the forehead and face. For Diarrhea, Bud of Banana is eaten raw or the patient is also

in the affected part. For Snake Bite, the paste Amala tree's bark is applied to the sting area. For treatment of water snake stinging, paste of Chilli, Khirkhire leaf and roots of Kukurdaino is applied in the sting area. For Dental Problem, Raji people brush the teeth with the smallest stem of Neem and Babor. For Fracture, Hauchur, Madane trees and chicken eggs are grinded and applied in fractured parts. For - Cough, Cold and Respiratory problem - Raji use leaf of Turmeric plant, egg yolk, Kerosene and mustard oil, bitter gourd and cold Millet. For Jaundice, Stem and leaves of Pudina are eaten. For Small pox, Millet flour is applied in the affected part. For Bleeding, Samphui is used to stop the excessive bleeding during delivery period. Raji also have good knowledge of using natural plants to treat livestock. For instance, Gaujo is used to remove lice of the cattle and Timmur powder is used to treat the chicken suffering from epilepsy.

Biodiversity Conservation: Raji has traditional eco-friendly skill of Wildlife, Hunting and Trapping so they possess rich skill of making products using meat, bone, hide, horn, antler and skin. Likewise, they are well known for fishing and fish is one of the most easily available protein sources for the Rajis. Rajis have been involved in agricultural occupation since the time immemorial. They have their own soil, pest and weed

management system for the greater fertility. Likewise, they have their own irrigation and moisture conservation practices.

Raji Arts, Crafts and Technology: Raji are skillful in term of Art, Craft and technology. Raji community is expert in preparing Doko (bamboo basket). Raji women are expert in preparing Gundri (Paya, Palal or Pateri in Raji language). Rajis are expert in boat making and rowing. Boat is prepared from huge trunk of Simal or Sal or Tuni tree by making half oval openings in the tree trunk. Rajis develops their own type of 'V' shaped plough (halo), leveller (Dande) and sickle (Chiyang) for cereal cultivation. The plough and yoke are made from Saal tree or Sadan tree. They use light leveller (Dande) for paddy field preparation and heavy planker (Dande) for field preparation to plant maize, wheat and other cerea crops

Summary and Conclusion

Raji is one of the most endangered ethnic communities of Nepal. They are venerable in terms of socio- economic status with rampant poverty, low education and low living status. Nevertheless, Raji people have indigenous knowledge and skills ranging from traditional health practices to art craft and technology which they can exploit for socio- economic progress. Nevertheless, their language is of oral tradition which is a great threat to preserve their knowledge. The continuation of Indigenous Knowledge is at risk due to easy availability of modern technical knowledge and dominance of elite high caste. The Indigenous Knowledge of Raji and other communities need to be recognized and the state has to enforce patent rights for such knowledge.

There are two precise recommendations for preservation of Indigenous Knowledge of Raji people.

There should be further scientific studies on validation of indigenous knowledge system on bio-diversity conservation; arts, crafts, technology and health and medicine

There is high mobility of indigenous populace like the Raji. Such migrated populace should be closely monitored and provided special attention to document their indigenous knowledge and practices.

1 Ms. Maskay is Research Apprentice of Social Inclusion Research Fund (SIRF) for 2006. This article is based on her research study supported by SIRF.

Federal Nepal is going to be inclusive

-LOKENDRA BISTA MAGAR

Chairman of the Constituent Assembly's State Restructuring and Power Sharing Committee **LOKENDRA BISTA MAGAR** is a Unified Communist Party of Nepal-Maoist politburo member. The committee, one of the ten 10 thematic panels within CA, has yet to present its draft report and concept paper to CA. Excerpts

How do you look at the state of constitution making process?

The constitution drafting process is too slow, but we have been working. So far as our committee is concerned, we have already completed about 70 percent of the job. We are now working on the areas like determining the number of provinces, borders, and names. There are also issues like political priority, women's rights and dalits.

Is federal Nepal going to be inclusive?

Our country is going to be inclusive. This is the reason we have decided to go for a federal structure.

How will you decide the names of provinces?

We will consider ethnicity, language, area, population density and continuity of historical importance. There are some historical places and in particular, regions, with high density of population of a particular community. For instance, there will be a Newa state in Kathmandu, Tamsaling for Tamang and Magarat for Magars. There are certain areas like Madhesh where we can name it on the basis of community.

What is the state of discussion regarding the borders of provinces?

The current divisions (zones, districts and other borders) are based on watershed, river, forest and hills. We are discussing borders in terms of inhabitants in areas of particular ethnic groups, the state of natural resources, the fertility of land and forests. This is because we don't want to create any trouble in the future.

Have you settled the issue of right to self determination?

This issue was settled by the Committee on National Interest six months back. We are following it. The right to self-determination does not mean right to secession but the right to own destiny. The committee has already decided on this matter. We are following

the UN declaration which is based on the protection and progress of economic, social, natural resources and cultural rights of indigenous communities.



How do you define the term?

This right is a guarantee to political, economic, social, cultural, professional, castes and natural rights, this will not give any province the right to secession or join other states, but it is directed to the progress of provinces. This right is necessary to prevent rebellion in the future.

What kind of language policy will you follow?

As multi-lingual country, we need to recognize all the languages as national languages. So far as determining the official languages in the provinces are concerned, it will depend on the position of provinces.

On what basis are you deciding on the languages?

This is based on population. Newari is going to be the official language of Newa Province and Tamang is going to be the official language of Tamsaling, Abadhi of Abadha and Magarat for Magars. There must be freedom for all to speak whatever language he or she wants to speak. There must be provisions to get education in mother languages.

Have you decided the number of states?

UCPNM has proposed 13 provinces with four geographical regions. CPN-UML proposes 15 and Nepali Congress 17 provinces. According to the three parties' proposals, there will be 13 to 17 provinces in new Nepal.

How else will federal Nepal be different from the present unitary state?

Federal Nepal is going to be an inclusive as well as a decentralized country with powers distributed between states and the center. There will be no more exclusion in terms of religion, language, cast and ethnicity. ■

Suffering opposition leader

By BIPINADHIKARI

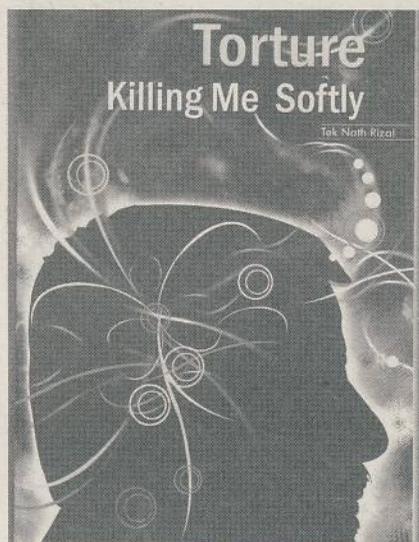
Tek Nath Rizal needs no introduction in Nepal. An opposition leader of Bhutan, sentenced in 1993 to life imprisonment, Rizal has been associated with human rights movement in his country for more than three decades. He was imprisoned by the Bhutanese establishment from 1989 to 1999 at the Chemgang detention centre, about eight kilometers east of Thimpu.

According to Amnesty International, Rizal was held "for the peaceful expression of his political beliefs, in particular his campaign against government policies unfairly affecting members of the Nepali-speaking community in southern Bhutan." After 10 years of imprisonment, following national and international pressure, he was granted amnesty by King Jigme Singye Wangchuk on 18 December 1999, the Silver Jubilee year of his accession to the throne.

The book *Torture Killing Me Softly* is a tale of suffering Tek Nath Rizal lived with when he was in detention. In his preface to the book, Rizal explains: "Spending ten years of my life in the most degrading and inhuman conditions of the Bhutanese prisons, I made a considered decision to share my experiences with the rest of the world. The primary objective behind writing this text is to reveal the other side of the so called last Shangri-La, where ethnic cleansing is being practiced as a state policy, in the name of maintaining cultural purity."

The book is not just about his personal experience, but also "the nature, extent and magnitude of mental and physical tortures inflicted upon hundreds of citizens in the Bhutanese prisons and virtually throughout the nation on a daily basis." It is also related with the thousands of Bhutanese refugees in Nepal and other places of the world.

There are sixteen small chapters in the book including an epilogue. The introductory chapter familiarizes readers with three main ethnic, linguistic and religious groups of Bhutan - Ngalongs, Sharchhokpas and Lhotshampas. The author emphasizes here that all these groups lived in perfect communal, religious and ethnic harmony through centuries, until the fourth king of Bhutan, Jigme Singye Wangchuk ascended the throne in 1974, and started a discriminatory regime in the country. These arrangements were especially aimed at the Lhotshampas - the



Tek Nath Rizal, Torture Killing Me, Softly (Kathmandu: Human Rights Without Frontiers Nepal & Group for International Solidarity, 2009)

Bhutanese people of Nepalese origin. This chapter also explains how circumstances forced Rizal to leave his motherland into exile in Assam and Sikkim, and then in Nepal. In Chapter II, Rizal states:

"The [Bhutanese] king was enraged at my political activities and requested his counterpart, the then king Birendra of Nepal, to extradite me to Bhutan. On November 16, 1989, I was arrested in the midnight from my bedroom by Nepal police from Birtamod in Eastern Nepal, along with two of my colleagues, Mr Jogen Gajmer and Mr Sushil Pokhrel. The next day we were taken to Kathmandu and handed over to the ADC of the king of Bhutan, Colonel V. Namgyel, who is at present Ambassador to Nepal and India. He was waiting for us in the Druk aircraft kept on standby at the Tribhuvan International Airport. The three of us were forcefully taken to Bhutan."

The author does not adequately explain what must have transpired between the King of Nepal and King Jigme, when the former agreed to extradite him to Bhutan, but the future development showed, the goodwill shown by Nepal King had no encouragement on King Jigme to sort out the problem inside the country and restore a regime of justice and nondiscrimination. With this starts the regime of torture, which is the main

theme of the book.

The next six chapters deal with Rizal's account of the living hell in Rabuna prison, conditions at Dradulmakhang prison, Rizal's protests when he was in Chamgang, his final week in prison, and the last suffering there. Here and there, he highlights the sadistic mind control torture used alongside other physical torture tactics in these places.

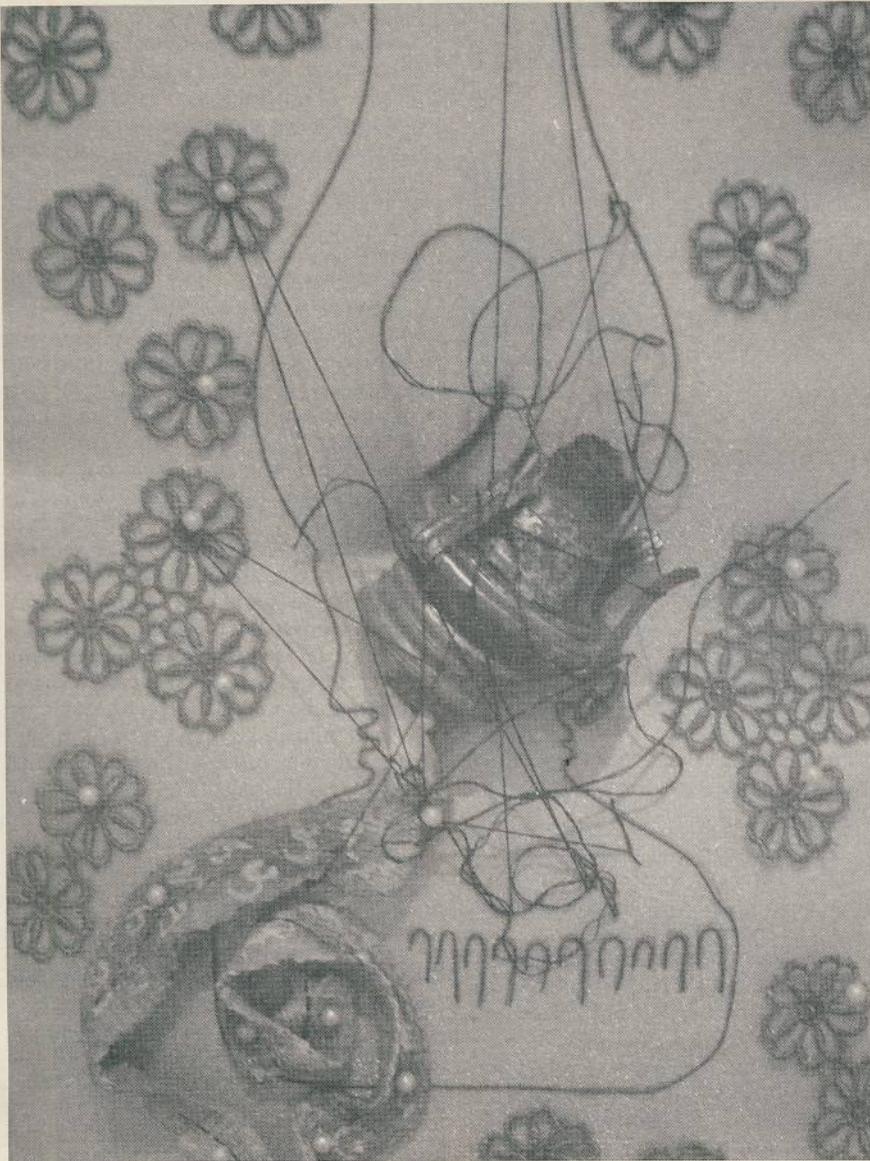
"Torture was not confined to primitive physical assault by using whips, clamps, chains, ropes and giving electric shocks but also involved application of various scientific devices like light sensitivity, very high sound decibels, microwaves on my conscience. The objective was clear: destabilize the mind, induce anomalous behavioural changes and create dissociation. A combination of sensory isolation and beaming different kinds of energy in the brain were used to procure the desired result. Systematic efforts were made to destroy completely my senses but my deeper sub-conscious remained alive inside me. This has been instrumental in my post-torture mental reconstruction process, owing to which I have recollected myself to share my experiences with the world."

In Chapter IX, Rizal explains the situation leading to his release in 1999, the first day of freedom in Thimpu, efforts towards battling in Thimpu as a human rights and political activist, and the pain of fleeing his homeland for the second time. At this stage, he shares his thoughts in bold terms once again: "I thought for a moment that the declaration of my innocence might bring a change in Bhutan's deplorable politics and governance. I also thought that the problems of the innocent inmates and the discrimination against Lhotshampas would finally be addressed. Sadly, I was totally wrong."

This is more or less the conclusion that has been corroborated in the rest of the chapters as well. King Jigme has already abdicated his throne, passing the discriminatory regime to his son, the new king of Bhutan. There is no change even though Bhutan has a leader of a new generation. The two decade long refugee crisis is still without graceful solution.

The book is an authoritative, rich and compelling narrative of the man who represents the movement for democracy and human rights in Bhutan. It might once again remind the rulers of the present day Bhutan that there is no sustainable alternative to national reconciliation between the monarchy and the opposition forces. Bhutanese need national unity, and the new king has a meaningful role to play in this regard.

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ART

Women: myth & reality

An art exhibition deals with the difficulties of women, trying to separate myths and realities in our understanding of them

By PRADIPTI BHATTA

When we look at the history we hardly see great contributions made by women. Great people, we come to know, are mostly men.

Why? Is it because great women have been a rare breed in this world or the contributions made by women have

gone unnoticed all along?

There is no doubt that women have had to face many hurdles on their path to progress and even today they are bound to live lives different from males. Ordeals that women have to go through in their lives might be something that only those who face might be able to understand. Far fewer can express them.

Those who can express the agonies of women by using the medium of art do so in way to make it understandable for many. Art tells a story which even a thousand words cannot tell.

This is what the exhibition titled "Separating Myth from Reality—The Status of Woman" seems to achieve. The show, ongoing in various places of Kathmandu and Patan, began on October 30. It will be held till November 10.

The exhibition is being held in six different places; Siddhartha Art Gallery, Nepal Art Council, Kathmandu Contemporary Art Centre, Patan Museum, Nepal Association for Fine Arts and Imago Dei Cage Gallery.

It is the first international exhibition being held in Nepal featuring a total of 108 artists, 37 of which are Nepali. Apart from Nepal, the artists contributing to this event are from India, Taiwan, China, Mauritius, Pakistan, Afghanistan, Bangladesh, Palestine, the USA and the UK. All these artists have expressed their views on women through their paintings, photographs and installations.

Each piece of art shows a different aspect of women. All the works of art exhibited in this huge event are very artistic and hold a deep meaning. Some pictures and paintings show the difficulties in a woman's life whereas some simply show how women see life. Most of the contributions made for the event show how women long for freedom which the society in many ways restricts them to attain.

The exhibition shows the status of women not only in Nepal but in various parts of the world. As the contributing artists are from different countries, their art works reflect the status of women in parts of the world where they belong. Most of the works focus on how women are unable to express their true selves as they are repressed by the norms of the society. Each piece of art is unique and tells a unique story of the status of women in that country.

The first of its kind, this exhibition has not only made way for future international exhibitions in the country but also helped familiarize Nepali tradition and culture through the portrayal of women art forms to the international artists. ■



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- Suraj Singh Thakuri
TV Personality/Director

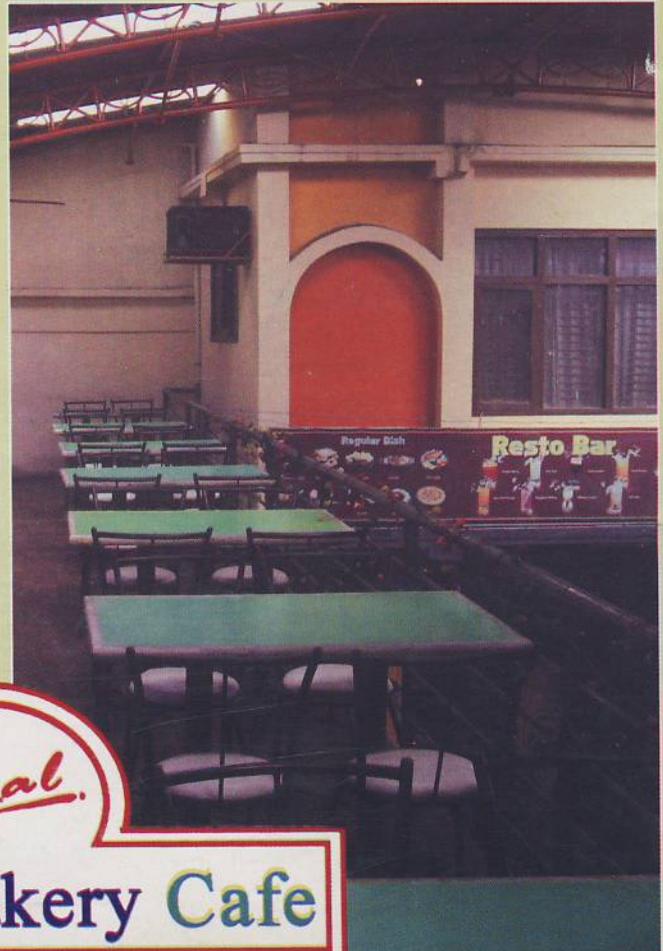


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