

Key Note Address
by
Dr. Ram Sharan Mahat, Minister of Finance, Nepal
in the
World Bank Regional Management Team Meeting
November 8, 2007

Mr. Praful Patel, Vice President, The World Bank
Mr. Ad Melkert, Associate Administrator, UNDP
Mr. Mac Maharaj, African National Congress
Colleagues from Political Parties of Nepal
Mr. Ian Martin, Special Representative, UNMIN
Ms. Susan Goldmark, WB Country Director
Distinguished Participants of the World Bank Retreat Program
Representatives of Nepal Development Partners
Ladies and Gentlemen!

Let me first extend a very warm welcome to you all in Kathmandu. The city is in a festive mood. This is the season of festivals in Nepal. Kathmandu, you may be aware, offers one of the best climates anywhere. And this is the best season of the year. There is a distinct ambiance in town that's best suited for thinking anew and thinking differently. I think, by making Kathmandu the venue of your Management Team meeting, you have made the right choice.

There is a new political context in Nepal. The country is in the midst of historic transition. After over a decade of violent conflict, Nepali people and leaders have come together since April last year in a resolute manner to chart the course of a new Nepal which will be peaceful, vibrant, democratic and inclusive. We have now committed ourselves to a federal republic state structure. The proposed election to the constituent assembly will be a crucial milestone in our history to operationalize and provide popular legitimacy to these commitments. In the process, we have worked closely with the international community. The tasks that we have outlined for ourselves are by no means easy, oftentimes fraught with risks. Those who do not know the dynamics of Nepali politics and the ability of Nepali people, living as they are in the rugged mountains, to face the challenges head on, sometimes tell us that we are taking a road that takes us to nowhere. Yes, we have had delays in reaching few critical milestones. There could have been lapses and shortcomings. The road to peace is not always smooth and straightforward, but rough and bumpy, occasioned by twists and turns, frustrations and disappointments. But we are determined to move along the path we have charted to achieve the goals we collectively defined.

The conflict has left a deep scar in the minds of people. Thousands of families lost their near and dear ones. Critical infrastructures were destroyed and institutions were made dysfunctional. There is a lot that we need to do to repair and reconstruct in the aftermath of decade-long conflict. Perhaps more than the material resources that we require to restoring physical assets and institutions, enabling displaced farmers to again tending their farms and households in their original place of habitat, we require mental strength and courage to restore the confidence of our people in rule of law, equality of opportunities and social harmony. In places, children, women and men were traumatized by having seen the bloodbath through their own eyes. We do not yet know the magnitude of this problem. Extricating people from

such horrendous memories, institutionalizing social reconciliation and instilling a culture of constructive dialogue in finding solutions to problems facing our society need our attention.

You may wonder, as you all come from development community, where is the economic agenda in Nepal—consigned to backburner or waiting to be written when the chapters on political stability and social harmony are complete? No doubt, political issues have dominated the current national agenda — understandable at this critical juncture of our history. Political condition naturally has vital bearing on the economic process. But we are not saying that political settlement and stability is a precondition to pushing economic/development agenda forward. In fact, critical economic reforms and new development paradigm have had successes during the most unsettling times. Even in these times of political prominence, we have taken bold economic decisions, maintained macro economic balance, pushed laws for a better environment of economic governance, created new institutions while strengthening the old ones. Construction work of vital infrastructure continued even in remotest part of the country.

What one needs is the clear focus and proper steering. We did not invent, but we found that community approach to development works best during conflict period and we practiced with success. Under most adverse conditions, local communities with modest support from the government have shown leadership and courage to implement development programmes to improve their living conditions. Poverty surveys have shown how even in difficult period, poverty has declined, and socioeconomic conditions improved.

We are committed to scaling up the quality of physical infrastructures in the rural areas so that people can create and take advantage of the economic opportunities. We are committed to creating new employment opportunities to our teeming youth. We are committed to ensuring freedom of choice—economic, social and political. We are committed to create solid foundation to redress deep-rooted social divisions and discrimination based on caste, ethnicity, gender, and region to bring the weak and marginalized groups back to national mainstream. We want functioning markets and proper regulatory framework that can ensure level playing field for all participants. We want to ensure higher economic growth with investment friendly policies, accompanied by social justice with state interventions. This is perhaps the best approach to poverty alleviation.

Sometimes international community suspects us when we delay on some of our own promises, amend and adjust our programmes in response to evolving context. That is where a proper analysis of the underlying causes and understanding of the intricate character of our situation becomes imperative. I am not standing here to talk about how the Bank portfolio in Nepal is working. I also do not have any intention of outlining what financing gap Nepal has in implementing its dream of what I briefly narrated above or what is being drafted in the Three-Year Plan. Perhaps your mission here is discussing the Bank's medium-term strategy for this region. I expect that deliberation here will have a significant influence on the overall strategic direction of the Bank for the forthcoming years.

You are here in Nepal. You can see for yourself. In the next few days that you spend here, try to feel that you are in a conflict-torn country. It is a very heterogeneous society and heterogeneity has very many facets—geographical, cultural, social, political, economic, etc. Name anything, you'll find in Nepal. Within an hour, you can be from loo-affected terrain to freezing landscape. Within half an hour, you can be from the most advanced area with all the fanciful amenities for life to the most primitive settlements of the world. For nearly 60 percent of the population even today, it's all dark after six in the evening. Kids in remote areas learn about bicycles by seeing a picture and few of fortunate among them will ever be able to actually ride a bicycle. You will also see how Nepal's geography poses a development

challenge to all of us. It not only makes the investment cost high but also calls for different approach of development.

Perhaps one common feature of the conflict-torn countries in the world is — heterogeneity, diversity and inequality of opportunities. International community needs, therefore, non-conventional approach to dealing with such countries. Prescriptive development theory has not worked and may not work in the future, too. Results do not often come quickly in such countries, as you often expect. You need patience and continued engagement while making sure that resources bestowed upon the country is not misused. A flexible and pragmatic approach embedded to local situation is necessary.

And, now there is a new problem that Nepal has to face, which perhaps other conflict-affected countries, too, are facing. Due to more than needed consumption of resources available from the earth by developed countries, we are the ones to be suffering from the wrath of climate change. Rains have been erratic in Nepal in the past three years. Floods and droughts have affected agricultural production, brought deaths and destruction, and increased human miseries. We are not quite sure, what is happening to our glaciers and snow-clad mountains that is the source of water for basic livelihood to billions of people in the either side of Himalayas. We cannot alone handle this. We need support from international community.

I hope your medium-term strategy will consider these issues. You will also consider the typical nature of in-conflict or post-conflict countries.

Aside from what I discussed above, I understand that you discussed about “beyond nation-state” in earlier two days of this meeting. Regional cooperation is even more important for Nepal, as a landlocked country and also because of hydro-power potential that Nepal has. Beyond nation-state perhaps means intervention at the local level also. We need to find to find right modality for donor assistance to local level without bypassing the central/national government.

Foreign aid needs to be efficient and effective. We note with happiness that there is now a general consensus that country ownership and leadership is necessary in planning and implementing for aid to be effective and result oriented. I appreciate the Bank in taking the lead for promoting country ownership and leadership. In our own case, Bank has been the first one to recognize the need for budget support and sector-wide approach. Bank has been a good reservoir of knowledge base in this area. I would expect the Bank to be engaged with the entire donor community in this process of aid alignment and harmonisation.

Finally, I wish your stay in Nepal to be comfortable. Please spare some time to see around in and outside of the valley, if possible. You will encounter an inspiring vibrancy of Nepali life. Thank You!