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Statement by the Hon. **BABU RAM BHATTARAI**,
Governor of the Bank for **NEPAL**,
at the Joint Annual Discussion

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It is a pleasure and honor for me to address this noble gathering of the eminent officials of the World Bank Group and IMF as well as my fellow governors and colleagues as a Finance Minister and Governor of the newly born Federal Democratic Republic of Nepal. This annual global assembly of development professionals and practitioners provides an appropriate platform that can best be utilized for discussing and deciding on how we can wipe out the curse of absolute poverty from the face of the earth and create a decent, egalitarian, peaceful and prosperous society in all parts of the world.

Let me briefly explain the recent political development in Nepal. We have fought and won the political war - a war to emancipate the people of Nepal from all forms of feudal exploitations. Feudal monarchy that represented stagnation and underdevelopment has come to an end. People of Nepal have become fully sovereign. We have achieved this through collective efforts and consensus of all political parties. For the first time in Nepal's history, people's representatives are going to write the new constitution. After a decade of peoples' war, the peace process now is moving in right direction and we will collectively steer this to success.

Internal conflict is now over and the country is heading towards lasting peace. The steps that we have traversed so far starting from the signing of Comprehensive Peace Accord between the Communist Party of Nepal (Maoist) and the then government in November 2006 to the formation of the present coalition government headed by the Maoist party following the Constituent Assembly Election mean that political instability will no longer remain as a problem. The writing of new constitution of the nation within two years will complete the political transition of establishing People's Republic of Nepal.

While we have made progress on the political front, we now have to fight the economic war- a war against economic stagnation and deprivation of masses from even the basic necessities of life. This is the challenge that we have to face head on. And we must aim to take big leaps. It is time that we take high ambitions and put all-out efforts to achieve them.

During the past 50 years of planning, the growth rate of the Nepalese economy has been very low, or barely sufficient to keep pace with the population growth rate. The rate of savings is just about 11.5 percent of GDP, which means high dependence on foreign assistance to meet the investment requirement for the targeted rate of growth. We realize that poor governance has been one of the fundamental constraints for Nepal's rapid development. We have focused our efforts on improving governance, minimizing leakages in expenditures and properly targeting public expenditures so that we get maximum out of government's investments.

Nepal is now in a phase of economic transition from feudalism to industrial capitalism, with appropriate blend of social welfare. And we want to complete this transition as fast as possible. In this process, we will have to demolish old growth inhibiting rules, structures and institutions and initiate new growth promoting strategies wherein each individual will be able to realize his/her production potentials. Our vision is to build a '**New Nepal**' through rapid socio-economic transformation. We have set out the economic agenda with a goal of achieving double digit economic growth rate in the next two years with, of course, proper distribution. For this, we have opted a three-pronged strategy: promotion of private sector investment in growth-propelling sectors, public-private partnership in large infrastructure projects and cooperatives in rural areas in agriculture, agro-processing, marketing activities and in operating public distribution system.

Our development priority is on water resources and hydropower, and agriculture and tourism as these are the areas in which Nepal has comparative and competitive advantage. We would be creating investment-friendly environment for foreign direct investment in these areas. For this, we would need rapid expansion of physical infrastructures and accelerated investments in education and health.

As we are embarking upon a challenging journey of rapid economic growth focusing on improving the lives of millions of poor people, the rising commodity prices have made our development efforts costlier. Commodity prices have also made poor people's lives even more miserable. Just when the world community was tackling the rising commodity prices, there is now the other crisis propelled primarily by falling asset prices. The exact magnitude of current financial crisis is not yet known as each day banks, one after the other in advanced countries, are reporting financial distress. We are not quite sure where this all will lead to, but the world economic outlook looks bleak for the foreseeable

future. I think we have all gathered here at the right time to debate on these issues and I hope that, collectively, we will find proper solutions.

I urge that when advanced countries focus on correcting their domestic economic woes, they should not lose sight of the need of under-developed and developing countries.

I take this opportunity to express our sincere thanks to all those who have extended support to our peace process and in rebuilding Nepal. I would also like to thank the Bank and the Fund for their renewed commitment to help achieve our vision of New Nepal.

Before I close, I would like to thank the government and the people of United States for the hospitality. I also thank the Bank and the Fund for the excellent arrangements made for the Annual Meetings. I wish the Annual Meetings a grand success and thank you all for your gracious presence.