

Nepal: Looking Back on 2005, Looking Forward to 2006

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- 2005 was a turbulent time for Nepal with the current Maoist insurgency, the Royal takeover, the political agitation of the seven-party alliance (SPA), the SPA-Maoist understanding and the movement of NGOs, INGOs, ethnic groups, Dalits and professional groups known as the civil society.
- Violent conflict has weakened the national state, democratic institutions, development space and stymied humanitarian supplies. The disintegrating livelihood economy, social and ethnic divisions and human rights abuses indicate that sub-units of the state are losing their energy.
- On September 3, CPN (Maoist) declared a unilateral truce for three months and later extended it for another month after it entered into an understanding with the SPA. But it did not reduce the extortion, kidnapping and indoctrination of cadres of other parties, students and ordinary people.
- By declaring the elections, the King has rejected the demand of SPA to revive the parliament. The SPA and CPN (Maoist) have decided to boycott the election and continue with their agitation to restore 'absolute democracy.' CPN (Maoist) broke the truce towards the close of the year and declared a week-long general strike from February 5-11, 2006.

The King and the Government

On February 1, 2005 King Gyanendra dismissed Prime Minister Sher B. Deuba's government for failing to hold the promised general elections, assumed direct power and declared a state of emergency for 3 months in view of the serious crisis posed to the nation's sovereignty, integrity and security. He said he would hold the elections that Deuba could not and hand back the power in 3 years time to the people's representatives after conducting an election. By doing so he offered the international community a clear choice: either support his regime or the CPN (Maoist). Placing political leaders under house detention, he added roles for the security forces, suspended civil liberties (except for the right to remedy under

habeas corpus) and censored the press during the emergency period. He, however, expressed commitment to multiparty democracy and promised to take action against crime and corruption. The next day he formed a cabinet under his chairmanship to "fulfill the people's desire for the restoration of peace and security and to activate the democratic dispensation soon." In response to the opposition of political parties, civil society and the international community the King asserted, "We must pursue a democratic system that is suitable to the genius of the people of Nepal and to the soil of Nepal."

The cabinet formulated a 21-point decision, which stressed empowerment of the Commission for the Investigation of

Abuse of Authority (CIAA), introduced a Special Karnali Plan, upliftment of the marginalized and introducing positive discrimination policy for Dalits, women and indigenous people. It issued several prohibitory orders and gave sweeping powers to zonal and district administrators. An amendment of the Police Regulation granted the district police office the power to seek a person's identity at any time. The government brought an Ordinance to amend the Local Self-Governance Act 1999 to strengthen the state's control on society, facilitate service delivery and authorize government officials to run District Development Committees (DDC), municipalities and Village Development Committees (VDCs) for three years. He also set up the Royal Commission on Corruption Control (RCCC) to reach the corrupt in high places.

The government started screening hand-outs of government advertisements to the private sector media. Media organizations dubbed the move as aimed at providing government backing to only those "working for the nation and crown." On October 9, the government issued a Press Ordinance aiming increment on the fine on libel materials and also those deemed "helpful for terrorists" and limiting the FM stations to information-oriented programs. It branded activities disrupting security, peace and order in the country as criminal and declared a fine of up to Rs. 100,00 for editor or publisher violating the Ordinance. Two journalists were killed during the conflict – one by CPN (Maoist) and the other died in security detention due to lack of treatment for typhoid. Many journalists working on the frontlines of the conflict have been harassed. The Civil Service Amendment Ordinance promulgated on July 8 banned the Nepal Civil Service Employees Organization. The government has, however, allowed the creation of the National Journalist Federation (NJF) and Independent National Democratic Confederation of Nepalese

Trade Union (INDCONT) to act in a non-partisan way, thus neutralizing the agitation by opposition-controlled federations.

On November 10, the Social Welfare Council (SWC) enforced a code of conduct for International Non-Governmental Organizations (INGOs), NGOs and other civil society organizations. The code stipulates that people working in NGOs should not participate in party politics, cannot head any organization for more than two terms, have to publicize their audited financial and yearly progress reports and submit to the District Administration Office and DDC, should not receive monthly salaries and get prior permission from SWC while receiving foreign assistance. Human rights organizations are especially against these provisions and have launched their own protest movement by showing solidarity with the SPA. NGO Federation and Association of INGOs in Nepal are also putting pressure on the government to roll back the code. While the government questions their transparency, accountability and performance, despite the Rs 10 billion they bring in annually, the leaders of these organizations argue that the government is trying to weaken civil society. The government and the aid agencies are tied into a problematic relationship eroding each other's credibility.

Seven-Party Alliance and CPN-Maoist Get Together

On May 8, the SPA announced a program to end the king's direct rule. The program involved collective fight for: reinstatement of the House of Representatives to activate the constitutional process; formation of an all-party government; management of the armed conflict and the attainment of durable peace; adoption of all democratic options including a constituent assembly election to settle the Maoist insurgency; commitment to a forward-looking reform agenda including the provision of referendum in the constitution to decide

on crucial national issues, and reform in the constitution to patch up all loopholes for autocracy. While the EU, the UK and India have supported the "road map" of the SPA, the Nepalese government has repeatedly warned the British and the Indian ambassadors to Nepal not to interfere in Nepal's "internal affairs."

When the political agitation by the SPA failed to squeeze any concessions from the King, it held several rounds of dialogue with the CPN (Maoist) to persuade them to renounce violence and to join mainstream politics. In August, NC president G. P. Koirala said, "Communists and we have no significant ideological differences. Both of us are fighting against deep-rooted feudal structures of the society." On November 22, the SPA finally entered into a 12-point understanding with the CPN (Maoist), which, inter alia, laid stress on establishing 'absolute democracy' by concentrating their agitation against "autocratic monarchy." The SPA stressed on the restoration of the parliament, an all-party government, election for a constituent assembly to draft a new constitution and resolution of the conflict, while CPN (Maoist) stressed on ending the absolute monarchy, holding the constituent assembly elections, putting the armed Maoist force and the Royal Nepalese Army (RNA) under the supervision of the UN, or any reliable international supervision, and mediation of the conflict through dialogue.

The SPA-Maoist understanding, however, opened some fissures within the alliance partners, especially on the question of keeping the RNA and Maoist armed forces under the UN supervision or any other international organization. Moderate leaders within the parties prefer reconciliation with the King, while youth are struggling for internal party democracy and fighting against highly personalized, patronage-based and the authoritarian political culture of their elderly leaders.

The ULF, NEWPP and UPF raised the question of national sovereignty in the Maoist-SPA deal and the UN representative to Nepal Matthew Kahane also argued that the UN can only monitor, and not supervise the armed forces. Moreover, the government, India, the USA and China are opposing the mediation of conflict by a third party, while political parties and CPN (Maoist) do not trust the government in holding any election. This means that the deadlock might continue for the medium term. The media and civil society movement is gaining strength, but they are urban-biased, partisan, projectized and interest-based and, therefore, their ability to undertake charity work and public action is limited. Representatives of these groups claim that they are trying to help the parties to become inclusive and decisive in the movement. The mobilization of CPN (Maoist) cadres has energized the urban protest movements of the parties against the government. But, political authoritarianism is less likely to tolerate the social potential for the emergence of an autonomous civil society. Fearing the radicalization of their cadres, the SPA leaders asked the Maoists to extend the truce and called on the King to create a conducive atmosphere by withdrawing the civic polls. G.P. Koirala, added that dialogue with the King is possible if he suspends the upcoming civic elections.

Maoist Strategy

Before the Royal takeover, the CPN (Maoist) had argued that they would like to talk to the King directly, but following the takeover they remain opposed to such talks. In its third plenum in Rolpa in October, it expressed commitment to human rights, civil liberties, rule of law and competitive politics, decided to join mainstream politics, sought support from parliamentary parties and the international community for the peaceful resolution of conflict. The CPN (Maoist) has muted its ideological diatribe against "American imperialists and Indian expansionists,"

and has accepted the fact that without the cooperation of India, China, the US and the EU, durable peace in Nepal cannot be achieved. On July 10, Lakhdar Brahimi, Special Advisor to UN Secretary-General Kofi Annan during his visit to Nepal said, "The solution of Nepal's conflict rests on three elements: a return to constitutional order and multiparty democracy, an end to hostilities and an inclusive national dialogue towards a negotiated solution to the underlying causes of conflict." The CPN (Maoist) accepted Indian mediation efforts between itself and the SPA and for the announcement and extension of the ceasefire. The Maoist's tactics of "riding on the back of the enemy to strike on his head," evokes fear about its future role. It has also increased the number of its military divisions from three to seven and aims to fuse rural insurgency with urban protest movements to weaken the legitimacy of the regime. Public pressure for peace in rural areas is increasing. On January 2, 2006 CPN (Maoist) formally declared to re-launch "people's war", breaking the ceasefire, and vowed to attack the royal regime but it said that they would respect the recent understanding with the SPA. There is lack of multilateral action and confidence building measures without which management of the conflict is hardly to be attained.

Role of External Powers

The ongoing insurgency and royal takeover have gravitated the attention of regional and global powers to Nepal. India, the UK and the USA, who were "coordinating" their policies on Nepal and supplying weapons to the Royal Nepalese Army (RNA), stopped the aid after the royal takeover. Now, these countries, the UN and the EU are suggesting that the King roll back his step, restore human rights, democracy, civil liberties and media freedom, reconcile with political parties and seek a "negotiated and democratically based solution" to the insurgency. China, South Korea, Russia, Pakistan and

Bangladesh termed the takeover "an internal matter of Nepal." India pulled out from the SAARC Summit scheduled in Dhaka on February 6-7 apparently as a sign of protest, put off the meeting on the Koshi High Dam Project and supported the agitation by the SPA. Nine left-wing political parties of India formed the *Nepal Democracy Solidarity Forum* to assist the Nepalese political parties and on September 28, while visited Nepal to express their solidarity with the SPA. Nationalist groups greeted them with black flags and chanted slogans opposing "foreign intervention."

The British withdrew from its parliament a gift package of \$2.5m it had committed to projects with the Nepal police, for prison reforms and the prime minister's office. The current development aid of UK stands at \$90m, but is now screening all projects using two criteria - safety of the staff and effectiveness of support. The US annual aid to Nepal is \$40 m. The US has also suspended \$5m military aid to Nepal. India and the US have suspended lethal military assistance, but the trainings to security forces and non-lethal assistance have continued. China, Russia and Pakistan think that Nepalese themselves are capable of resolving this conflict. On October 1, the EU parliament urged the government to reestablish the Tibetan Refugee Welfare Office in Kathmandu and allow the representative of the Dalai Lama to resume its operation. This raises the eyebrows of the Chinese government as it fears the possibility of the convergence of anti-Chinese forces in Tibet and, therefore, the Chinese Foreign Minister Li Zhaoxing, while visiting Nepal in March, felt the need for "strengthening cooperation on international matters."

Nepal's development partners organized two meetings in London, discussed development issues, the wider peace process and defined the principles of engagement in what they call "fragile states." They

have also asked their representatives in Nepal to work in line with Basic Operating Guidelines (BOG) and consider options in promoting human rights, democracy, peace and sustainable development. On December 22, the UN welcomed the recognition by the Maoists of the BOGs and began resuming its activities in 10 districts suspended earlier.

The World Bank suspended its \$ 70m budgetary support for the current fiscal year. While Denmark, Norway and the UK have conditioned their support to human rights, democracy and civil liberties, the Asian Development Bank (ADB) doubled its disbursement from \$22 m last year to \$44m this year. Japan provided a grant assistance of over 45.43m yen for various projects such as water supply, education, roads and food. Pakistan provided an annual credit of \$5m. Aside from its annual development assistance of Rs. 800m, China even provided budgetary support amounting to \$12.3m this year and a military support of about \$1m. The commitment of German government's development aid continued. But, German Development Service (DED) funding which stood at \$ 5m for every two years declined to \$ 1m. The role of external powers has remained highly impulsive rather than initiatory. Conflict transformation in Nepal requires multilateral action of domestic and international actors as they are all a part of the conflict system in Nepal.

Human Rights Situation

Ongoing insurgency and counter-insurgency operations have killed 15,500 people, displaced more than 200,000 and traumatized many women, children and the weaker sections of society. While the government's pursuit was focused on improving security and law and order in the country and seeking legitimacy to its rule, human rights remained the major concern of donors and political parties, as they fear that fighting the insurgency militarily can weaken democracy. The Chairman of

the National Human Rights Commission of Nepal (NHRC) said, "The security forces were ineffective at a time when there was rampant loot, rape and several other insurgency-related incidents due to their confinement in small areas." Forty-nine people had died in Kapilvastu district in mob action.

On April 11, the Nepalese government and the Office of High Commissioner for Human Rights (OHCHR) signed a Memorandum of Understanding (MOU) agreeing to set up an international mechanism to monitor and protect human rights. Accordingly, the OHCHR has already begun to monitor the human rights situation. The UN Commission on Human Rights in its resolution 2005/78 focused on four areas in Nepal requiring action: First, specific human rights violations, including unlawful killings, disappearances, torture, sexual violence, forced displacement, mass abduction, extortion, forced recruitment and forced labor, arbitrary arrests, censorship, freedom of opinion and expression, and freedom of association. Second, concern with regard to the situation of categories of persons, including civilians in general, women and children in particular, political leaders and activists, human rights defenders, internally displaced persons, refugees and journalists, as well as access of humanitarian organizations to those in need of assistance. Third, rule of law, international humanitarian law, especially whether anti-terrorism and security laws and measures were in accordance with relevant international standards, impunity and the independence and effectiveness of the judiciary. And fourth, the Commission called for peace negotiations, national dialogue with political parties, the restoration of multiparty democratic institutions and the holding of free and fair elections.

Foreign Affairs

Nepal's foreign policy remained quite active and has exhibited a new orientation.

First, to mollify Chinese security concerns in Nepal, the government on January 27 closed the offices of the Dalai Lama's Representative and Tibetan Refugee Welfare Office in Kathmandu. King Gyanendra then broached the idea of making Nepal a "transit state" between India and China. Nepal is expanding economic and trade relations with China, a bus service from Kathmandu to Lhasa and building a road link through the Rasuwagadhi and Kerung pass. China is also planning to link Tibet to Nepal through fibre optic links and energy pipelines. Second, the King has utilized "conference diplomacy" abroad to justify his takeover and gain support for his effort to contain the insurgency. India had earlier postponed the SAARC summit citing new developments in Nepal and Bangladesh. In SAARC Summit in Dhaka, Nepal linked the entry of Afghanistan into SAARC with the inclusion of China's observer status in the regional grouping. Afghanistan will become a full member of SAARC, while China and Japan became observers. Third, the King is trying to diversify Nepal's international relations beyond the neighborhood and gain the critical leverage to limit the impact of frequent external pressure for regime change.

Nepal has already started lobbying to contest for the post of non-permanent member of the UN Security Council next year and is trying to deepen relations with China, Russia, Japan, Pakistan and South Korea. The King recently visited Egypt, South Africa and Burundi. The reports prepared by border experts indicate that India has encroached about 59,970 hectares of Nepali territory at 54 points in 21 districts adjoining India in the east, west and South. The Bhutanese refugee problem remains in limbo and bilateral talks between Nepal and Bhutan for the repatriation of 120,000 refugees have been stalled.

Economic Review

Nepal's population stands at 27m with a growth rate of 2.2%. It ranks 136th in the Human Development Index among 177 countries and 74th (among 103 developing countries) in the Human Poverty Index (HPI). Life expectancy at birth is 59.8 years (60.9 for males and 59.5 for females). Total literacy rate is 45.6% (62% for males and 27.6% for females). With a per capita income of US \$ 279, Nepal is one of the poorest countries in the world with nearly 40% of its population living below the poverty line. Agriculture is the mainstay of the economy, providing a livelihood for over 80% of the population and accounting for 40% of GDP. The GDP growth rate declined to 2% this year from 3.7% last year due to the decline in agriculture production and lower performance of industrial and service sectors. Agriculture growth remains at 2.3%. Industrial activities of Nepal mainly involve the processing of agricultural produce such as jute, sugarcane, tobacco, and grain. Tourism contributes about three percent to Nepal's GDP. The recent recovery from the tourism sector due to the ceasefire and growth in remittance has meaningfully contributed to poverty alleviation. Security concerns in the wake of the Maoist conflict, the state of emergency and agitation politics have led to a decrease in tourism in recent times, a key source of foreign exchange, and affected transport and communication. Nepal has considerable scope for exploiting its potential in hydropower and tourism, areas of increasing foreign investment interest. The defense spending stands at 3% of GDP since three years ago.

Foreign aid contributes to 60% of the money spent on development and a quarter of Nepal's annual budget of Rs. 126bn. On the fiscal front, the government budget deficit, on cash flow basis,

recorded a decline by 88 % to Rs 50.3m compared to a budget deficit of Rs 419.2m in the same period last year. A higher growth of resource mobilization relative to government expenditure contributed to this decline. The government expenditure increased by 12.4% in contrast to a decline of 3.1% last year. On the external front, balance of payments showed a surplus of Rs. 1.5b due to increased remittances. Export increased by 7.9 %. Of the total export, the share of India increased by 31.2 %, while export to third countries declined by 2.5%. Total imports, in contrast to a decline of 1.4 % last year, increased by 34.8%. The share of Indian investment in Nepal accounts for 35% of the total foreign investment of \$ 300m. Total foreign exchange stood at Rs. 134.3b sufficient to cover almost ten months of import of goods. High inflation (7.8 %) is eroding the purchasing power of the people. The ongoing controversy over the Melamchi Drinking Water Project has caused the withdrawal of the Norwegian government, which has created a financial gap.

Similarly, on December 3 the World Bank's \$100m Poverty Reduction Strategic Credit (PRSC II) loan hangs in the balance as the government failed to fulfill its critical commitments - seize the passports of willful defaulters, implement the Governance Act and Labor Act and adjust prices of petroleum products at par with international prices. If Nepal is demoted to low-case from best-case scenario, future assistance levels will be reduced to no more than \$50m a year. Out of the 83,000 MW hydropower potential Nepal has so far utilized only 600MW capacity. According to the Food and Agricultural Organization (FAO), Nepal's deforestation rate is 1.4% per year. This means it is losing on an average 53,000 hectares of forest per annum. Erosion of top soil and forest coverage is causing a decline of agricultural productivity and pasture land for animal husbandry.

Policy Reforms

The Corruption Perceptions Index (CPI) of Transparency International (TI) has placed Nepal in the 117th place indicating a growing corruption problem, with 2.5 scores, among 159 countries. It said, "The poor performance of Nepal can be attributed to a large extent to the continuing political instability in the country", where political class under all regimes indulged in the endless game of rent-seeking. In this context, sustaining reform has become a part of the agenda of donors and they are coordinating their efforts to rectify political and institutional failures. There has been some progress in human development indicators and poverty reduction. Decision-making at the local, community or household level has contributed to this. Policy reforms have been stalled because the government is preoccupied with internal security and stopping the Maoist rebellion rather than focusing on development processes. Especially, service delivery in rural areas has become a major problem to the development agencies.

The insurgency has undermined the possibility of meeting the targets of the Millennium Development Goals (MDG) and Poverty Reduction Strategy Paper (PRSP). The World Bank (WB) has signed two agreements: the Rural Access Improvement and Decentralized Project and Economic Reforms Technical Assistance Project to push Nepal's comprehensive reform agenda. The Asian Development Bank (ADB) is focusing on the goals underlined by Nepal's Tenth Five-Year Plan, such as broad-based economic growth, inclusive social development and promoting good governance. The government is also making efforts to address the question of inequality and social exclusion through focused development programs for marginalized, women, the poor and excluded communities. The role of the anti-corruption watchdog RCCC has become controversial as political parties and

donors began to question its legality and made recommendations not to detain ex-premier Sher B. Deuba, ex-minister Prakash Man Singh and others on the charge of corruption on the Melamchi access road construction contract award. The ADB has furnished details saying that it saw no corrupt behaviour there.

Social development

The conflict has deeply affected the social life, making it vulnerable to every kind of risk. Lack of authority at the local level has put the brakes on the implementation of social programs and restricted women from having a wider space and voice in political, economic and social processes. Nepal's total fertility rate is 4.19 children per couple, while infant mortality rate is 66.98 per 1000 live births. About half of Nepalese children are stunted, 48% are underweight and 10% are wasted. The maternal mortality rate stands at 539 per 100,000. There are 56,000 cases of HIV/AIDS. Around 10,000 adults having HIV/AIDS are expected to die annually. There are 13,000 orphans as a result of this disease. As land mines related victims are growing, the access of ordinary people to health facilities is diminishing. Nearly 40% of medical equipment in hospitals are malfunctioning. The functional literacy rate in Nepal is only 44% and the limited capacity of the government to provide essential health and education service has been further curtailed by Maoist control in rural areas, where they provide *Janabadi Sikchha* (communist education). Withdrawal of some donors from the education project has undermined the "Education for All" program. In urban areas, education was affected by regular strikes and shutdown of schools and colleges by Maoists and political parties agitating against the regime. Although drinking water coverage has increased to 81% of the population, safe-drinking water coverage is still abysmally

low, as many water schemes are not maintained properly.

Nepal's domestic labor market suffered because of the ongoing conflict, displacement of people and industrial shut down. More than 90% of the country's 11m workforce are employed in the informal sector and are not covered by any social security scheme. This condition has forced the migration of people abroad in search of jobs. The total volume of remittances Nepali workers bring annually from abroad amounts to US\$1.5 b, contributes to about 12 per cent of GDP and has given life to the rural economy. On October 8, the second meet of Non-Resident Nepalese (NRN) floated a proposal to establish a Nepal Investment Fund worth \$100m to support Nepal's development. After the Royal takeover, all three national federations - Nepal Trade Union Congress (NTUC), General Federation of Nepalese Trade Unions (GEFONT) and Democratic Confederation of Nepalese Trade Unions (DECONT) started launching their movement for democracy, human rights, workers' welfare and peace, joined hands with the "National Business Initiative for Peace" organized by the national Chambers of Commerce and Industries and have strengthened international solidarity. All these unions are working together. They have formulated joint policies and activities in a number of areas and try to organize, educate and support informal sector workers, women and child workers. The International Confederation of Free Trade Unions, Union-Network International (UNI) and International Federation of Journalists (IFJ) have organized several meetings in Nepal to express solidarity with their affiliates. Distributional conflicts remained a persistent feature regarding the Dalit, ethnic groups, youth, women and workers politics, which have made collective action difficult at the central level of the state agency to fulfill commonly agreed upon development goals.

Gender

Nepal ranks 106th among 140 countries in UNDP's gender development index (GDI) published in 2005. Nepal is a caste society, where the concept of patriarchy plays a considerable role in the social order. The feudal system and highly personalized nature of political institutions have deprived women in a number of areas. Rural women are severely underprivileged and violent conflict has added to their woes. The maternal mortality rate of 539 per 100,000 live births is one of the highest in Asia. The gender empowerment measure, which reflects women's participation in economic, political and professional spheres was 0.191 in 1996 for Nepal, well below the average of 0.367 for developing countries in that year. Gender disparity persists in educational attainment, health status, formal labor market, and participation in the decision-making process.

Women's share in the dissolved parliament was 6.4%, civil service 8.55%, judges 2%, teachers 20%, media 12%, foreign employment 10.85%, ownership over landholdings 10.84% and agriculture production 60.5%. This data show that they are mostly confined to the private realm. Each year more than 10,000 women are being trafficked. Nepal's law enforcement mechanism is weakened by the ongoing insurgency. There is a yawning gender gap in education; with 80% of the boys going to schools, compared to only 75% of the girls. Gender disparities have impeded the country's efforts to achieve "Education For All." Gender-based violence, in particular rape of women by members of the security forces and Maoists, was frequently reported. Women faced legal discrimination, especially in connection with issues of citizenship and inheritance. These laws were criticized in January by the UN Committee on the Elimination of Discrimination against Women when considering Nepal's periodic report, as were laws allowing for

harmful traditional practices, in particular early marriage and bigamy.

There are also positive developments: for the first time the government has allocated spending to improve the plight of conflict-victim single women in 15 districts; they do not have to return the property after re-marriage and to wait until the age of 35 years to get the property of the deceased husband and can get a passport without the consent of male members of the family. To relish the opportunities to pursue a self-chosen end, women folk require sustained capacity building in all spheres of life.

Regional Cooperation

The growing amity between the two rivals of South Asia – India and Pakistan – evident from the reopening of the Karachi consulate and the revival of the rail route linking Sindh to Rajasthan of India has improved the climate for cooperation in the region. The 13th SAARC Summit held in Dhaka on November 12-13 decided to include Afghanistan as a new member of SAARC and China and Japan as observers. The 53-point Dhaka declaration adopted a number of initiatives with the need to advance towards a South Asian Economic Union (SAEU): introduction of SAFTA by January 1, 2006, declaration of the 2006-15 decade as the SAARC Decade of Poverty Alleviation, establishment of the Poverty Alleviation Fund, promotion of people-to-people contacts, expansion of airline connectivity in the region, establishment of the South Asian University, development of regular contacts among parliamentarians, collaborative healthcare projects, collective energy strategy, promotion of inter-regional trade, investment and human resource development. The declaration cited UN Security Council Resolution 1373 and vowed not to adopt double standards on terrorism. The next summit of SAARC will take place in India in 2006.

For landlocked Nepal, bilateral, regional and international cooperation can offset its marginalized position. Nepal has always called for fair and just trade in the multilateral trading systems such as WTO to bring a structural change in its economy. The sixth Hong Kong ministerial meeting in December promised to provide LDCs like Nepal duty-free and quota-free market access to developed countries. To realize the concept of the proposed transit state, Nepal is also developing its connectivity with other regions as well, such as the Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation (BBIMST-EC) and the Boao Forum for Asia and Least Developed Countries

(LDCs). In the 8th ministerial meeting of BBIMST-EC in December, the foreign minister of Nepal stressed the development of hydropower to be used in regional transportation. The meeting took important decisions in the fields of trade, energy, tourism, private sector cooperation and transport connectivity, which will also benefit Nepal. Nepal is also actively participating in the Asian Development Bank (ADB) supported South Asian Sub-Regional Cooperation (SASEC) to promote cooperation among Bangladesh, Bhutan, India and Nepal. All these regional initiatives have been used for confidence building and expanding the space for regional cooperation.

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