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# NEW SPOTLIGHT

June 16-30, 2009

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NEWSMAGAZINE



## Climate Change Affecting Poor

**Politics: Divided They Stand**  
**NDB'S FAILURE: Banking On Lessons**  
**Social Inclusion: Indigenous Knowledge: Old Practice in New Horizon**



Interview:  
Foreign Minister  
SUJATA KOIRALA



# अब... १ मै रु. बचत खाता



नेपाल इन्भेस्टमेन्ट बैंक बढी ठुलो बढी  
नागरिकहरुमा बैंकिङ्ग सेवाको पहिलो अनुभव  
एवं बानी बस्न सकोस भन्नाका लागि सजीब  
प्रस्तुत गर्दछ... **मात्र रु.१ मा**

**“ आफ्नै बचत खाता ”**  
सम्पूर्ण अन्तर्राष्ट्रिय स्तरको सेवा सुविधा सहित ।



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Branch:  
Durbas Marg, P.O.Box : 3412  
Kathmandu, Nepal.  
Tel: 4228229, 4242530  
Fax: 4226596, 4228927

New Road: 4230374, Thamel  
4218431, Pulchowk : 5520346  
Banga : 11-86240, Birgunj : 51-553327, Jeeppur : 53-520587  
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**POLITICS:** Collision Course 8



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**Editor and Publisher :** Keshab Poudel, **Copy Editor:** Ben Peterson  
**Marketing Manager :** Madan Raj Poudel, **Photographer :** Sandesh Manandhar  
**Cover Design/Layout :** Hari Krishna Bastakoti

**Editorial Office :** Phone/Fax : 977-1-4602807, E-mail: newsspotlight@gmail.com, keshab42@gmail.com

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## QUOTE UNQUOTE

**I** am ready to swallow all the bitterness they can spit at me. I will continue to advocate cooperation and unity.”

*Prime Minister Madhav Kumar Nepal* at the constant condemnation hurled at him by the Maoists.

**T**he Nepali Congress and Unified Marxist Leninist are responsible for plotting to split our party.”

*Upendra Yadav*, chairman of Madhesi Janadhikar Forum (MJF), accusing NC and UML of conspiring to divide the party by inciting a section of MJF leaders.

**T**his government will fall within three month.

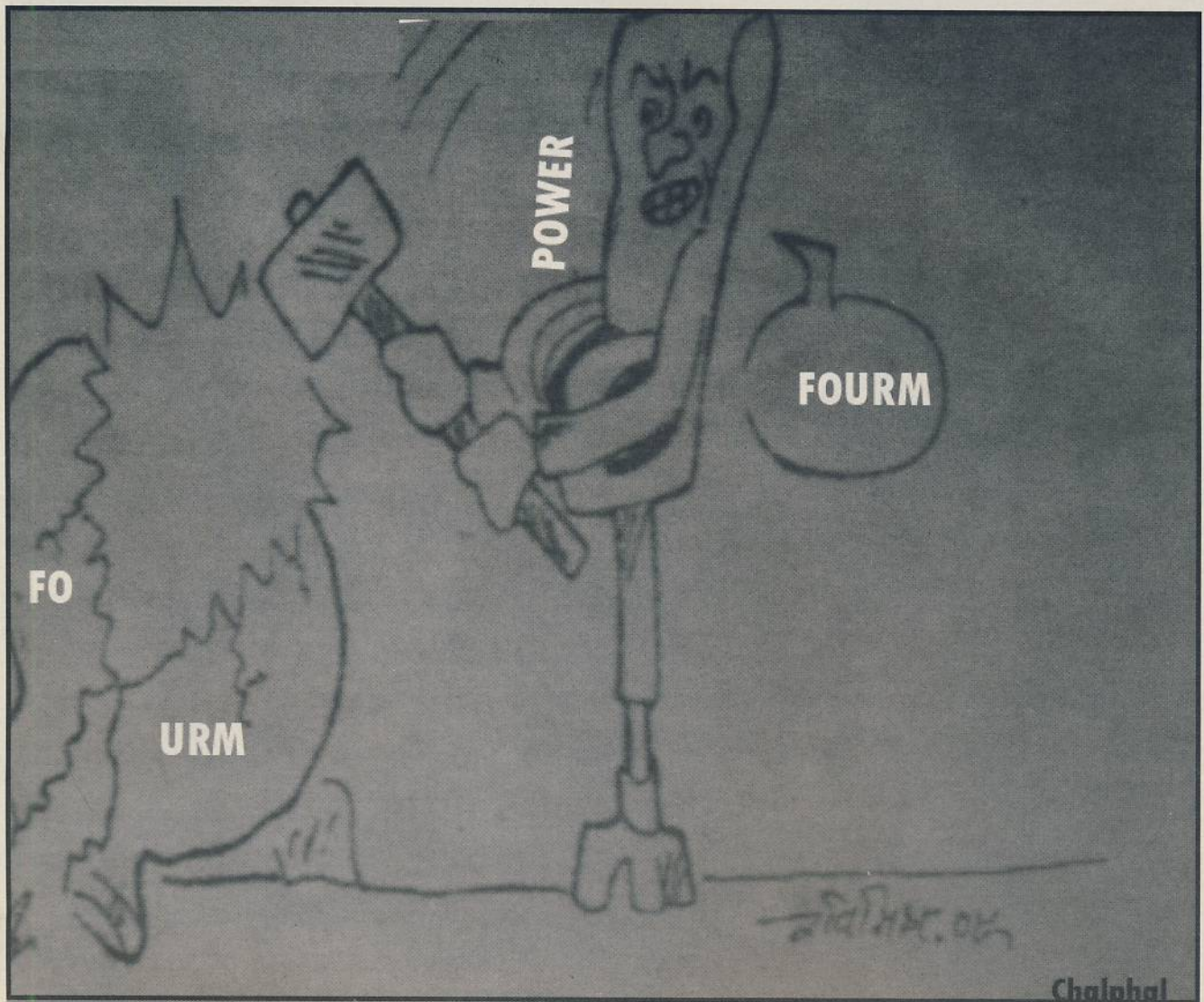
*Prachanda*, Chairman UCPN Maoist.

**T**here are conspirators within the party, who are more dangerous

*Jhalanath Khanal*, Chairman CPN UML

**O**urs is a genuine Madheshi Party.

*Bijaya Kumar Gachhadar*, Deputy Primeminster & Leader of break away MJF







**Chinese Ambassador to Nepal QIU Guohong Launching a book on the life of** Nepalese Buddhist Master Buddhahadra

**CHINESE AMBASSADOR TO NEPAL QIU GUOHONG LAUNCHED A BOOK ON THE LIFE OF**

Nepalese Buddhist Master Buddhahadra at a function recently. Organized by the China Study Center Nepal, the book was written by Nepalese scholar Min Bahadur Shakya. Making a welcome speech, chairman of the Center said, "the China Study Center, with its activities focused on studies and research aimed at promoting social, cultural and economic ties between Nepal and China, takes immense pleasure in publishing this useful book which unveils very important aspects of the age old cultural bondage between our two countries." It may be recalled that Buddhahadra, a native of Kapilvastu of Nepal, traveled to China some Sixteen hundred years ago on his Buddhist mission and spent his entire life in propagating Buddhism in China. It seemed that he generated a large number of disciples in China who became the pillars of Buddhist meditation, doctrine and the foundation for pure monastic life of Chinese Buddhism," said Regmi. Stressing the need for more research, Regmi said many more facts and figures still remain unexplored and are left distorted due to lack of intensive research. There should be more in-depth research works carried out by dedicated scholars of both the countries which will enhance the historical importance of Nepal-China

relations. Chinese ambassador Qiu Guohong also spoke the importance of the book. Delivering a note of thanks general secretary of Center Dr. Upendra Gautam said this book showed how Nepal-China relations are bound by century old interactions. Attended by large number of scholars and historians, author Shakya discussed his research and the publication of book.

**THE INDIAN EMBASSY IN KATHMANDU HAS REFUTED** reports appearing in the Nepali media that India has encroached upon Nepali land and forcefully evicted Nepali people from their villages. Issuing a statement Friday, the Indian embassy also said that India's border security force - the Seema Suraksha Bal - has not committed any atrocities against the Nepali people as has been reported. The embassy said it cross-checked the facts with the concerned Indian authorities following border related reports appearing in the Nepali media and found the allegation of encroachment of Nepali territory and attack on the Nepali people by SSB personnel totally baseless. The embassy further said it has not yet received any formal information on the Dang incident from the Nepali government and also confirmed that no border pillar has been shifted or tampered with. "These baseless reports have been devised to shatter the cordial ties between Nepal and India," the release said.

**THE WORLD BANK HAS APPROVED** financial support of about US\$ 782 million to Nepal for the next two years through International Development Association (IDA), the bank's concessionary lending arm. The meeting of the board of directors of the bank discussed interim assistance strategy saying Nepal's determination to build a robust peace through development and poverty reduction will get strong support from the bank. Welcoming the many significant milestones achieved since the signing of the Comprehensive Peace Agreement in November 2006, the Bank's strategy document supports the promotion of consensus and unity to address key elements of the peace process, including the foundations for state building, growth, and improved basic service delivery for Nepal's poor, a statement issued by the bank says. "This is a period not only of risk but also enormous opportunity," says Susan Goldmark, World Bank Country Director for Nepal, adding, "While many of the transitions will not be completed in a two-year period, during this time the country can continue to establish a sound basis for peace and economic development." The strategy reflects considerable continuity, emphasizing the areas of strength but suggesting more flexibility to respond to opportunities. It builds on the areas which have shown to be robust and to modalities of implementation tailored to local conditions and what has worked in the past. ■





### “Dahal’s Shows Leadership”

Indian ambassador to Nepal Rakesh Sood dismissed the claims that New Delhi had engineered the fall of the Maoist led government, that Indian border security forces were involved in the Dang incident and that Nepal Delhi was alarmed by Nepal’s ties with Beijing. In his interview given to the Editor of Kantipur Sudheer Sharma and the Editor of The Kathmandu Post Akhilesh Upadhyay, Indian ambassador Sood said, “Nepal is a sovereign country and it will decide what kind of relationship it will have with any other country. I don’t think that impinges on anyway with Nepal’s relationship with India. India has its own kind of relationship with China.” He said India’s bilateral trade with China is over US\$ 40 billion.

On the recent border controversies on Dang, he said Delhi had sent its surveyors “who found that there was absolutely no untoward incident. He said when new pillars are installed ninety- eight percent of border dispute will be resolved.

On the question of fall of Maoist government Indian ambassador Sood said, “it is completely an internal affair of Nepal. Lauding the leadership role of Maoist leader Dahal in transforming the Maoist party from a militant group to a major political party, Indian ambassador Sood said, “that shows his leadership.”

On the question of peace process, Sood said, “first of all, peace process implies the complete disarmament of the People’s Liberation Army (PLA). Second, it implies the integration of the PLA combatants into the Nepali society in a manner in which they

become economically active members and are able to contribute to the political stability and economic development as Nepali nationals in Nepali society.

He said that the idea that PLA integration is into the Army and rehabilitation is into the society are not in the peace agreement. Sood said that given today’s economic recession there may be difficult to extend the pace process for an inordinately long time. He also hinted the recent leakage of CD questioning to place more than 4000 disqualified combatants in the camp.

He argued that India has nothing to do with the fall of Maoist government. He said that it is the breaking down of the consensus in Nepali political system led to growing differences and eventually the decision where the Maoist led government became a minority and prime minister Pushpa Kamal Dahal was obliged to resign. *Compiled from Kantipur and The Kathmandu Post.*

### A Model Constitution for Nepal Released

A model constitution for Nepal was released on May 21 to provide a comprehensive expert input into the constitution making process at the Constituent Assembly. The model comprises 26 Chapters, 297 Articles, and six schedules.

The model constitution was drafted by a senior constitutional expert, Dr Bipin Adhikari. The Model Constitution of Nepal is intended to help stimulate rational discussions on core constitutional issues facing the country.

The constitution is based on a parliamentary form of government at the center and a presidential system at the provincial level. The draft incorporates new fundamental rights,

increases ministerial accountability to parliament and provides for autonomous provinces and self-government. It enhances the role of constitutional watchdogs and also increases their public accountability. The draft was prepared by drawing on lessons from the past as well as trends and innovations in other parliamentary democracies.

Launching the draft, National Human Rights Commission Chairman and former Chief Justice Kedar Nath Upadhyay said that the expert draft addresses many complicated issues that the new constitution of Nepal will have to deal with. He also added that this draft should serve as an important reference point for the work being undertaken by the CA.

The draft was also commented upon by senior political leaders Chakra Prasad Bastola of Nepali Congress, Bharat Mohan Adhikari of CPN (UML), and Suresh Ale Magar of UCPN (Maoist). While the first two commentators applauded the efforts of the author to deal with almost all political problems of Nepal comprehensively, and within the liberal democratic framework, the Maoist representative said the draft, although very useful for the Constituent Assembly, had a class orientation. He also said the Janjatis will not accept his provinces based on geography. Senior Advocate and President of Nepal Bar Association Biswa Kant Mainali also expressed his views on the model. Introducing Dr. Adhikari’s book, imminent constitutional lawyer and convener of the Consortium of Constitutional Experts Dr. Surya Dhungel introduced the model constitution.







### European Film Festival

The diplomatic missions and cultural institutions of the European Union (EU) based in Kathmandu organized a five day European Film Festival at the Nepal Army Auditorium from June 13-17.

The first two days of festival, which is the second of its kind, will draw a large audience from different sectors of the Nepalese community, going by the response from last year's screenings in September.

The festival will be featuring ten European films of different origins and on themes. It aims at building a strong tradition in the years ahead with the hope reaching out to the ever-growing Nepalese audiences.

The movies - two from each Member State represented in Nepal (Denmark, Finland, France, Germany and the United Kingdom) are masterpieces of contemporary European cinematographic arts. From comedy to war and drama, all kinds of films were screened.

"We find many similarities between Europe and Nepal in terms of diversity in culture and language. This is what we want to show in the four day long film festival," said Ference Weigl, first secretary political affairs of the European Commission to Nepal.

### Eighteen Parties Call Govt To Stop Encroachment

Eighteen parties representing the Constituent Assembly (CA) including the Unified CPN (Maoist) called on the government to commence diplomatic appeals to stop encroachment of Nepali land by the Indian side. Condemning the encroachment by Indian border security force, Seema Surakshya Bal

(SSB), the meeting of the 18 parties called by the Maoists drew the government attention towards addressing the problem from diplomatic level. The meeting concluded that the constant encroachment and attack of the Nepalis in the border areas is a major blow to sovereignty and nationality of Nepali people. A team led by Chairman of National Interest Preservation Committee Amik Sherchan has been formed to inspect the encroached sites in Dang and Bara districts, senior Maoist leader Dr Baburam Bhattarai informed. The team will constitute representatives of all parties. Nepali Congress, Madhesi Janadhikar Forum (MJF), Tarai-Madhes Loktantrik Party (TMLP) and Sadbhawana Party did not participate in the meeting. Meanwhile, 13 students' unions besides All Nepal National Independent Students' Union-Revolutionary (ANNISU-R) have demanded the government to stop the encroachment in Dang and Bara districts. A meeting of the students' bodies at Nepal Students' Union office in Putalisadak concluded that the problem should be addressed from government level. Likewise, a taskforce

has been formed constituting representatives of all students' unions to inspect the encroached sites.

*Compiled from reports*

### Maoists Demonstrate Against Border Encroachment

The Unified CPN (Maoist) staged rallies in the capital protesting the encroachment of Nepali territory by India and harassment of Nepalis living in bordering villages. After rallies at different parts of Kathmandu, hundreds of Maoist cadres and some central leaders staged sit-in in front of the Indian embassy at Lainchaur, chanting slogans against the encroachment of Nepali land and harassment of Nepalis by Indian border security personnel. They also submitted a memorandum at the embassy calling for immediate end of the border encroachment. Earlier, the Unified CPN (Maoist) called an all-party meeting to discuss the border encroachment and evacuation of Nepali settlers from several border villages in Dang. Reports say as many as 6000 Nepalis have been displaced after the Indian Seema Surakshya Bal (SSB) personnel

### Conservation Award goes to Women in Environment (WE)

Year 2009 has proved quite rewarding so far for the Women in Environment (WE-Nepal), a national environmental organization of women, with over 5000 members. The Ministry of Environment, Science and Technology declared WE-Nepal the winner of Environmental Conservation Award 2009 (2066 BS) for its outstanding contributions to protect, conserve and promote environment in





Nepal. On June 5, 2009, the Chairman of the Constituent Assembly Subash Chandra Nembang handed over a certificate of appreciation, including a cash prize of Rs. 100,000, to Mrs. Kamala Acharya (Dhungel), President of WE-Nepal, at a function organized in Kathmandu by the Government of Nepal to celebrate the World Environment Day. It needs to be reminded that last March, Mrs. Dhungel was unanimously elected Vice-Chair of the East and South Asia IUCN Regional Committee in Bangkok for a three year term. Similarly, Dr. Araju Deuba, member of CA from Nepali Congress, was elected earlier as International Councilor of IUCN in Barcelona.

It needs to be remembered that WE-Nepal was registered as NGO in 1990 and since then it has widely covered its activities in over 15 districts of Nepal, with focus on women empowerment and sustainable development to uplift the underprivileged communities. Remarkable environmental friendly infrastructural support by constructing three irrigation dams for the rural farmers, clean water supply for the rural people, installation of over 30 artesian wells and hand pipes, and construction of 13 primary school building and health care centre in Mahottari alone is sufficient for anyone to visibly assess as to how effectively WE has been working at the grassroots.

### SHAILAJA ACHARYA PASSES AWAY

Although she died at the age of 65, Nepali Congress leader Shailaja Acharya proved herself as an unpredictable politicians. She opposed the move of her party to join with

Maoist to launch the joint agitation but she accepted the nomination of ambassador to India by same coalition government. After facing humiliation in then Legislature Parliament by CPN-Maoist legislature, Acharya gave up her claim.

She resigned as a deputy prime minister following the dispute with prime minister Girija Prasad Koirala. Similarly, she resigned from the central membership after party's decision to join with Maoist saying that it was against the spirit of B.P. Koirala's national reconciliation.

Whatever her role in the party politics, she spent almost all her life to the cause of democracy. Nepali Congress leader and former deputy Acharya passed away at the age of 65 Friday (June 12) morning while undergoing treatment at Tribhuvan University Teaching Hospital, Maharajgunj. Acharya had been ill since past two years and hospitalized since the last one year. She had undergone treatment in Bangkok and Kathmandu. Doctors in Bangkok, where Acharya had been hospitalized for nine months, had diagnosed her with Alzheimer's disease. She was admitted at the hospital Wednesday (10 June) after she complained of respiratory problem and was put on ventilator support at the Intensive Care Unit since then.

Late Acharya was among the few women leaders who made a remarkable contribution to reinstate democracy in the country in 1990. She was jailed for showing black flag to the then King Mahendra in 1961. She went into self-exile in India when she was released

from jail after three years. She returned to Nepal with her political mentor and then NC president B.P Koirala in 1976 with a message of national reconciliation. Acharya was appointed agriculture minister in the first elected government following the restoration of democracy in 1990. She resigned from the post, complaining of widespread corruption in the ministry. In the coalition government in 1997, Acharya was the deputy prime minister with water resources portfolio. Her body was kept at the NC central office, Sanepa, for a few hours for paying last respects.

She left the party following Nepali Congress decision to align with CPN-Maoist. She was shocked when Acharya was humiliated by the Maoist members in her appoint to Nepalese ambassador to India in parliamentary hearing.

### Tourist Arrivals See Negative Growth

This season has seen a decreasing trend in arrival of tourists through air, figures released by Immigration Office, Tribhuvan International Airport (TIA) say. According to the figures, visitor arrivals in the month of May 2009, compared to the same month last year, have decreased by 5 percent. The SAARC segment shows a 12.7 percent decline; Indian market alone showed a hefty decline of 13.6 percent. Similarly, arrivals from Bangladesh and Pakistan have witnessed negative growth of 4.2 percent and 17.9 percent respectively. The other markets to decline are Japan (2.3 percent), Malaysia (11.4 percent) and South Korea (23 percent). However, Sri Lanka registered a positive growth of 19.7 percent. Chinese arrivals have increased by 36.2 percent along with Thailand (87.8 percent) and Singapore (65.1 percent). European markets registered overall positive growth by 9.1 percent. Arrivals from the UK and Italy are up 11.1 percent and 24 percent respectively. However, other destinations in Western Europe posted weaker arrivals figures - France, Germany and Spain have suffered a decline by 7.2 percent, 9.4 percent and 14.7 percent respectively. Arrivals from Australia, Canada and United States of America saw increase by 7.6 percent, 8.5 percent and 4.4 percent respectively.

*Compiled from reports* ■







PM Nepal (Left) Congress Leader GP Koirala: Divided we stand

## COALITION PARTNERS

# Divided They Stand

*The second coalition of the Republic of Nepal in less than a year faces ominous threat from deep internal division and long-running mutual suspicion*

BY SUSHIL SHARMA

**W**ell begun is half done, goes a legend. Three weeks after he took the oath, Prime Minister Madhav Kumar Nepal has not even begun.

The hotchpotch coalition has struggled to take off. Thanks to the hard bargaining among the coalition partners over posh portfolios. And, more importantly, to the deep division within the key partners.

Internal dissension has claimed the youngest of the key coalition parties as its first casualty. The Madheshi Janadhikar Forum has split into two.

The founder-chairman Upendra Yadav's left-leaning faction has been weakened. The new-entrant, Bijay Kumar Gachchhdar, has bolstered his non-left faction.

Yadav is out of government. Gachchhdar is in, as deputy prime minister.

But the former Nepali Congress leader's moment of glory may not last

long. Not because of his *bête noire* and the former foreign minister. But because of the ministerial ambitions of the 32 MPs who "backed" him.

The fallout of the cabinet expansion will be his litmus test. Past records of 'tested' big parties — leave alone the small Terai outfits — are not encouraging.

The Nepali Congress has weathered the storm over the induction of the party boss Girija Prasad Koirala's daughter Sujata Koirala into the government. For now.

The power equation in the party has changed. Former Sher Bahadur Deuba and Sujata have joined hands. Trusted aides like Prakash Man Singh have left Deuba to join hands with the latter's bitter rival, Sushil Koirala.

Sujata leads the party in the government. With the support of Deuba. But the perennially faction-ridden centrist party is too divided to be in a position to ensure the coalition's future.

Sources say, even the octogenarian architect of the present coalition has left his hand-picked prime minister guessing. In the power games.

A Nepali Congress-Maoist combine is what some are speculating about. In a few months from now.

It was not for nothing that an unsure prime minister sought a meeting with the man he replaced three weeks ago. Interestingly, the meeting with the Maoist supremo Prachanda was held in the presence of the Maoist-friendly party chief, Jhlnath Khanal.

There was no major breakthrough at the Godavari resort meeting. Nor was the message he sought to convey was immediately clear.

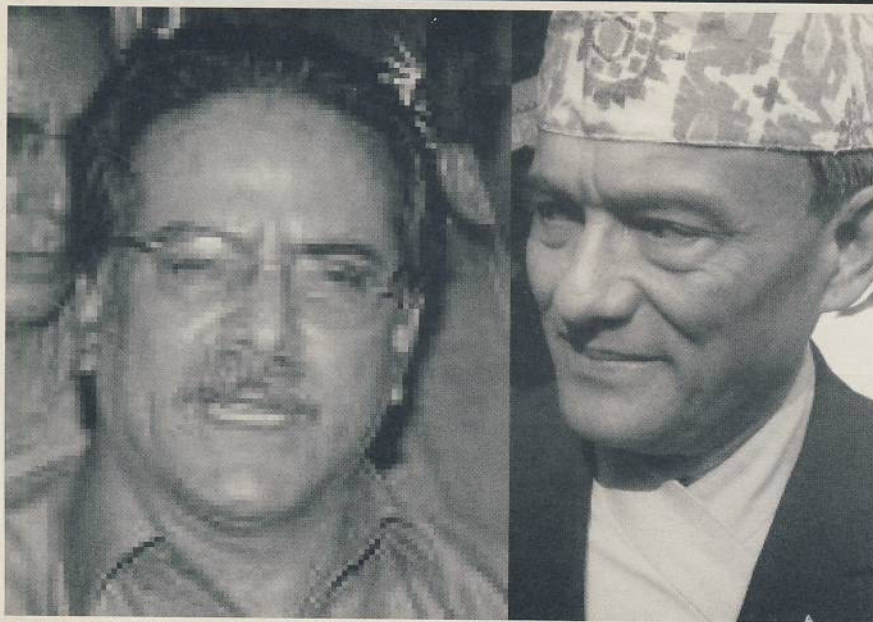
But ominous speculations have begun doing the rounds. Of a Maoist-UML combine at the helm. To counter the prospect of a Nepali Congress-Maoist combine.

Prime minister Nepal's UML is no less divided. Chairman Khanal and K.P.Oli lead the rival bandwagons. The prime minister is caught in the middle. The internal division has weakened the ever-indecisive Madhav Kumar Nepal.

Given the shaky grounds the major parties find themselves in, the future of the coalition looks equally shaky.

As they set out for honeymoon, the coalition partners are bound to rock their forced marriage. A natural fallout of the divided houses and deep-running mistrust in the world of the make-believe consensus. ■





Prachanda (Left) COAS Katwal: What is next?

## POLITICS

# Collision Course

*Confrontation is set to become a bitter reality of Nepali politics amidst the never-ending sweet rhetoric*

By SUSHIL SHARMA

It is dawn. June 8, Monday. Bhanu Khanal 'Yaman' hangs himself. At the Chulachuli cantonment, in the far eastern Ilam district.

Acquaintances gave two reasons for the Maoist combatant's suicide. The frustration over the ouster of the Maoist government. Doubt over the integration into the Nepali army. And fear of meeting a fate of Sri Lanka's LTTE fighters.

The young warrior's fatal decision might be challenged. But not his reported analysis.

The downfall of the Maoist government is the present-day reality.

The impossibility of the integration of the Maoist combatants into the Nepali army is a near-certain future reality.

No influential national forces nor any critically key international forces are for it.

And there is a lurking danger that the Maoists meeting the LTTE fighters'

fate could prove a future reality.

The supreme leader, Prachanda, did admit as much. In his Tundikhel outbursts against the "foreign masters" who "master-minded" the government's downfall, he referred to "warnings" of making him another Prabhakaran.

Sources confirm that he did indeed receive intelligence warnings in the wake of the abortive move to dismiss army chief Rookmangud Katwal.

Having led a bloody insurgency for ten years under powerful intelligence surveillance, no one is better positioned than Prachanda to read the writing on the wall.

In a desperate counter move, he sought to show his muscle. By brining in more than a hundred thousand people at Tundikhel.

But the same zeal was conspicuously absent in the subsequent first anniversary of the republic that the Maoists claim to have fathered.

The first birthday celebration of the

baby republic was a forgettable event. There was no party. Out of power less than a year after they were in, the Maoists now find themselves on the run.

Even as he publicly spits venom against the "foreign master" a desperate Prachanda, according to sources, has privately sent feelers to influential power centres to create conditions for the return of the Maoists to power.

Prachanda confided to a reporter recently that he was busy preparing a political document to clear the way for the return to power.

It was in this light that the surprise meeting with the prime minister Madhav Kumar Nepal at Godavari had been seen. Prachanda knows the prime minister's vulnerability to the pulls and the pressures from within and without the present coalition.

The prime minister, on his part, is also learnt to be toying the idea of allying with the Maoists, should he continue to be "cornered" by the Koirala and Oli company.

It is not for nothing that he delayed the revocation of the Maoist government's dismissal of the army chief Katwal.

The delay has alienated the army top brass. It has felt betrayed by the prime minister who rode to power on the strength of the army chief Katwal's solo defiance of the Maoist government.

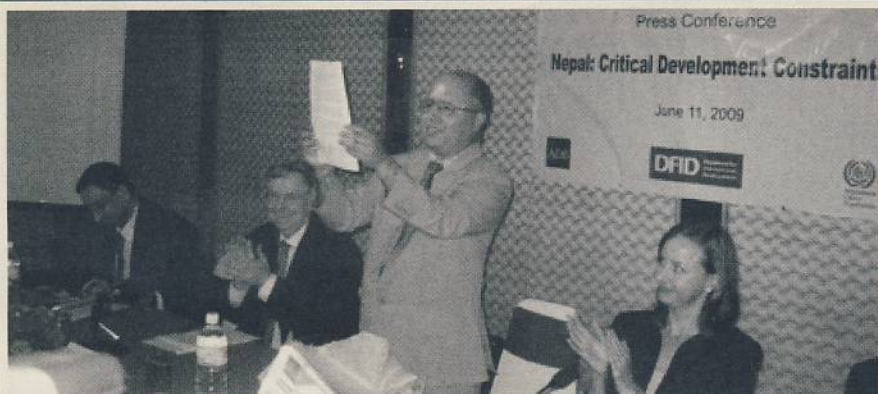
The army is increasingly becoming restless over the indecision and uncertain future of the new coalition.

Said a top general, "waar ki paar ko ladai (a fight to finish) against the Maoists is inevitable. Sooner than later"

As mistrust and deep division make the coalition shaky and the Maoists seek to take advantage of the situation to reverse the recent setbacks and a possible doom, national and regional security concerns will take precedence over the constitutional and democratic process.

That will lead the country to a collision course. With the constitutional president finding himself pushed into the centre-stage, one more time. As he was during the Katawal episode that proved suicidal for the Maoists ■





Finance Secretary Khanal : Launching book

## POLITICAL INSTABILITY

# Hampering Development

*A study conducted by Asian Development Bank reveals that political instability hampers Nepal's development process*

By A CORRESPONDENT

Nepal's efforts to accelerate economic growth and reduce poverty are being hampered by political instability, poor infrastructure, and other critical obstacles, a new study has found.

Conducted by ADB's senior economist Ehasan Khan, the country revealed that the most immediate and urgent constraint is a cluster of interrelated governance factors that are directly political in nature: political instability, crime and insecurity.

"Nepal needs accelerated inclusive growth to create jobs and maintain stability in the long term but its difficulties are mainly to do with internal, structural issues and it can address these issues if the desire and political will is there," said Ehsan Khan, ADB senior economist and the report's main author.

Launching the report, Finance Secretary Rameshwor Prasad Khanal said Nepal has made certain progress in economic sectors despite continual political instability. "Nepal needs to carry out the reform process to accelerate the economic growth," said finance secretary Khanal.

The study, *Nepal: Critical Development Constraints*, is a collaborative effort by Asian Development Bank (ADB), UK Department for International Development (DFID) and International Labor Organization (ILO), that examines the main factors holding back the country's development progress.

"The publication of this study is both timely and relevant as both government and development partners' work to adjust their strategies and programs to respond to the recent developments in Nepal's transition to peace and nation building," said Barry J Hitchcock, country director, Asian Development Bank. "We are hopeful that the report will help shift public policies towards inclusive growth and put the concept of inclusive growth into the Spotlight when the government prepares its economic plan for the future."

"We hope the report will be the start of a process of raising the debate on what's needed to accelerate inclusive growth in Nepal," said Sarah Sanyahumbi, DFID Nepal Head of Office. "Improving and promoting inclusive growth, and creating more jobs, is a key focus of our program in Nepal for the next few years and vital for peace and development in Nepal."

Despite uncertainties, there is sign of optimism. "I am optimistic that the situation will change and the poor people of Nepal will get benefits," said Sanyahumbi.

"The priority of the ILO's Decent Work Country Program for Nepal is to generate productive employment for building sustained peace through labor market reform and this research will no doubt accelerate the process of the ILO's ongoing reforms which encourage investment, as well as stressing the importance of social protection of workers," said Shengjie Li, Director of ILO for Nepal. ■

## US-NEPAL

# The Prism

By A CORRESPONDENT

During a visit to Nepal a few years ago, one of Robert Blake's predecessors, Christina Rocca, ruled out looking at Nepal from the prism of India.

In Kathmandu last week for his first South Asian journey as assistant secretary of state, Blake did not make such commitment.

But he used the "familiarization" tour for some hard-talk on the Maoists. He ruled out de-listing the former rebels from the US terrorist list.

That should go down well in Delhi which felt "betrayed" by the Nepalese Maoists.

When former US ambassador James Moriarty dubbed the 12-point Delhi pact between the Maoists and the seven mainstream parties "wrong-headed", he was condemned as villain of peace.



Three years down the road, Moriarty has the last laugh. Probably, he will share the laugh with the former deputy chief of the US mission in Delhi in his new avatar as in-charge of South Asian affairs at the State Department. Blake flew from Kathmandu to Dhaka where Moriarty represents the Obama administration.

While Blake appeared to see Nepal from the prism of the US' new South Asian "strategic partner" his senior, Nicholas Burns, was in Delhi.

It will be interesting to find out if the world's two largest democracies now see eye-to-eye on the Himalayan republic's communist "rogue". ■





## NDB'S FAILURE

# Banking On Lessons

*For the first time in Nepal's banking history, the central bank takes steps to liquidate a development bank – smashing 'myths' of 'banks' invincibility*

By SANJAYA DHAKAL

**A**mong the scores of woe-struck depositors of the beleaguered Nepal Development Bank (NDB) who thronged at the governor's chamber was a lady who had put all the money her husband earned as migrant worker and who had obtained compensation for industrial accident.

Like her a number of depositors wailed in front of exasperated officials of Nepal Rastra Bank (NRB) on June 4.

Depositors of NDB were compelled to knock the doors of NRB after the savings and investments of the depositors and investors were jeopardized after the central bank issued a 15-day notice asking NDB directors why the bank should not be liquidated.

The depositors were desperate to learn whether their hard-earned money will be returned or not.

The NRB officials are still uncertain if all the depositors will be able to get back their money.

The loss is too much, they say.

"We had asked the NDB one and a half years ago to improve their financial health. Instead it deteriorated and recently their accumulated loss crossed Rs 680 million forcing us to take this action," said governor Deependra Bahadur Chhetri.

He said that once the court gives them the go-ahead, the NRB will proceed with liquidation process and depositors will be treated fairly as per the law. The NDB had total of Rs 750 million deposits and Rs 400 million worth equity shares.

As a part of its action the NRB has frozen the properties and transactions of the bank. With this decision, the hapless depositors and investors will have no option other than to wait. At best, they could realize only a portion of their savings. Various reports have said that the NDB held Rs 720 million in total deposits. The big chunk of the deposits are held by the institutional depositors such as Employees Provident Fund (EPF) and Nepal Army Welfare fund.

As per the existing laws, the NRB will have to file a petition seeking dissolution of the NDB at the appellate court first. If the court agrees with its logic, then the NRB can appoint a liquidator who will assess the assets and liabilities. The liabilities will be met on a priority basis by selling off the assets.

This is the first time that the central bank had taken the drastic decision of liquidating a financial institution.

"In the past also we have taken different measures of actions against the ailing and erring banks and financial institutions. In some institutions, we have only given warning, while in others we have intervened in the management. This time we had no option than to go for liquidation given the size of loss," said the governor.

'Myth'

The NDB fiasco has pricked the inflated myth surrounding the invincibility of the banks.

"This episode has indeed busted some myths. People used to run after banks that give higher interest without learning about their fundamentals. Investors who blindly put their money on shares of any bank that issue IPO should also learn lesson from this episode," said Anil Shah, CEO of Nabil Bank and vice president of Nepal Bankers' Association (NBA).

"We regularly bring out financial reports. The banks and institutions also bring out their annual and periodic reports. One should study them before making any decision," Chhetri advised.

Shah says that the NDB episode should at least contribute to promote the banks who have worked hard and are in excellent financial health owing to their strict adherence to prudential norms. Otherwise, the wrong ones were getting away with lots of mileage, he said.

The NDB mess should ring alarm bells. It was after a couple of banks failed in the United States last year that triggered the global recession. Economists point at the need for the central bank to keep watchful eye on the banks and financial institutions to avoid similar catastrophe. After all, there is a saying that those who do not learn from histories are bound to repeat them. ■



# Crisis @ NDB

*Shivanth Pande\* & Santosh Pokharel*

*Research and Development Department, Nepal Investment Bank Limited*

The Nepal Rastra Bank's (NRB) recent decision to liquidate the Nepal Development Bank – the first private sector development bank in Nepal – has put an end to the prevailing myth that banking sector in Nepal is perpetually a profitable enterprise. The current crisis at the NDB has underlined that without competent management team, adequate capital base, prudent risk management and strong corporate governance, financial institutions cannot survive in the long run. Moreover, the NDB's debacle will have long term implications for the overall financial sector of Nepal.

## **Implications for banking sector:**

### **Prudent risk management:**

The major problem with the NDB was their high Non-Performing-Assets (NPA). By offering high deposit rate, the development bank was able to attract depositors, however, due to lack of investment opportunities and to cover their high cost of funds, the bank was lending out money to questionable and risky enterprises. Over the long run, these risky lending practices led to high accumulation of NPA and consequently led to the downfall of this development bank. Financial institutions need to learn important lesson from this recent banking crisis.

Currently, many of the new commercial banks and other financial institutions are also offering high deposit rate to attract depositors. Similarly, many of these new financial institutions have heavy exposure to real estate sector. Over the past few years, the domestic real estate sector has witnessed an unprecedented boom and many institutions as well as individuals have benefitted from this explosive trend in real estate market. However, the larger question is how sustainable is this boom? Going forward, if the real estate market goes down or even stagnates, then it will put billions of rupees of investment in real estate sector in serious jeopardy. And because many of these new financial institutions have significant exposure to the real estate sector, they will have to face the music. The sub-prime mortgage crisis in the United States is testament of the fact that too much exposure to risky assets can lead to severe losses when there is adverse

market movement.

### **Competent Management Team:**

While the banking sector has seen tremendous growth in recent years, the talent pool of qualified human resources in banking sector is still very limited. Because of this mismatch between demand and supply, there is high attrition rate of staffs in banks and other financial institutions as there is a tendency among banks to lure staffs from rivals' banks by offering higher positions and salaries. Moreover, also due to the supply demand mismatch, individuals without adequate experience and qualifications are being assigned higher-up position.

However, running a bank or financial institutions is not an easy job. Strong professional experience coupled with adequate educational background is a

*By offering high deposit rate, the development bank was able to attract depositors, however, due to lack of investment opportunities and to cover their high cost of funds, the bank was lending out money to questionable and risky enterprises.*

prerequisite for any managerial position in a financial institution. Financial institutions are in the business of risk management – they seek returns commensurate with their risk taking ability. Qualified and experienced bankers are in better position to understand and mitigate risk factors while seeking higher returns.

### **Strong corporate governance:**

A corporation primary objective is to maximize their shareholder's return. In a public corporation there are multiple owners (shareholders) who play little or no role in the corporation's business decisions and these decisions are left in the hand of professional management. This separation between the owners and management creates a potential conflict of interests whereby the management may decide to put their interest first instead of the general shareholder (this problem is known as the principal – agent problem). Because of this principal-agent problem, strong corporate governance is imperative to minimize the conflict of interests.

Recently a wave of problems in the domestic financial institutions and life insurance companies (e.g. Bank of

Kathmandu, Nepal Development Bank, National Life insurance Company ) has once again underscored the need for strong corporate governance system to promote the interests of general shareholders. Management of many public corporations in Nepal put their interests first when making business decisions because the corporate governance practice employed by public companies don't have enough check and balances to ensure that general shareholders' interests are being taken care of. However, as the recent corporate scandals (both domestic and international such as Satyam) have demonstrated, the current practice of corporate governance in many of the domestic corporation cannot be sustainable in the long run.

### **Implications for the domestic equity market**

Over the past decade, investments in the stock of financial institutions have provided good returns. As such, most of the individual investors in Nepal are attracted towards investing in the stocks of financial institutions. However times have changed. Due to lack of competition in the past, many of these financial institutions were able to generate good profit. But with the entry of so many new commercial banks and other financial institutions, competition will be stiff and bottom line will be thin. Hence it's now necessary for investor to analyze the basic fundamentals such as price-to-earning (P/E) ratio, price-to-book (P/B) ratio, and dividend yield, among others, of any company before investing their savings in the stock market. Just blindly putting money in stocks of any financial institutions without even analyzing their true fundamental picture can lead to financial ruin, as many of the investors in the NDB can testify.

Moreover, particularly when investing in financial institutions, investors need to be aware of their capital base because strong capital base indicates ability to withstand adverse market movement. ■



# Foreign Affairs Is Not Foreign To Me'

-SUJATA KOIRALA

*There was no storm as such. Some did not like it. That's all. But a large number of youth party members are happy.*

Although there was a controversy when Sujata Koirala was nominated to lead Nepali Congress in the government, she was appointed as a foreign minister. Being a daughter of Nepali Congress supreme Girija Prasad Koirala, Sujata has certain political advantages as well. As her father Girija Prasad Koirala, Sujata is daring as well as bold to walk in hostile environment. After Nepali Congress President Koirala decided to send five members team to represent Nepali Congress in CPN-UML led coalition, even senior leaders like Sushil Koirala, Ramchandra Poudel walked out. Whatever one can say about her, minister Sujata has built her political clout nation-wide working under Sushma Koirala Memorial Foundation which has been launching various development programs in far and remote parts of Nepal. Active and charismatic, minister Sujata, whether one likes or not, is in the forefront of party. After appointment of a Foreign Minister, **SUJATA KOIRALA** gave first exclusive interview to **KESHAB POUDEL** at her residence on Tuesday morning. Excerpts of her half an hour interview:

**Do you realize that the storm over your induction into the cabinet has not died down yet.**

There was no storm as such. Some did not like it. That's all. But a large number of youth party members are happy. They believe that my appointment opens the way for them in the Congress politics. I don't care what others say about me. All I want is to work for the Nepali people and the Nepali Congress. I have been working for the party for 18 years in different capacities. I was asked to withdraw my nomination in the Pokhara General Assembly though I was in a firm position to be elected to the Central Committee. Many district presidents have supported me.

**Support of the party president and your father Girija Prasad Koirala was crucial, no?**

Of course, I am daughter of Girija Prasad Koirala but I have been active in politics for a long time. His influence has had nothing to do with my success. I have been working with party workers. I have devoted almost all my time to the political party. Although as a daughter, I do have relations with my father.

**If you have made such a big contribution to the party, why such opposition from within the party?**

I don't understand it. There are many who are jealous of my success in politics. I was not picked up by anybody. I have own my political role. I have always been a part of Nepali Congress and I took part in all the struggles launched by my party.

**But you lost the Constituent Assembly elections. Did not you?**

The constitution clearly states that anybody can be appointed as a minister, I don't understand why they are only pointing fingers at me. So far as the election in my constituency is concerned, they were completely rigged. The then election commissioner rejected my request to recount and to conduct re-polls in some booths.

**How one can expect the government to deliver the goods when it has not even been unable to expand the cabinet for three weeks?**

Of course, there has been a delay. This is because all want to have consensus. This government will be stronger in the coming days as all the parties have agreed to back us. We are also trying to bring in the Maoists. Their participation is crucial in the constitution making process. We are in dialogue with Maoist leaders. We also want the support of Maoists to restore rule of law and stability. Only through the active participation of Maoist, you can write the constitution. The situation is fluid as the peace process is not moving smoothly.

**If it takes more than three weeks to give a complete shape to the government, how can you guarantee that this government will last?**

The time does not matter. Had the prime minister done a poor job in expanding the cabinet, it may have bitter political results. It may take couple of weeks to expand the cabinet but will have good results and lead to national consensus. Better late than hurry.

**Maoist leaders have been saying that this government will fall within three months.**

I have not read such statements. Instead, even Maoist leader Prachanda congratulated me by telephone after I became minister. I requested him to join the government and to make it a national government.





**Don't you think a new alternative alliance will be made?**

It is impossible now.

**Now you have been appointed to the important office of Foreign Minister. How do you plan to go about?**

So, foreign affair is not foreign to me. I have been actively working in the party's foreign affairs department for quite a long time and I visited different parts of the world in that capacity. I have met various leaders and diplomats.

**What is your priority as foreign minister?**

My priority will be to strengthen the relations with our neighbors, India and China, and to maintain good relations with all the other countries.

**What is the state of relations of Nepal with its two neighbors?**

They are good, friendly and cordial. I want to maintain good and friendly relations with both of our neighbors as in the past. This is also mentioned in the government's common minimum program.

**Isn't that a tall talk, given the shaky future of the government?**

This government will last until we make new constitution. This government has no alternative.

Of course, there are challenges. But opportunities as well. I have joined the government with the intention to bring the peace process to its logical end. As you know, Girijababu initiated the peace process, I want to complete it.

**As foreign minister, what role do you see for yourself in the peace process?**

As foreign minister, I have a lot of role to play. As a foreign minister, I can support the peace process by mobilizing the international community. We need moral support of international community to bring peace process to a logical end.

**You don't have the experience to run the foreign affairs. Do you?**

You don't necessarily need to be book-worm to be a good foreign minister. Your experience can guide you. The country's situation will tell you how to work. In this era of globalization, I can do a lot of work. As Girijababu declared there is going to be an all-party committee to guide the government, and that committee will also guide me. This is a government of consensus and such committee will play an important role whenever there are misunderstandings.

**How can you hope to do your best when foreign ambassadors do bypass the foreign**

*As foreign minister, I have a lot of role to play. As a foreign minister,*





*I am new in the ministry. I am still considering whether or not to create a new mechanism. I don't want to create misunderstandings between my ministry and the prime minister regarding such meetings.*

**minister and directly meet prime minister?**

Every ambassador can meet prime minister but there should be prior coordination with the ministry regarding such meetings. At least the foreign ministry should receive information on what matters they discuss.

**Do you have any plan to introduce any mechanism for this?**

I am new in the ministry. I am still considering whether or not to create a new mechanism. I don't want to create misunderstandings between my ministry and the prime minister regarding such meetings. What I am considering is building institutional mechanisms so that there is coordination among us on country's foreign policy issues.

**What are your visions in Ministry of Foreign Affairs?**

I want to make my ministry effective in dealing with all our friendly countries. I want to strengthen embassies abroad to protect the interest of Nepal and Nepalis.

**How do you see Nepal's relations with our two neighbors?**

We have two neighbors and we have excellent relations with both of them.

**But there is border dispute with India.**

We will settle it through diplomatic means.

**Reports say, India is encroaching upon Nepali land. But you have been reported to have given a clean chit. Why?**

I have not said anything of the sort. I was quoting only preliminary reports of the officials. After final reports, I will be in a position to give a definitive answer. I have not made any comments on border issue thus far.

**There have been concerns of our northern neighbor China vis-à-vis its security? How do you address their concern?**

China is our important neighbor. I have already

told them the government will never allow any anti-Chinese activities in Nepal. Nepal has similar policy regarding India. Nepal will not allow any activities directed at our two neighbors from our soil. The Chinese want to see Nepal as a peaceful and prosperous nation. They are supportive of our peace process.

**But the Chinese are complaining that Tibetans are launching anti-China activities from Nepal.**

No body will be allowed to conduct any hostile activities against our neighbors. This has always been the policy of Nepal. Of course, Nepal needs political stability and secure environment. This is the reason we are requesting that even the Maoists join the government. We need unity among all the political parties to bring political stability in Nepal. By establishing political stability, we can assure our neighbors.

**How do you balance the relations between the rival neighbors, India and China?**

India and China are our good and friendly neighbors. We will not play them against each other. We will respect their sensitivities.

**Beside India and China, what is the state of Nepal's relations with other countries?**

We have very friendly relations with all other countries. Recently, the foreign minister from the UAE and assistant minister of the United States of America visited Nepal. The American minister expressed his desire to support Nepal's development and peace process. We have also good relations with European countries. During my tenure, I will do my best efforts to strengthen Nepal's relations with all countries. We need massive support to build our infrastructure which was devastated during the conflict. We need the support of our friendly countries to increase employment opportunities for Nepalese youth. For all these things, we need political stability.

**Many people say that India and China have contradictory interests and that creates trouble for Nepal. Do you agree?**

The relations between India and China are changing as both countries have made tremendous improvements in bilateral trade. This is good news for Nepal. Nepal can benefit a lot if they continue to increase their bilateral and trade relations.

**Lastly, about the future of the Nepali Congress. Nepali Congress did poorly in the last elections. Internal dissension is too deep. Can the party survive?**

Our party has a long history and ideology. We have had strong leaders like B.P.Koirala and G.P. Koirala and there are tens of thousands of our supporter in grass roots. I don't think our party can be wiped out. It will strengthen. Just wait and see. ■



# “So when they part with it, I believe they have reasons to do so”

- Dr Bipin Adhikari

**Dr. Bipin Adhikari is a senior lawyer.** The model constitution for Nepal that he drafted and submitted to the Constituent Assembly last month has become a point of reference for many members of the Constituent Assembly and its thematic committees. Dr. Adhikari spoke to **NEW SPOTLIGHT** about several aspects of his draft constitution, and any feedback that he might have received from the lawmakers in this regard. Excerpts:

### **Why a model constitution?**

A model constitution is an important tool when there is no model on the table to start with. After all, writing a constitution is a tough task. It must respond to all the critical issues and needs that come up in the constitution writing process. A model constitution gives a basis to build on.

**You said you are proposing it for discussion at the Constituent Assembly. Does it mean you will not take a stand on any issue that you have proposed?**

Yes, it will serve well if it becomes a basis to move on. I do not claim that what I have suggested as a response to many constitutional issues has all the right answers. There could be several other competing positions. If there are better resolutions, I encourage my friends in the Constituent Assembly to ignore my formulation. What is important to understand is that I am not a politician, and I do not have any constituency to maintain.

**What are the strengths of your formulations?**

My formulations are expert formulations, but we need to keep in mind that the new constitution has to be not only up to the modern constitutional values and procedures, but also respond to the concerns of our people. They need to be workable in our socio-political environment, and the geostrategic position that Nepal is in. So when they part with it, I believe they have reasons to do so.

**What are the major features of your draft?**

It is a moderate document. It builds on Nepal's constitutional experiment with parliamentary democracy and public institutions. At the same time, it has tried to learn from recent practices in several other constitutional democracies, especially those modeled along the

parliamentary system. It has continued to accept cabinet government and parliamentary democracy as the form of government under the new constitution. However, provinces will have a system of government with presidential features.

**Why provinces should have a system of government with presidential features?**

In the framework that has been suggested, a provincial government with presidential features can provide the required level of stability, and also give opportunity to appoint an expert government, which can cater to the development needs of the local people. A directly elected executive with a fixed tenure, who can appoint his cabinet colleagues according to his own policy choices, is the best answer to the question of self-government, development and accountability.

**What do the indigenous people, dalits and other minorities get from your draft?**

Their rights of non-discrimination, affirmative action, reservation policies and social inclusion have been guaranteed. Their language, religion and cultures have been protected. The state is secular.

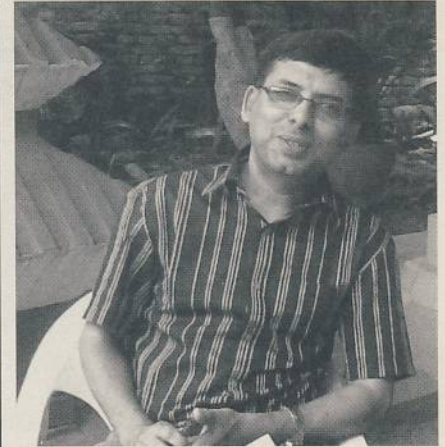
**What about the electoral system that you have proposed?**

An electoral system employed at all levels ensures that they are inclusive in all their purposes and procedures. Especially, a system of group member constituencies employed for the election to the House of Representative at the center makes sure that elections produce not just a stable government, but also ensure proportionate representation in a competitive setting. Powers have been devolved to the provinces in a significant sense. What else you recommend, then?

**Why there is no separate chapter on socio-economic and cultural rights?**

I did not consider it necessary. I have re-phrased some existing rights, and added some new rights but all enforceable rights, whether they are civil or political, or economic, social or cultural, have been grouped together. Those which are not enforceable, they find their place in the Chapter on State Obligations, Directive Principles and policies. This is what has been done.

**Do you think it has been in use at the Assembly?**



I believe so. Several committees have discussed its formulations. For example, I myself was invited recently by the Committee on Fundamental Rights and Directive Principles to discuss my propositions under their terms of reference. They have found some provisions very helpful, and sought some clarifications as well. Some political parties have asked for extra copies. There is a lot of interest.

**What about the bureaucrats at the Constituent Assembly Secretariat?**

Some of the secretaries of the thematic committees are in touch with me regarding several provisions that I have recommended. The model constitution is in the hands of the members of the house. They are also making queries as to this with their in-house legal experts.

**What negative comments you have received so far?**

I have not received serious comments from any quarter so far. If you take it to radical communists, they are sure to describe it as a bourgeois document. If you take it to ethno-centric people, they are sure to say that this constitution is bad because it does not accept ethnicity-based provincial boundaries. It is natural. My formulations have democratic, liberal backgrounds. So I take these comments for granted.

**What about the comments from your own professional circle?**

I have not heard anything from the legal community. The model constitution is already in the hands where it should be. But nobody reads a constitution as a novel. People look at it when they try to find answers to the question in their mind. Comments will come with as people progress in their work. ■



## World Environment Day Special

# Climate Change

Although poor Nepalese only contribute a very negligible amount of Green House Gases to the atmosphere, they are among the people most affected by the extreme weather patterns caused by climate change. Climate change has already altered their agriculture, health and life style and these consequences are unavoidable. As a country with such geological diversity, Nepal is very vulnerable to climate change. Whatever bleak scenario is predicted, poor people don't have any other options but to live in the new situation. As Nepal recently celebrated World Environment Day, this year's message was that we should unite to fight the climate change. The inception of National Adaptation Plan of Action (NAPA) gives a new hope that despite what changes lay ahead, the government has programs and policies

By KESHAB POUDEL

As flood rages in the western regions and drought plagues the east and central regions, it is getting harder to dismiss the scientists who claim that the weather is becoming not only warmer but more extreme. Both of these trends, each in its own way, have ominous implications for the life of poor people living in various parts of Nepal.

Floods devastated the property of millions of rupees in mid-western plains in Banke, Bardiya and Dang two years ago. Last year, the same occurred in far western region where excessive rains and flooding caused more than 100,000 people to lose their homes.

People of Kanchanpur and Kailali, two districts of far western region, are yet to make up their minds as to weather they should return. Memories of the devastation which they encountered are fresh and the farmers are yet to clear their agricultural land which is covered by sand.

The prolong drought of this year has already created havoc among the farmers who just switched to alternative agriculture. Known as a successful model for poverty alleviation, the future of off seasoned vegetables is under threat. These vegetables rely upon a predictable rain



World Environment Day-2009, 05 June

pattern. Nepal's whole agricultural system is under the threat as the weather patterns continue to change.

As the weather is getting warmer, the people living in the plains are also facing the rise of mosquito born diseases such as Malaria. These trends, each in its own way, have ominous implications for the spread of infectious disease.

All this shows that Nepal is highly vulnerable to the adverse impacts of climate change. Rises in temperature related to global warming are associated with changes to rainfall patterns, such as less frequent but more intense rainfall events, increasing frequency and intensity of floods, changes in monsoon on and offset, longer dry spells and drought events, increasing storms and a growing threat from Glacial Lake Outburst (GLOF).

### Weather Threatening Life Style

As it is predicted, the weather is going to change affecting adversely in the livelihood of the poor people living in the rural parts of Nepal. Along with facing natural disasters, there is an increased risk of infectious disease.

"The studies have shown that Nepal is very vulnerable to climate change and this is the reality for our future," said Umesh Mainali, secretary of Ministry of Environment, Science and Technology. "We have already started to Prepare National Strategy for Plan of Adaptation; we will receive international support to cope with the situation."

According to scientists, the change in climate affects the earth's atmosphere in



various ways. The tracks of the cyclones and extra tropical disturbances will be influenced by the changing weather pattern.

For the country like Nepal, there is no easy way out. Nepal will need to spend billions of rupees to prepare for the effects of climate change, for example to build the infrastructure to prevent devastation caused by flooding in the western regions and the cost of massive people resettlement projects.

“Extreme events like floods and landslides will generate forced migration as well as adverse environmental impacts like loss of bio-diversity. The water stresses will have greater burden on the poorer sections of the society who are already in more vulnerable social and economic conditions,” said former director general of Department of Hydrology and Meteorology Adharsha Pokharel. “The studies show that there will be decreasing low flows during the non-monsoon seasons in the river as a result of climate change.”

#### Fluctuations of Weather

Annual temperature is rising at a rate of 0.06 degree Celsius per year (1977-2000). Days and nights are becoming warmer. Days of rain are decreasing but the number of rainy days over 100 millimeters is increasing. Rainfall patterns are changing (season, duration and amount).

According to Batu Krishna Uprey, under secretary in the Ministry of Environment, Science and Technology, the Green House Gas emissions of Nepal is only 0.025 percent of the global total and per capita emissions are just 2 tons. However despite not contributing to the problem, Nepal will be greatly affected by climate change as it disrupts snowmelts, glaziers and creates major changes in the rain pattern. “The rise in the temperature will increase the precipitation which could lead to major changes in rain pattern.”

According to Meteorologists, one can see extreme weather pattern in the various parts of Nepal. After torrential rain at the end of September, there was no rain recorded in most of the country until the May. Department of Hydrology and Meteorology’s data indicates that the temperature is rising and it is going to have substantial impact in all economic sectors, especially water resources, agriculture and tourism.

#### More Problems in Himalaya

One visibly sees the effects of climate change. The highest temperature in Kathmandu is increasing with the rate of 0.06 decrees Celsius per decade. Further the rise in temperature is even more



**Himalayan River: Under threat**

extreme higher in the Himalayas then in the lower elevations and this has become a major concern.

After successfully climbing Mt. Everest 18 times this year, veteran mountaineer Appa Sherpa revealed that he had not seen snow along the way to Mt. Everest which he is used to seeing during his previous journeys to world’s highest peak.

“The snow has disappeared in many places and all I have seen is black rock instead of white snow,” said Appa Sherpa, while addressing the press after his successful 18th time summit to world’s tallest peak.

The high Himalayas have huge amounts of snow and many glaciers which is an important source of fresh water, especially in the non monsoon months. Any fast depletion of snow and glaciers will have major effect in the livelihood of people in Nepal, and elsewhere.

“Observational records and climate change projections have revealed that water resources are highly vulnerable to climate change with wide-ranging consequences on human societies and ecosystems. Water related disasters such as floods, landslides reduced low flows are all associated with climate change. Likewise, increasing temperature enhances the likelihoods of Glacial Lake Outburst Floods (GLOFs) in Nepal’s

Himalayas,” said former director general of Hydrology and Meteorology Adharsha P. Pokharel. Potential GLOFs may damage lives, property and environment along the river valley hundreds of kilometers downstream from the GLOF source.”

According to the study conducted by P.K. Mool, S.R. Bajracharya and S.P. Joshi in 2001 for ICIMOD, in Nepal’s Himalayas, there are 3252 glaciers with a surface area of 5323 square kilometers (almost 3.7 percent of Nepal’s total surface area). Similarly, there are 2323 glacial lakes indentified so far, out of which 20 are identified as the most dangerous ones with potential risks of GLOFs.

#### Adaptation Is Key

Although various organizations have been launching programs to cope with extreme weather, there are only a few organizations are successful in addressing the situation by encouraging the people to cope with change.

Launched by Practical Action, community based early warning systems have been implemented in Banke and Bardia districts to help local people to cope with floods. Using various communication channels including local FM Stations and community based organizations; there are now mechanisms to disseminate the information about rainfall and water levels. If there is heavy rain in the upstream river basin, the information is



disseminated to down stream areas.

If people are given accurate information on with plenty of time before the floods come, it will save peoples lives. If information is successfully disseminated in time, people may not be able to rescue everything but they will save their children and family members.

Similarly, Practical Action has also launched a program in Jugedi of Chitwan district offering farmers alternative crops and patterns to replace their traditional produce. After the introduction of the program, farmers in Jugedi are now planting a crop which can survive even in a changing weather pattern.

As the weather pattern is in the process of changing, what is required now is to implement effective strategies for adaptation. These changes will effect, agriculture, health and weather patterns, and as Nepal is unable t prevent these changes, we must learn to adapt to them.

#### **NAPA**

For Nepal, since its greenhouse gas emissions are negligible on a global scale, there is no significant advantage in responding to climate change issues through intensified mitigation approaches. Nepal cannot escape from the consequences of climate change and has recognized the need to take concrete steps to adapt to its adverse effects.

For the vulnerable country like Nepal, developed countries have expressed their commitment to meet the costs for adaptation. To qualify for funding Nepal needs to develop NAPA. Once we develop more practical and implementable adaptation projects, taking into consideration the NAPA documents of other LDCs, the government of Nepal will make every effort to channel funding for their implementation.

Supported by DANIDA, DFID, GEF and UNDP-Nepal, the NAPA Project-which is in the process of preparation, will open an enormous door to Nepal to get the funding for its adaptation programs and projects.

The development of a NAPA to climate change has been recognized as an important priority and a starting point for vulnerability reduction in climate sensitive sectors and sub-regions. Nepal being a LDC party to the UNFCCC and the Kyoto Protocol has to prepare NAPA to access funding for adaptation programs.

At a time when the poor of Nepal have been facing the consequences of extreme weather, minimizing the impacts through adaptation is key to Nepal. As the NAPA process kicks off, there is hopeful sign that more funding will be provided to develop adaptation programs in different parts of Nepal.

## “We will prepare in schedule date”

*Purushottam Ghimire*

**PURUSHOTTAM GHIMIRE**, joint secretary at Ministry of Environment, Science and Technology and National Program Director of National Adaptation Program of Action Project (NAPA) project to climate change, is taking part in various national and international programs regarding climate change. In the context of World Environment Day, Ghimire spoke to New Spotlight on various issues regarding the inception of NAPA and government's policy. Excerpts:

**Is there any different to celebrate the World Environment Day in Nepal this year?**

Yes. It is matter of great satisfaction for all of us to say that we are now in the process of preparing the NAPA. After the completion of NAPA, we can seek funding for the adaptation projects in Nepal. It took us several years to start the NAPA process.

**How long it will take to prepare NAPA?**

We have already kicked off the project by conducting an inception workshop, but we are yet to prepare a schedule.

**How many countries have prepared it?**

As the end of April 2009, 40 countries out of 48 LDC parties to the Convention have already prepared and submitted the NAPA to the UNFCCC Secretariat. However, only few countries have received and/or are in the process of receiving funding from the LDC Fund for the implementation of their priority adaptation projects.

**What is the state of Nepal?**

As a LDC party to the UNFCCC, Nepal has just started the NAPA preparation process. Nepal considers NAPA preparation as an opportunity to streamline climate change programs. The Ministry of Environment, Science and Technology – the UNFCCC focal point for Nepal- has secured funding for the preparation of the NAPA along with the development of climate change knowledge, management and learning platform and also the development of multi-stakeholder framework of action.

**Who supports the project?**

For this project, we have received generous financial assistance from DANIDA, DFID, GEF and UNDP.

**You have recently organized a workshop, what was its objective?**

One of the objectives of the workshop is to provide an opportunity for various stakeholders to understand and provide feedback on the projects' outputs, targets and activities. Secondly, to build a common understanding about the NAPA process and



collect possible inputs of various partners during NAPA preparation and thirdly to identify important areas for that the NAPA should consider during its formulation.

**How do you formulate NAPA?**

We have planned to prepare our NAPA though consultative process. This is in the spirit of the NAPA preparation guidelines adopted by the seventh session of the Conference of the parties to the UNFCCC. In order to prepare a practical and implementable NAPA, we will take into considerations the major constraints and opportunities faced by other LDCs. We will share the major initiatives and project highlights to establish linkages between NAPA and other initiatives in the technical sessions.

**How do you see the impact of climate change in Nepal?**

Studies have already shown that Nepal is in very vulnerable situation. From agriculture to health, the impacts of climate change will make difficulties in the lives of millions of Nepalese. The extreme weather patterns have already started to hit the life of common people. Climate Change is going to have long term as well as short term impacts to Nepal. This is the reason we are formulating NAPA.

**How do you relate this year's slogan of World Environment day to your programs?**

The message of World Environment Day is clear as it says you need to unite to combat climate change. Not only with the government ministries, have we had very clear cut policy that even we are ready to work with bilateral and multilateral agencies, International Non-governmental organizations and local NGOs. Through the support and cooperation from all sides, we really can make a lot of difference. ■



# Indigenous Knowledge: Old Practice in New Horizon

By: Kamal Maden'

**Introduction:** Indigenous Knowledge (IK) is the knowledge produced by a particular cultural group or any loosely defined resource users group in a given area. It is a body of historically constituted (emic) knowledge instrumental in the long-term adaptation of human groups to the biophysical environment. In contrast to paid knowledge professionals such as scientists, IK is the informally practice skill by working directly with the resources. Moreover, such knowledge is rooted and embedded in the socio-economically underprivileged groups of rural area of the Third World societies. Nowadays, IK is recognized worldwide because of its intrinsic as well as potential instrumental value to science and conservation.

IK is also often referred as Traditional Knowledge (TK) which "encompasses the content or substance of traditional know-how, innovations, information, practices, skills and learning of TK systems such as traditional agricultural, environmental or medicinal knowledge." Such knowledge which is also considered as Cultural identity, generally develop through local culture and environmental experience so it plays an important role in the livelihood of the majority people globally. IK is important for the food security and health of millions of peoples in the developing and developed countries. So, such knowledge of the Indigenous Peoples (IPs) or ethnic people must be honored like knowledge developed via research studies.

**Stylish Fact of Nepal:** Nepal is a Himalaya Kingdom, with biologically diversified ecosystems that produce a wide range of unique and valuable medicinal plants. Indigenous Nationalities of Nepal have been using these resources since the time immemorial. The researches have found that around 1,600 plant species have been used for the treatments of diverse ailments and that Kirat Nationalities alone use about 4 hundred medicinal plant species for treatment. Government of Nepal is cognizant to preservation of county's bio-diversity so Nepal is a

signatory of Convention of Biological Diversity (CBD) in 1992. Similarly, Ministry of Forest and Soil Conservation is the national focal point to administer the convention. The CBD commands its party members for enactment of the national act on Indigenous Knowledge and associated biological resources to preserve the IK and share the benefit of genetic resources on Fair and Equitable Sharing basis. So Nepal should also follow this notion.

In this regard, Kamal Maden and the team carried out research on IK of Kirat, the ancient natives of Nepal. The study was conducted between the Kirat clans - Rai, Yakha and Limbu - of Bhojpur, Sankhuwasabha and Taplejung districts. This research was first of its kind and was based on Fair and Equitable Benefit Sharing Issue. The objectives of the research were to: i) Explore the existing indigenous knowledge, skills and practices of Kirat nationalities associated with biological resources; ii) Document the indigenous knowledge, practices and skills of Kirat

***The article 27 of the draft bill has the provision to form a Council at the central level which will register the documented biological resources and associated IK and also deal with the royalties.***

nationalities; and iii) Recommend for reorganization and documentation of Kirat's indigenous knowledge, skills and practices associated with biological resources. This article will highlight some important finding of this research

**Research Findings:** Kirats of the surveyed districts are found to use 212 types of plant and animal species for the treatment of 18 different types of ailments, namely: gastric, injuries, jaundice, parasites, pneumonia, fractured and skin problems, and others. In plant species, fruit, leaves and root are the most used part for medical treatment Likewise, 130 wild plant species are used for edible fruit, curry, species and other various livelihood purposes.

In order to protect the IK of Kirats and the others, the CBD provides a legal

framework for conservation and sustainable use of the genetic resources. The Article 8 (j) of the CBD assures on the equitable sharing of benefits resulting from the use of IK or local knowledge. Likewise, Article 5(1) of the draft bill 2006 states that the authority of traditional knowledge would remain with particular local communities and Article 5(2) prioritize the indigenous people on resource conservation and benefit sharing of genetic resources on the basis of the traditional knowledge persists in indigenous peoples. Likewise, Ministry of Forest & Soil Conservation and World Conservation Union (IUCN Nepal) prepared an inventory list in the report titled "To Protect Biodiversity and Indigenous Rights through Documentation and Registration of Traditional Knowledge" on the basis of 2002's draft bill on Access to Genetic Resources and Benefit Sharing. However, Nepal Federation of Indigenous Nationalities (NEFIN) strongly criticized the IK documentation and registration process as well as the draft bill (2002) as being incomplete. NEFIN was also not consulted during all these processes. Nevertheless, the formulation of the draft bill was a pioneering effort of the government for protecting indigenous knowledge as it initiated to identify and document the IK or TK by involving various indigenous nationalities or ethnic groups. But there are less benefit form the above mentioned pioneering work of Ministry and IUCN because the draft bill is not approved by parliament which consequently makes this work of no use.

The article 27 of the draft bill has the provision to form a Council at the central level which will register the documented biological resources and associated IK and also deal with the royalties. The draft bill has made following provision in term of right to use generated fund

If the resource owner is Nepal government then: 50 percent will be allocated to Nepal Government; 30 percent will be allocated to National Council; and 20 percent will be allocated to local community, individual or institute



If the resource owner is a local community, individual or institute then: 51 percent will be to local community, individual or institute; 29 percent will be allocated to National Council; 20 percent will be allocated to Nepal Government

IK is generally transferred orally between generations as there is no proper documentation of IK. So, many of such knowledge are in the stage of extinct and many have already died. Further, Biodiversity Registration (BR) is also essential to conserve those IK as it will assure the benefit to knowledge holder/ owners via royalties.

Further, Government has also enacted Patent Design and Trademark Act, 1965 (with further amendment) to systematized the use and sell of invention's right or title as per international conventions, treaties and agreements. However, the provisions of this act are not in accordance to international standard.

**Conclusions:** The review of literatures reveals that there are many policy level gaps to maintain the proper documentation of IK, skills and practices. Nepal has incorporated some policies in its national plans following the ratification of the CBD but the corresponding laws still remain to be enacted. Nepal does not have laws on Access to Genetic Resources and Benefit Sharing which assure indigenous peoples' right to the knowledge, skills and practices in essence of globalization approach of World Trade Organization. It is also important to note here that Nepal is member of World Trade Organization.

**Recommendations:** Summing up finding and conclusion, the study recommend that there is urgent need to update and revise the national policies, plans and laws in order to ensure that all potential stakeholders are involved in the documentation of indigenous knowledge, skills and practices. The study has made some specific recommendation to specific groups and institutions:

**Indigenous Peoples and Indigenous Organizations:** It is certain that IK and IK-related biological resources cannot be preserved without the involvement of indigenous peoples and their organizations. But, Indigenous people neglect the conservation of the knowledge and the biological resources so they should be aware on the importance of IK skill and

practices. Indigenous peoples and their organizations should be aware about the benefit sharing issues for which they should be technically equipped so that they can properly review the proposals of new policies and law. They should also be involved in awareness programs on sustainable use of biological resources associated with IK.

**Other organizations:** In the spirit of CBD provision which got legitimized 16 years ago, the issue of benefit sharing has not been fully understood by different levels of stakeholders. International non-government organizations (INGOs) need to launch awareness programs about IK, skills and practices for different stakeholders and this should begin with capacity building programs for Biodiversity Registration. INGOs can also play the important role of facilitator between government agencies and indigenous organizations in order to enact appropriate laws and ensure their proper implementation. They can also advocate for such laws and policies to convince the government.

**Government of Nepal:** The existing policy and legal environment is inadequate to document or protect IK, skills and practices associated with the biological resources. Specifically, government needs to enact and properly implement the Access to Genetic Resources Act. The Article 35 (18) of Interim Constitution also support this recommendation which states that the state shall follow a special policy of identifying and protecting, existing skills and practices. Likewise, government needs to enact the Genetic Resources via. *Approach, Utility and Benefit Sharing Bill 2006*. As mentioned in the Three Year Interim Plan of Nepal, the government should launch Biological Resource programs covering all indigenous nationalities. Finally, the government should establish an independent organization or academy for the development and benefit sharing of IK, skills and practices.

Finally, the study concludes that all three institution groups should collaboratively work for fruitful outcome to conserve indigenous peoples and their IK, skills and practices.

(The article is based on the research study supported by Social Inclusion Research Fund)

1 Mr. Maden is a Research Fellow of Social Inclusion Research Fund for 2006.

## Social Exclusion and Inclusion Practices of Nepal

By: Mohan Das Manandhar  
Rojan Bajracharya<sup>1</sup>

Nepal is a culturally and ethnically mixed a n d geographically diverse country. The social scientists argue



that there are more than hundreds caste and ethnic groups in the country and allied language dialects. However, Nepal has always remained in the hegemony of specific caste and ethnic group since ancient past nurturing the social exclusion practices in the country's cultural, social, politico structure. The country's state institution has been structured and maintained by (i) systematically dispensing various mixes of economic and cultural assets/ opportunities and deprivations to different communities and (ii) endowing religious and ideological sanctification of such dispensations.

Starting with the centuries old history, the ancient Malla ruler of Nepal legitimized Hindu based caste hierarchy system with enactment of then country code (Muluki Ain) in which Brahmin (Priest) and Chhetri (Warriors) were ranked highest in level followed by Baishay (Trader, Farmers and Other Skilled and Unskilled worker) and Sudra/ Dalits (Untouchables and Menial and Slump Worker). The Saha dynasty of unified Nepal as well as *de facto* kingship era of Rana regime also adopted same caste hierarchy system in their respective enacted Muluki Ain which concretized the caste hierarch system focusing more on Hill Brahmin's code of conduct. Specifically, elitism of Brahmin (specifically Hill Brahmin) and Chhettri flourished in Nepal in these eras as a product of social, religious and political phenomena. Hinduism ordained two castes group with superior status - Brahmin with ecclesiastic leverage and Chhettri with martial authority which was also cornerstone of socio- politico structure of Nepal encapsulating the diverse people into a monolithic structure. Those who usurped power constituted the feudal aristocracy. The "high" caste groups are more



individualistic and find it difficult to develop interpersonal relations with other members of organizations. Likewise, the bureaucracy has remnants of a feudal culture, which has also later passed on to private enterprises. This results social exclusion of last two caste groups, namely: Baishay and Sudra.

Famous Social Scientist, Dr. Harka Gurung argued in his several articles that Brahmins and Chhetris, the most privileged among all caste and ethnic communities of Nepal, have remained in positions of power since the ancient past and used such privilege to shape the social value system which consequently diverts the available opportunities and resources in favor of their own communities. This type of perception is the metaphor of what has been commonly termed as hegemony. Janjanti (Indigenous Populace) of Nepal whom fall under Baishay caste category doesn't have the privilege of state ownership and politico decision due to cultural hegemony of Brahmin/Chhettri. Further, their traditional knowledge and skill which differ significantly from Brahmin/Chhettri have been pushed into the verge of extinct. Dalits, regarded as untouchable, are ranked lowest in caste group so they are suppressed from all side. The extent of social discriminatory practices against Dalits prevailed in the country are: Tthe water touch by Dalits becomes impure and high castes need to spread Gold water after personal contact with Dalits.

Prior to 2007 BS, the country was under feudal structure which favored the prevailed social exclusionary practices so there was almost negligible measures against such practices. The 2007's BS democratic state structure was the first set- up against centuries old feudal structure of Nepal. But, then state transformation was unstable and did not sustain for long period as the late King Mahendra legitimized the Party Less Panchayat System in 2017 which again was the revised form of old feudal structure. Late King Mahendra enacted new Muluki Ain which provisioned discrimination as illegal. But such provision was in *Status Quo* stage in term as the country had influence of the centuries old feudal state structure. So there wasn't any major state restructuring in Nepal during then time. The 1990's

restoration of democracy had changed the legal status of ethnic groups in relation to high caste groups, but still failed to integrate all. So in 1990's, the exclusionary practices of Nepal gave birth to social inclusion as a political agenda which was substantially brought forth by the armed conflict started in 1996, taking the lives of more than thirteen thousand people, both from the State and the Communist Party of Nepal – Maoist (CPN-M). After the peace talks between the conflicting parties and the signing of a comprehensive peace agreement (CPA) in 2006, an interim government consisting of six political parties and the Maoist was formed in 2006. In April 10 2008, the interim government (GoN) successfully conducted constitution assembly election. In addition to the direct first past the post system to elect members of the constituent assembly, a proportional representation system was also introduced to ensure the inclusion of representatives from excluded groups in the assembly.

***So, there is an urging need for Nepal to exhibit its commitment to setup a multi-cultural, multi-social, multi-linguistic, multi-religious, and multi-ethnic federal state.***

Regarding social inclusion/exclusion discourse of Nepal, Dr. Harka Gurung argued that the political ideology of Nepal as a Hindu state has remained highly exclusionary by nature. The state advocacy of particular religion militates against equality in participating in one's faith. Further, he added that Hindu dominated social system of Nepal favors Sanskrit and Nepali language so there is extent discrimination in the languages of minority groups and some of which have even died. The western concept of "Race" discrimination against color exists in the form of Janajati (Indigenous) and untouchable Dalit in Hindu society of Nepal. Likewise, Dr. Pusha Shrestha, former member of National Planning Commission, has argued on the discriminatory practices against woman in Nepal in her several articles. She has explained that the prevailed gender disparity practices of Nepal are in: Family Structure, Female Assets Ownership; Female's Political and Civil Participation, and Discriminatory Law against Female.

Further, the religious minority communities like Muslim and Other Backward Caste lags in term of state ownership and overall upliftment

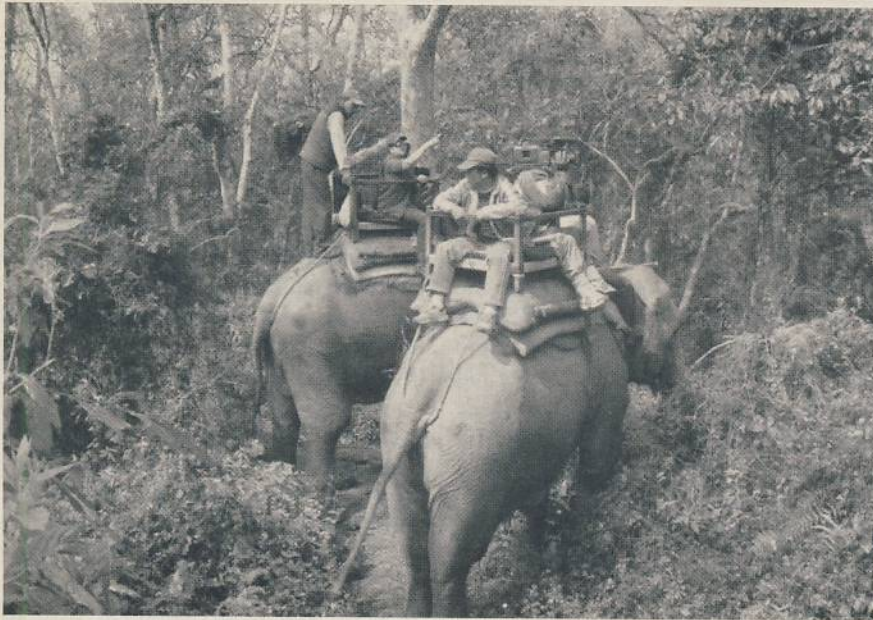
In term of spatial distribution, the country has three ecological belts of which: Mountain has high range peaks and cold climate; Hill has steep slops and temperate climate; and Terai has plain land and hot climate. The extreme harsh climate of mountain causes limited infrastructure development in this belt. Whereas, the original residence of Terai – Tharu and Madhesi- has limited access to resources as the elite class of Hill dominate the state ownership and political power. Further, the country has also been divided into 5 development region namely- Eastern, Central, Western, Mid Western and Far Western –and the last two of them lag in term of the overall development process.

So, there is an urging need for Nepal to exhibit its commitment to setup a multi-cultural, multi-social, multi-linguistic, multi-religious, and multi-ethnic federal state. The current state restructuring process of the country which also includes constitutional building process should consider the state's diversity and its people. Historically, the country had suffered from social exclusion since the spatial diversity and political ideology of Nepal as a Hindu state managed by monarchy contributed high level of social inequality in Nepal. Nepali citizens were excluded from exercising their rights on the basis of their social identity in terms of caste, ethnicity, race and gender.

Finally, the discourse of social exclusion can be summed up in Dr. Harkha Gurung's word that "State advocacy of Hindu religion relegates the Janajati, ethnics, Dalits and other non-Hindus as peripheral subjects. Caste system perpetuates untouchables that inhibit the right to equality of Dalit.... In addition, there is the Madhesi community being discriminated on regional and racial basis." As the socio – politico discourses has brought Nepal to the stage of state restructuring through new constitutional building, the social inclusion practices is *sine quo non* of such restructuring process.

*1 Both authors are associated with Social Inclusion Research Fund. The views expressed are those of the authors' alone and do not represent the a uthors' affiliated institution.*





CHANDA RANA

## Mission To Save Chitwan

*After making Kathmandu green, executive chairperson of SEF Chanda Rana is now launching campaign to save Chitwan National Park*

By A CORRESPONDENT

In the last fifteen years, under the leadership of Chanda Rana, Save the Environment Foundation (SEF) has launched some major programs in the capital and outside the valley. From planting green trees along the main roads of Kathmandu valley, Rana is now concentrating her efforts to preserve Chitwan National Park—one of the world’s natural heritage sites, from infestation by the weed *Mikania mercurialis*.

After more than two years of intensive research and field visits, she is releasing a documentary *Mile a Minute: A Serious Threat to Chitwan National Park*. The wild climbing weed locally termed as *banmara* is found to have been invading the flora community of the Chitwan National Park.

After receiving information about the infestation of this wild weed in 2005, Rana and a team of professionals, visited the national park and observed the situation. Rana realized that in order to save the ecosystem of Chitwan National Park from the deadly invasion of the killer weed *Mikania micrantha* long-term and short

term actions are required

“The documentary highlights the severity of infestation at Chitwan National Park and the objective of the campaign is to draw the attention of concerned national authorities and international conservationists to act immediately to control the devastating infestation in Chitwan National Park,” said Rana who is a member of the Earth day Network USA, the Leonardo DiCaprio foundation and an active member of Green Peace Amsterdam. She is also member of ISWA, the International Solid Waste Association various other renowned international organizations.

“When I visited Chitwan National Park in 2007, the areas where I saw severe infestation have spread and now reach different parts of the national park. I have been involved in the preservation of Chitwan for the last eight years and I handed over a memorandum to the then prime minister Surya Bahadur Thapa against growing industrial pollution in the Narayani river and haphazard urbanization,” said Rana, member of the Environment Committee of FNCCI

Her documentary is the fruit of two years of tireless efforts. Rana visited Gaida Wildlife Camp and Tiger Tops Jungle lodges to monitor the infestation. Everywhere inside the reserve from deep inside the national park to the banks of the Narayani River and the wetlands of the national park including Beesh Hazari Tal, a world renowned wet land, there is wide spread infestation.

“I collected information about the infestation by meeting representatives of buffer zone management committees, park managers, resort owners and local villagers,” said Rana. “It has severely affected the habitat as well as the rhino population,” said Rana who has already completed a case study on Air Pollution and its impact on health of children and the general public and hospital waste management.

Produced under the direction of Rana, the documentary is about the severity of infestation at Chitwan National Park. Going into depth, she also exposed the sources of infestation and the way to control it. “Considering the threat of Rhino habitat after collecting information, I contacted Zoological Society of London Representatives who were doing research on Rhino preservation,” said Rana, who involves in preservation of Chitwan National Park and its surrounding since 2002.

“During the visit with them in the Zoological Society’s London Office and here in Nepal, I met Sir John Chapal, director Richard Kock and field officer J Amin. I informed them how infestation is threatening the Rhino habitat,” said Rana, vice president Environmental Committee, and Nepal Chamber of Commerce.

Although the situation is alarming, the concerned authorities are yet to take measures. “As I first noticed trees are being trapped mercilessly by noxious wild weed forming a canopy circling from bottom to up seeing those dead dried ups trees. I felt choked. This situation awakens me to contribute to preserve Chitwan National Park,” said Rana who received Environmental Preservation Award from Ministry of Environment in 1999 and 2003.

After the release of Rana’s documentary, the painful situation of Chitwan National Park will be made public. ■



# WHITHER BIJULI ADDA - One

=SB Pun, Bhadra 2050 (August 1993)

**Writer's note:** This article was written for Nepal Electricity Authority's (NEA) magazine 'Vidhyut' sixteen years ago. As the writer was still with NEA, he has at the end of the article stated that the views expressed were entirely his own. The article did ruffle the feathers at the Ministry of Water Resources (Minister LP Ghimire, Secretary SN Upadhyaya and EDC Chief VS Shrestha). In reprinting this article, the writer refrained from the temptation to 're-touch' what he had then written. The only additions to this article are the explanatory footnotes.

## A. TECHNICAL BACKGROUND:

The era of Bijuli Adda dawned in 1911 with the commissioning of the 500 kW Pharping Hydro Plant. This was augmented in 1934 by the 800 kW Sundarikal Hydro Plant. With the commissioning of the 1,600 kW Mahendra Diesel Plant for the coronation of His Majesty King Mahendra in 1956, the diesel era unfortunately started - Teku 500 kW, Lainchaur 500 kW, Naksal 500 kW, Bhaktapur 250 kW, Patan 1,500 kW, Birgunj 500 kW and Hetauda 4,500 kW. On the eastern region, though Morang Hydro came strongly in 1943 with the 1,600 kW Sikarbas Hydro Plant<sup>1</sup>, this had a premature death in 1961 when a land slide totally damaged it. Despite the name Hydro, generation in Biratnagar was entirely diesel through the 1,000 kW diesel engine. The era also saw the cropping up of a number of private sector ventures that ran diesel engines: 220 kW Dharan Electric Company, 100 kW Birgunj Electric Supply Company<sup>2</sup> and Nepalgunj's 120 kW Jaya Bageshwari Electric Company<sup>3</sup>. With the emergence of 18,000 kW, Trishuli and 10,000 kW Sunkoshi in the late 1960's and early 70's, the hydro era became predominant. Another dominant entry into the Power Sector was the donor agencies like IDA, ADB, JICA, KfW, French, Finnida etc. They were principally responsible for the 60,000 kW Kulekhani I, 32,000 kW Kulekhani II, 69,000 kW Marsyangdi, the 132 kV grid networks from Anarmani in the east to Mahendranagar in the west. In a humble and silent way, Butwal Power Company came up with the 3-staged generation of the 1,000 kW Tinau Hydro Plant<sup>4</sup>. But somewhere something went awry and the diesel era has now cropped up its ugly head<sup>5</sup> once again.

## B. INSTITUTIONAL BACKGROUND:

The Bijuli Adda of the "Angej"

Kilburn<sup>6</sup>, Ganguly, Thulo Baje<sup>7</sup>, Kasaju and Sanu Baje became in 1919 Nepal Electricity Corporation and Electricity Department. The Electricity Department was entirely a wing of HMG headed by a Chief Engineer responsible for investigation, feasibility, planning and construction. Initially ED carried out operation and maintenance as well but later these activities were handed over to the Nepal Electricity Corporation. The Corporation had a General Manager and the NEC Board was chaired by the Secretary of the Ministry. Over the years, like ladies fashion ideas change and the post of General Manager was upgraded to Executive Chairman. This was experimented for sometime and the government again reverted to the post of General Manager and the Secretary as the Chairman. With the donor agency exerting its powerful influence on the power sector, a major decision was made by HMG when in 2042 it merged the 4,200 NEC staffs with 1,400 ED staffs to form NEA. This was a painful process, but as one of the covenants of the much needed Marsyangdi loan<sup>8</sup>, HMG took that painful decision. The irony of this decision is that though the Marsyangdi covenant forced the formation of NEA, the Marsyangdi Project never came under the purview<sup>9</sup> of NEA. It was operated by a different Board under the chairmanship of the Minister. NEA was and still is one of the largest public sector undertakings in Nepal; it was flouted to have one of the most powerful Boards with five HMG Secretaries. With the recent changes in the Electricity Acts and emphasis on the role of privatization, NEA Board now has only two HMG Secretaries and four members from the general public.

## C. NEA'S STOCK TAKING:

Except for the 5 MW Andhi Khola Plant operated by Butwal Power Company, NEA has been operating all the 270 MW Hydro and Thermal Plants. In F/Y 1991/92 it had a peak demand of 216 MW, gross generation of 985 GWH, a sale of 730 GWH and a loss of 24.5%. It has 356,000 number of consumers which means only 10% of the population of Nepal have access to electricity. Its revenue of 143 crores consist of the domestic category 38%, the industrial 30%, commercial 8 %, non-commercial 9% and export to India 10%. It has a net asset of 2,294 crores, the long term loan being 1,077 crores and annually pays an interest of 63 crores to HMG. The present

staff strength is about 9,000<sup>10</sup>. By the year 2000, even with the implementation of the load management measures, NEA's peak demand is expected to be 447 MW and a gross generation requirement of 2,018 GWH.

## D. WHITHER NEA? :

Now having discussed its ancestry, its ancestral property and legacy, NEA presently is in a very confused state. Some even go to the extreme and state that NEA's funeral pyres are being prepared<sup>11</sup>. The NEA Act of 2042 has been amended in 2049 and the major thrust of this amendment is the participation of the private enterprises in the power sector. With the government hard pressed for funds, and the continuing load shedding, this is definitely a very welcome step. We, in NEA, have to readjust ourselves so that the private sector also gets seats. But what we in NEA can not comprehend is the formation of the Electricity Development Centre within the ministry. Are we taking a great leap to the pre-2042 era of Electricity Department and Corporation? A look at Electricity Development Centre's organizational chart does not imbibe much confidence to us. The Centre has three departments: a) Investigations, Feasibility and Planning b) Privatization c) Inspectorate. Inspectorate has long been dead for decades and the revival is a welcome step. As earlier stressed, privatization is also a very welcome step. But the bone of contention for NEA is the formation of the department for planning and investigation. Does this mean that NEA prepares its two Engineering and Planning Directorates for the "Aryaghat"? Not many are aware of the fact that, as per the agreement between HMG and NEA, the local cost for construction is being shared. For 2050/2051 NEA bears 55% of the cost and HMG 45%, and each year this proportion increases by 5% until NEA is made to bear 75%<sup>12</sup>. This policy of HMG to wean away NEA from its resources is undoubtedly a good one. Now what will HMG do to EDC?

## E. CONCLUSION:

With the birth of Electricity Development Centre<sup>13</sup>, it is not only the role of NEA but also that of Water and Energy Commission Secretariat that has to be demarcated. In this context, it is expected that HMG's POWER SECTOR DEVELOPMENT STRATEGY will help



to define the role of WECS, EDC, NEA and Private Sector so that the present confused atmosphere will be much clearer. It is also expected that those responsible for formulating this strategy will not be looking at any one institution with a jaundiced eye. In the interest of the Nation's power development process if NEA has to be made a sacrificial goat, we in NEA would readily assent. But in the name of improvement, let there be no experiments that toy around with employees' careers, with institutions and most importantly with the country's power sector.

NOTE:-

The views expressed in this article are entirely that of the writer.

- 1 Built by Padma Sundar Malla at the height of the Second World War with Escher Wyes turbines from Zurich and General Electric generators and transformers from Schenectady/New York. PS Malla is the first father of Nepalese hydro and Dr. Dambar Bahadur Nepali followed in his footsteps with the 22 MW Chilime recently—the two rare Bhumiputras of Nepalese hydro!
- 2 Birgunj Electric Supply Company was actually established during the Rana regime in 1949.
- 3 Bageshwari Electric Company was established by Bishnu Prasad Upadhyaya through NIDC loan. Some say the company's installed capacity was 300 kW. These small private electric companies all withered because of the government's strict 'hands off the private sector' policy to favour public sector undertakings that was then in vogue internationally.
- 4 Through the efforts of United Mission to Nepal's Od Hofstun, a Norwegian in Nepal since the late 1950s, who also fathered the 5,100 kW Andhi Khola hydro power plant in 1986.
- 5 Not an unfamiliar scene to the present 16 hour per day load shedding era, replete with 250,000 kW of diesel plant initially now apparently replaced by 250,000 kW of Indian import on 'long term commercial arrangement' to eradicate it. India terms the Kosi power tariff now over IC Rs 2.50 per unit 'concessional' and the 70 million free units from Tanakpur 'goodwill gesture' towards Nepal.
- 6 Sardar Bhim Bahadur Pande in his *Tes Bakhat ko Nepal* indicates that this 'angrej' was one of the initiators of the 22 MW Gaidakot hydro-plant of AD 1949, estimated at Rs 1.8 crores by the British consulting firm, Percydrew & Co. Mohan Shumshere shot down this Gaidakot project on the advice of the Indian ambassador, CPN Singh. Sing promised Mohan a much cheaper power from Kosi Barahchhetra High Dam – 2 paisa versus Gaidakot's 6 paisa per unit! Nepal did get the Kosi/Kataiya power from 1971 but at IC 10 paisa per unit.
- 7 Thulo Baje Surya Nath, Sanu Baje Lakshman Prasad as also Gyan Mani and Lalit Mani Bajes!
- 8 Actually it was ADB's covenant in the Fourth Power Project that stipulated 'creation of a new institutional structure acceptable to the Bank'. The World Bank's Marsyangdi covenant merely dittoed the ADB's covenant on institutional structure.
- 9 In an informal talk with this writer, Harshaman Shrestha, the first Managing Director of NEA, did admit it was a mistake. He felt the 'contracting hassles' of the Marsyangdi Project will interfere his efforts to transform NEA into a strong entity.
- 10 Within five years by 1990, the employees at NEA ballooned from 5,600 to 9,000 – the 'bharti kendra' of the powers that be! In 2008, NEA employees' strength still remains at around 9,000.
- 11 The debate now is over Unbundling NEA into Generation, Transmission and Distribution entities that is proposed in the new Electricity Act. It was on the advice of the multilateral institutions that our power sector was bundled in 1985 and everybody is crying hoarse for NEA unbundling. The recent collapse of large banks and motor companies in the western world and the measures adopted to prop them up through government interventions in the guise of recapitalization and fiscal stimulus so that their citizens do not lose their shirts should be an eye opener for all our own policy makers. The proverbial lean and thin' mantra, in a developing under-paid country like Nepal with no new job opportunities or unemployment doles, needs to be chewed with a good pinch of salt!
- 12 So that the government's burden for new construction will be ultimately limited to only 25%.
- 13 In less than a decade, Electricity Development Centre (EDC) flowered into the Department of Electricity Development (DOED) with considerable resource inputs from USAID. Like NEA, DOED is under public scrutiny for issuing 'othara basna ko lagi matra' project licenses and for little or no electricity-development contribution that is manifested by the ongoing heavy load shedding. ■

## China and Nepal always respect each other

By Qiu Guhong, Chinese ambassador to Nepal

Master Buddhahadra is the earliest envoy in China-Nepal friendly exchanges which have lasted for thousands of years. As early as 1600 years ago, he traveled to China through a long distance and against all odds; received disciples inclusively, delivered the Buddhist principles truly, gave lectures widely, translated hundreds of Buddhist scriptures into Chinese languages painstakingly, and finally passed away in China after visit many parts of vast country. He has made important contributions for China-Nepal cultural exchanges and his story has become indelible memory in China-Nepal friendship.

China-Nepal friendship has been constantly renewed and consolidated over the past 1600 years. During that period, Chinese Master Faxian and Xuanzang visited Lumbini of Nepal, the sacred place of Buddhism, Chinese Tibetan King Songsten Gampo married the Nepali Princes Bhrikuti and the Nepalese architect Arniko supervised the constitution of the White Pagoda in Miaoyng Temple in Beijing. These much told tales are still very popular in both China and Nepal.

Since the establishment of diplomatic relations between China and Nepal in 1955, the bilateral relations have achieved new and substantial development and withstood the test of changes in international situation and time. No matter what changes occurred in the nations conditions of both China and Nepal, two nations always respect, trust and help each other, and treat each other as equals. Fruitful outcomes have been yielded in exchanges and cooperation in various fields including politics, economy, trade and culture and etc. Our two countries have set a good example of peaceful coexistence and common development between countries of different size and social systems.

Nepal is an important neighbour of China. Two countries are linked by mountains and rives, and dependent on each other by sharing common border line extending for more than 1400 kilometres. Both China and Nepal are developing countries, enjoying broad



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common interests in economic growth, improvement of people's livelihood. China cherishes the traditional friendship and cooperation with Nepal and is ready to work with Nepalese side to further strengthen and upgrade the good- neighbourly partnership featuring everlasting friendship to benefit two peoples. It is consistent with the fundamental interests of two countries and two peoples, and conducive to the regional pace and stability.

Last, but not the least, I would like to take this opportunity to thank Mr. Min Bahadur Shakaya again for his wide citation and reference in this book to recur the valuable historical moments in China-Nepal friendship. My thanks also got to China Study Center-Nepal for their cooperation in the publication of the book. Thanks again for the friends who have contributed a lot for binging out this book. I am convinced that with the joint efforts of friendship from both China and Nepal, China-Nepal relations will grow vigorously and China-Nepal friendship will pass on from generation to generation.

*Excerpts of the statement delivered by Chinese ambassador QIU GUHONG in a ceremony organized by China Study Center to launch the book "The Life of Nepalese Buddhist Master Buddhahadra. ■*





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