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Politics

1 Principles of a democratic nation

A nation is a social unit that maintains order, cohesion, and is governed by a sovereign authority. Historically, there were periods when many nations were ruled by monarchs or by a person or groups belonging to certain classes. However, in today's world, it is usual for the entire population to be the sovereign authority, and has the right to exercise it.

The basic premise of democratic politics is the system in which sovereignty is exercised through a legislature. It is also a principle that the fundamental human rights, adult franchise and equality of each member of the population are guaranteed.

2 Thoughts on Democracy in Nepal

As a result of the democratisation movement of 1990, the Panchayat system was abolished, and multi party system was restored, and democratic form of government was brought in. However, the so called democratic government did not function well. There was only widespread power struggle among the parties and all sorts of corruption flourished with it. Far from enjoying the blessings of democracy, most people have been impoverished which pushed the country into grievous conditions. Under these circumstances the king, taking the privilege of the constitution, exercised active role which also could not succeed in the 21st century. We should make every effort not to repeat the same mistakes of the past.

The importance and purpose of politics is supposed to reflect the wishes of the people correctly and function for the making of a peaceful nation that can deliver benefits to them. Thus the political parties must emerge from the shortcomings of prevailing politics in which they were involved in the past.

We very often hear the cry for "Democratisation! Democratisation!" But it seems that most people do not always understand the meaning of democracy and democratisation. People need to learn about democracy and should be made aware of their rights and responsibilities in a democratic society.

We also have to look at some republic countries that are said to have been democratised, but in fact are run by dictatorships. NNDP emphasizes that the important thing is not only the political system but the attitude of persons who are elected and engaged for taking responsibility in politics. Nowadays ideological struggle has ended and people are oriented to ask about the result of the policies; whether they are being correctly implemented or not.

Democracy is not a form of politics only, but is inseparable from the concept of freedom of individuals in conducting their lives and respect of others. The practice of democracy requires that every member of the society think in terms of seeking solutions to his or her own wishes through the democratic process.

NNDP, in this context, will work to spread democratic beliefs and a democratic, political culture to awaken the people to the true meaning of democracy and to broaden the understanding throughout the population.

3 NNDP's Political Principle

NNDP's desired principles are as follows:

Non-violence

Non-violence is NNDP's motto. The change of society should happen with the revolution of the mind, not weapons.

Formation of a Peaceful Democratic Country

NNDP wishes to establish Nepal as a democratic country and we will strictly adhere to it. In no way will we accept any alternative or rise of authoritarian rule. We believe that we can dispatch peace to the whole world from Nepal.

Elimination of Inequality among People

NNDP advocates strong policies to eliminate the widening economic gap between people dwelling in the cities and those living in the villages with strong interference by the government.

Clean Government

For the development of the country, a clean government is the most essential condition. NNDP strongly advocates the need to establish a clean government and to take action against bribery with heavy penalty and imprisonment. If these sorts of mechanisms fail to control corruption, even death penalty can be given a thought.

Continuation of a Parliamentary Democratic System with Constitutional Monarchy

To give examples, at present Britain, Japan and Thailand have political systems which maintain constitutional monarchies. Such a system would be advantageous to Nepal as it will be in agreement with the identity of the people of Nepal. We propose to create a "king and royal family of the people" by giving the central legislature the authority to rule over the royal family.

Establishment of Autonomous Government in the Local level with the formation of Federation of Regions

Nepal is a multiethnic nation and each district has its own characteristics. Having regional governments, each of which, reflects the character of its district and such autonomy is suitable for Nepal and will contribute to maintaining a stable society. Thus, NNDP proposes that this will be the most effective and efficient way for the country to give administrative services to all its citizens and reflective of their opinion in politics

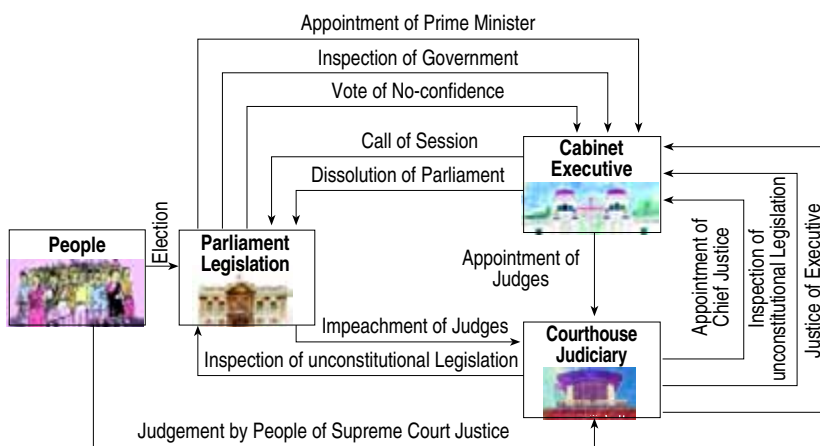
4 Approach to Nepal's own Political System

There are a variety of political systems, which are all called "democratic" but in fact differ in the way nations were formed and their historical background. Nepal also should adhere to a political system adapted to its national conditions. We should also learn from political changes and progress of the world in establishing our political system that is desirable for Nepal.

NNDP also sees the necessity of some reform and revision of the Constitution of 1991, which existed on the basis of constitutional monarchy. This can be achieved through the election to a Constituent Assembly or by setting up a high commission for reviewing the 1991 Constitution.

The point to be dicussed are as follows:

- o Guarantee of popular sovereignty and of basic human rights.
- o The bicameral form of legislature and a cabinet to be selected from among the legislators only.
- o Strict separation of power and function between three branches of the nation: the legislative, the executive and the judicial.
- o A Federal Political System which gives substantial powers to the regional government and local autonomous government.
- o The term of office of the Prime Minister should be limited to two five-year terms. A new system of fair and universal suffrage where citizens aged 20 and over are registered to vote and above 25 are eligible for candidacy for the lower house and 30 for the upper house.



The division of three branches

- o The position of the King:
 - To formally appoint a Prime Minister nominated by the Lower House and approved by the Upper House to form a government.
 - If the house could not function properly because of the conflict among the parties and malpractices, as a remedy to the crisis the king should be given and trusted with a power to dissolve both the cabinet and the house only once in five years. However, the king will not have any kind of role in governing. Under such conditions, fresh elections should be held within three months. The cabinet shall act in a caretaker capacity until a new government is formed.
 - To nominate 10 of the members of the Upper House in consultation with the Prime Minister.
 - To represent the nation in affairs of state and ceremonies, with the decision of the cabinet. The cabinet, not the King himself, shall be responsible to the legislature for these actions.
 - Every management with respect to royal household will be decided by the parliament.

Introduction of Federal System and Regional Governments which NNDP envisions for Nepal

We propose a federal system of government with local administration in the form of Seven Regional Governments.

The Reasons

- o Nepal is a multiethnic nation in which, except in major cities, ethnic groups live in their own areas. For this reason, we think that the Regional Government with respect to the society and culture of each local area is the best suited political system for Nepal.
- o Regional Government enables the people to have more chance to be involved in politics. Such participation in politics will develop the abilities of the citizens to make democracy work.
- o Regional Government which is given extensive powers by the Central Government will be reflected with a variety of tribes and easy to accord and satisfy local citizens and can contribute in maintaining social stability.
- o To avoid a massive central bureaucracy and to make it easy for the people to know the actual politics, this trend would geopolitically fit the national circumstances in Nepal.

1 NNDP's Proposal for Seven Administrative Regions aimed at decentralisation and local autonomy

We propose that the present five Development Regions should be increased to seven with their capitals as listed below.

Regions	Capital
Koshi-Mechi	Itahari
Sagarmatha	Bardibas
Narayani	Kathmandu
Gandaki	Butwal
Dolpo- Rapti	Ghorahi
Bheri- Karnali	Birendranagar
Seti- Mahakali	Attariya

The capital of the central government should be located in Narayangadh.

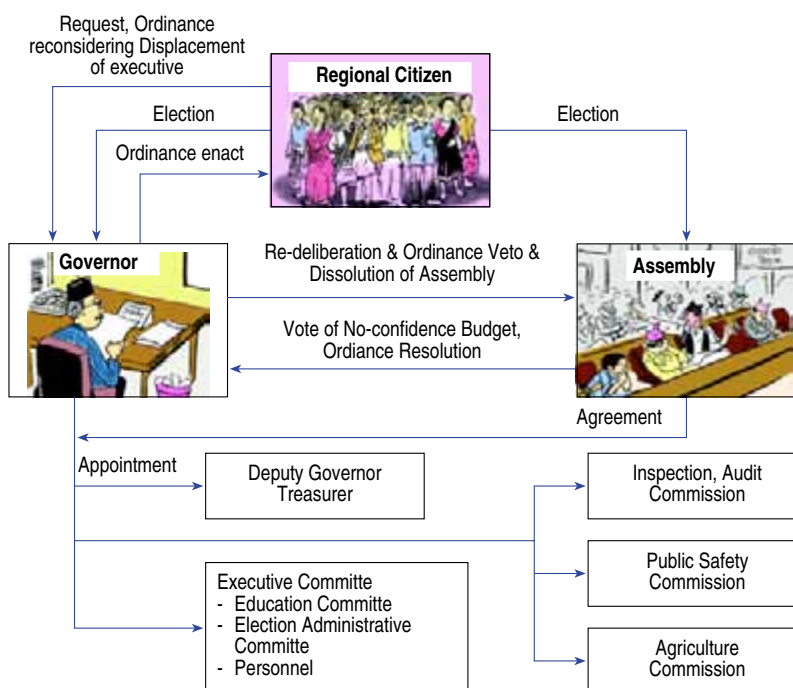


Regional map which NNDP proposes

This concept came with our experience from extensive travel all over the country for more than a thousand days from east to west and north to south.

2 Organisation of Regional and Local Governments

In order to most effectively open the path to participation by local citizens in government, regional legislature as well as city, town and village legislatures should be formed by direct election. Each governmental unit should have its own chief executive. These chief executives should also be directly elected by the people as in a Presidential System.



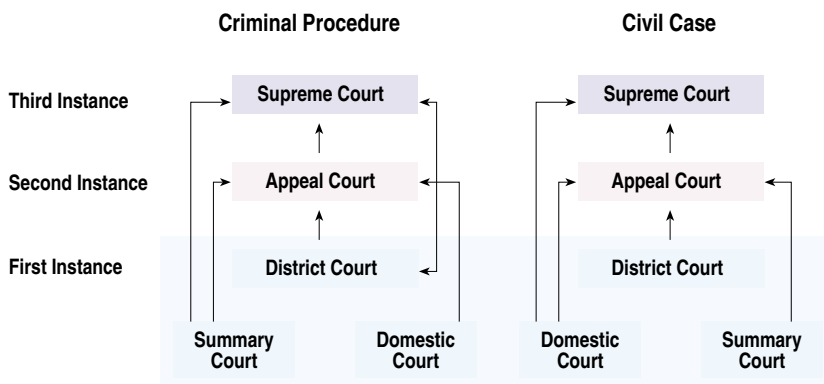
The Chart of Local Autonomous Body

In addition, to maintain the fair administration without unilateral exercise of power by a governor or mayor or a party, in each district there should be an administrative council that is independent of the main administrative organs.

Cities, towns and villages will form the terminal units of Regional Government. A city will be defined as an area having a population of 50,000 or more, in which there is an organised system of a street, business districts, etc. Areas with a population of 10,000 to 50,000 will form towns, while areas having a smaller population will form villages. But each village shall have a population of at least 3,000 people. The regional, city, town and village governments will be responsible for their respective area.

3 The Judiciary Branch in three steps

The judiciary will consist of a National Supreme Court, the Court of Appeals and the Lower Courts or the District Courts independent of the administrative and legislative branches.



Justice System in three steps

4 The Functions of Regional and Local Government

a) The Legislative Branch

Work of Regional Assembly

- Enactment and Repeal of Laws and approval of budget. Decision on local taxes and fees for use of facilities in uniformity with the central government.
- Election of the Speaker and Vice Speaker of the Assembly, and appointment of Supervision Committee members.
- To confirm appointments of high ranking public officials made by the Governor.
- To receive requests from the people, and decide on what action to take.
- To consider resolutions of No Confidence in the Governor.
- To elect 5 members to the Upper House from among the Assembly members.

Work of city, town and village Assembly

The work of city, town and village assemblies are principally same as that of the regional assembly. In addition they will receive the requests from the local people and either decide to take action or request the regional government to take action.

b) The Executive Branch

Work of Regional Governor

- Levying and collection of local taxes in uniformity with the central government.
- Submission of bills, budget compilation and execution, and reporting of budget performance with revenue and expenditure account to the assembly.
- Administration and supervision of local government officials.
- To promote agriculture, industry and commerce, tourism, reforestation, flood control, and the construction of social capital for local development.
- To work on education, public health, sanitation, social security, police and firefighting, environment, welfare etc.
- Supervision and counseling of the city, town and village, approval and execution of their requirements.

Work of city, town and village Mayors

The works of city, town and village mayors are more or less same as that of the regional governor. Besides this, they will receive requests from the local people and either make a decision or request the regional government to take action. Registration of citizens and resident foreigners are conducted by this local government.

Establishment of Commissions

For the execution of plans and policies, the regional government and city, town and villages will have various commissions as listed below.

Election Commission: Supervises all elections held in the local administrative unit.

General Affairs Commission: Plans, supervises and implements administrative work of the chief executive.

Civil Service Commission: Supervises personnel matters relating to local civil servants.

Finance Commission: Supervises preparation of the budget and collection of local taxes.

Industry and Commerce Commission: Supervises and coordinates affairs relating to local commerce, industry and agriculture.

Education Commission: Supervises educational institutions including schools.

Public Safety Commission: Supervises and runs the local police force.

Audit Commission: Audits the local government, administration and finances.

The commissions shall consist of minimum number of persons. Besides this, commissions to perform special tasks shall be organised for a limited period on the nature of their requirement.

Each of these commissions corresponds to one of the departments of the federal government and operates in its own administrative unit as an autonomous entity. As a practical matter, the federal government may assign their staff to the regional government.

The regional and local governments will function within the limits and authority set up by the central government. In fields where the whole country should be managed in a unified manner, the federal government will legislate. The federal government will have the authority to dissolve the regional government.

c) **The process to form the Regional Government**

The establishment of the Regional Government will take place by taking following steps.

First Step: The concept of the Federal and Regional Government shall be decided in the Constituent Assembly as the consensus of the people.

Second Step: The Constituent Assembly shall constitute a planning committee that will conduct detailed studies regarding various aspects required for the set-up of regional governments such as political division of the country in regions, cities, towns and villages. We think that the committee should consist of one delegate each from 75 districts, experts from related fields and a few members from the Constituent Assembly.

Third Step: The committee will submit its reports for approval to the Constituent Assembly or the government if the former ceases to exist. With this approval, the federal and regional governments are legalised and come into existence.

Fourth Step: In this stage, the election of Regional Government shall take place. The Regional Assembly shall discuss in detail and ratify the decision on the planning committee's report.

Fifth Step: The Regional Assembly shall set up an executive committee consisting of some of its members, the representatives or central and local governments and national and international experts for implementation.

NNDP would like to present the following idea for the setup of the legislative branch.

d) The Legislative (Proposed)

Speakers for all the houses and assemblies shall be elected from among the respective house members.

The Legislature	Number of Members	Selection Procedure	Number of recommendations required to stand as a candidate	Term of office
Parliament Lower House	205	Through National general elections	200	5 years
Upper House	85	35 from Regional Assembly, 40 from National general elections, 10 from King's Nomination	200	6 years (3 years overlap)
Regional Assembly	45	Local election of Regional area	100	4 years
Local Assembly				
City	21 – 31	Local election	50	4 years
Town	15 – 21	Local election	30	4 years
Village	7 – 11	Local election	20	4 years

e) The Executive

The Central Government

The Central Government will delegate administrative rights to local government as much as possible, but in order to economically pursue the goal of creating a modern nation, it will be necessary to have a strong Central Government that can assume a leadership role in dealing with nationwide problems and foreign affairs, and coordinate the actions of the local governments. The Central Government will coordinate the educational system, the social security system, the setting of safety standards, the police, various regulations and the granting of a variety of licenses, but detailed implementation will be left to the local governments.

Diplomacy, the army and the nationwide transportation and communication system should be maintained under the Central Government. It will also be responsible for financial policy and the tax system, and promotion of national projects. The Central Government should play a coordinating role to maintain the unity of the federation of regions.

Regional Government

The governor elected by popular vote will be solely responsible to run the state's affairs of the region with the formation of various executive committees. The committee members will be chosen by the governor from among the experts, intelligentsia and renowned personalities of the region.

Local Governments

The mayor of the city, and the chief of the town and village will be elected by popular vote and shall be solely responsible to run the affairs of their areas. The committees like those mentioned for the regional government can be formed for execution.

Economics

1 The present situation of Nepal's Economy

Nepal ranks among one of the poorest countries of the world in gross national product and per capita income. Nepal's current economic conditions as compared to those of other countries are as follows.

Country	Gross Domestic Product US \$ billions		Per Capita Income US \$ PPP US \$			Economic Growth Rate (%) 1975-2003 Mean
	1980	2003	1980	2003	2003	
Nepal	2	6	140	240	1,420	2.1
USA	2,770	10,950	12,980	37,870	37,562	2.0
Japan	1,063	4,300	10,430	34,180	27,967	2.4
Thailand	32	143	720	2,190	7,595	5.1
India	182	600	270	540	2,892	3.3
Sri Lanka	4	18	280	930	3,778	3.4
Bangladesh	18	52	210	400	1,770	1.9
China	188	1,417	220	1,100	5,003	8.2
Uganda	1	6	-	250	1,457	2.6

Human Development Report 2005 UNDP

Comparative chart of developed and neighboring economies

As can be seen from this table, Nepal's economy has remained at a low level throughout the last quarter of a century since the opening of the country. Caught between India and China, which have been undergoing spectacular economic growth in recent years after adopting an open market economy, Nepal cannot expect a growth in its economy without searching for a way out of its outmoded economic policies.

The fundamental reasons why there has been no economic development in Nepal are said to be lack of capital and technical know-how, poor transportation system, limited market, the country being landlocked, geographically handicapped, etc.

However, NNDP would like to stress that another vital reason is the bipolar nature of the Nepalese society. People who are involved in administration are at a high economic level, so they tend to be insensitive toward the large number of poor people and do not seriously attempt to come to grips with this problem. Even those affluent people cannot expect that either they or their descendants will enjoy the blessings of a developed society unless that society itself develops.

NNDP takes this situation seriously, and believes that we must hurry to formulate an economic policy and make the utmost effort to develop the country and improve and stabilise the peoples' lives.

NNDP also considers a democratic system that promotes maximum use of the ability of each and every citizen is the most effective means to promote economic development, which is vital to the nation. Thus, the democratisation process is indispensable in the growth of economics.

2 World's Economic Changes

It is useful to know world economic trends for reference when considering Nepal's economy. Here let us give a brief summary of the world economic changes.

Changes in capitalist economies

Capitalism started during the Industrial Revolution which took place in England during the latter half of the 18th century. Subsequently, Adam Smith of England advocated laissez - faire economics, saying that protection and interference by the nation harmed economic activity; and that "the invisible hand" of unbridled market forces would bring the greatest good for society. The unbridled economic freedom that he propounded led eventually to monopoly capitalism entering the 20th century. This in turn led to fierce competition to acquire and carve up colonies in order to acquire resources and expand markets. This is called imperialism.

After that, monopoly capitalism underwent a transition to the age of revisionist capitalism. British economist John Maynard Keynes observed the depression and unemployment that followed World War I and advocated active intervention by government in the economy rather than laissez - faire in order to achieve economic recovery and full employment.



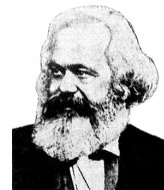
J. M. Keynes
(1883-1946)

In 1929, the Great Depression started with a massive crash of the New York Stock Exchange and lasted for 4 years, until Franklin Delano Roosevelt became president and implemented The New Deal, a bold program for recovery from the Depression. That was the start of governmental intervention through financial and monetary policy to manipulate economic activity, and marked the beginning of a mixed economy, with evolution toward a national monopoly capitalist system that preserves the capitalism.

After World War II, advanced capitalist countries promoted economic intervention by government to stabilise economic conditions, maintaining full employment, equalise income at least to some extent and bring about a welfare nation. Society has been further advanced by the development of social security systems.

Changes of socialist economies

About the time capitalist economies started to develop, Karl Marx in Germany and his friend Friedrich Engels analysed capitalism and proposed the concept of a socialist economy, leading to the "Communist Manifesto" in 1848. This theory was put into practice by Vladimir Ilyich Lenin, who led the Bolshevik Revolution in Russia in 1917, and the Soviet government was established. "Soviet" means "Council" in Russian. The Soviet regime became the Union of Soviet Socialist Republics, (USSR) in 1922.



Karl Marx
(1818-1883)

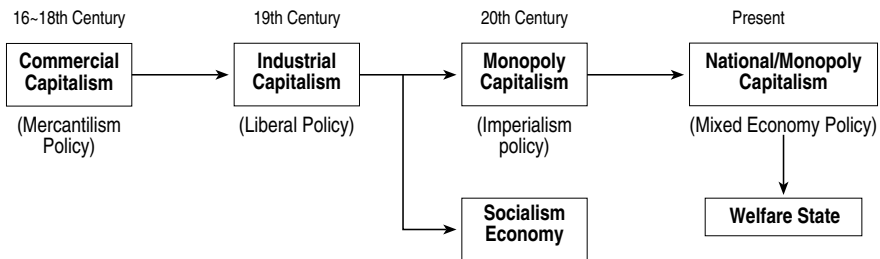
For the next 30 years, the USSR was to an extent an equal of the leading capitalist country America, and the leader of the Socialist bloc. However, its economy and political system faltered, and in 1991 the Union of Soviet Socialist Republics was dismantled. Since then, Russia and the 15 other countries which became independent of the former Soviet Union have given up their socialist economies and introduced capitalism.

Meanwhile, in China, the Peoples' Republic of China was formed in 1949 under its first leader Mao Tse-Tung. Mao, from his experience as leader of a peasants' movement, changed to a social structure of peoples' communes, made up of all of the people in a region organised into a rural production system, in 1958. However, this caused serious stagnation of the national economy. The Cultural Revolution aggravated the damage and destroyed much of China's traditional culture too. In 1975 the peoples' communes were abandoned, and in the 1980s economic reforms were pursued. Then a constitutional revision in 1993 introduced a socialist market economy.

At one time, 40% of humanity lived in the Socialist bloc. However, as the 20th century drew to a close, the Socialist economies of the Soviet Union and Eastern Europe collapsed, and were replaced by capitalist economies. Even in China, a market economy based on capitalist principles was introduced, while in India an open economic policy was adopted. As a result, both of the major countries adjoining Nepal are presently enjoying spectacular economic growth.

The Situation of the economics of the world

In a capitalist economy, it is easy for a bipolar distribution of wealth to occur leading to a number of problems unless the economy is regulated. A market economy is a world where "the rich get richer and the poor get poorer." Therefore, we must be careful about it and introduce an economic policy that will avoid the serious drawbacks of a capitalist economy. Consequently, to equalise income and stabilise economic conditions, it is essential for the government to intervene strongly and to promote full employment and a welfare state. The world is changing rapidly.



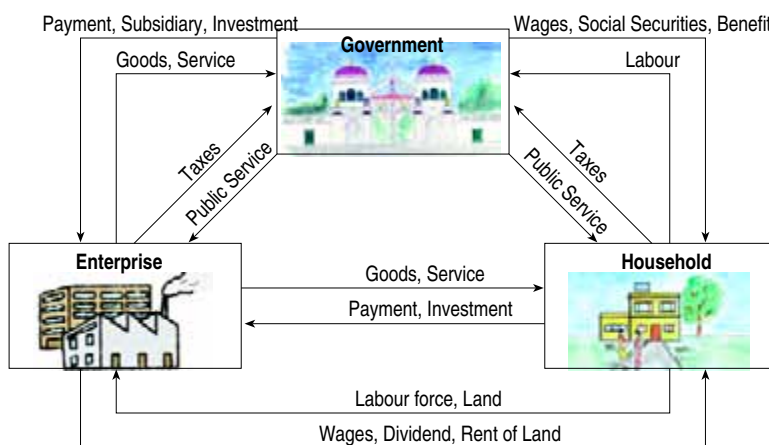
The pattern of economic changes

NNDP will make comprehensive national development a pillar of economic policy, and execute it raising the level of the economic activities by the establishment of various infrastructure and increase national production, and also aims to build a welfare state.

3 Economic Policy

Nepal, which has already had a capitalist type of economic system for the last half century, will need to continue with this with some liberalisation, but there can be no going to a socialist economy with rigid government control and a planned economy. NNDP believes that it is necessary to promote and encourage free economic activities which can bring out the power of the people.

We need to launch a revolution in popular attitudes toward economic development, while re-examining and reforming the economic mechanism which will make possible orderly economic development throughout the national economy.



The Circulation of National Economics

NNDP, for concrete economic development policy, insists on the execution of a Comprehensive National Development Project as mentioned repeatedly, to create the opportunity for employment and to construct industrial infrastructure. In the meantime, industries such as tourism, agriculture, food processing, herb cultivation and light chemical industry have to be promoted with a good deal of incentives.

While thinking about the economy of the country, we must consider from the view point of the Tarai area, not from Kathmandu. If we could arrange for improved conditions of industrial convenience and living circumstances in the Tarai, people will not need to live in Kathmandu. This is an indispensable factor for the development of the economy and the nation.

4 The Problems before the Policy

It is instructive to consider something that was said in this connection by Mr. A, who runs a small factory. Mr. A went to the Department of Industries of the government in connection with some problem in his work. He reported that the official to whom he spoke replied as follows. "That problem occurred because you do something. If you do nothing, you wouldn't have headaches." Of course what the official said is literally true, but such an attitude will not contribute to the nation's development. What is important is to change the attitude of people who think in terms of avoiding problems. And of course, an industrial development policy must be actively promoted, and implemented in a way that maintains order.

Unfortunately, in today's Nepal there is a major problem, which must be solved before various policies are implemented. For more than 10 years, a power struggle has been occurring in places that have nothing to do with the majority of the people, effectively preventing economic development. As a result, the nation has been ravaged, many people remain in poverty, and Nepal is being left out of the world's economic development. It is necessary to change the attitudes of government and its officials and of private citizens as follows:

Enlightenment of government officials

It is necessary to make government officials think of themselves as public servants. If they are intoxicated with a sense of power and authority, this must be completely changed. They must be made to think primarily not in terms of wielding authority, but of serving the people.

Enlightenment of ordinary people

All members of society must be made to act in a proud and moral manner, with the knowledge that their own economic activity contributes to the development of society. People must understand that their taxes contribute to society. They must ask what they can do for their country, not what their country can do for them.

Training of personnel who are suited to work in an international market economy

Recently, in East and South-east Asia, including China and Japan, there has been an increase in the trade of components and partially finished products, with a manufacturing network that includes assembly plants, so that national economies are becoming more and more interdependent. Nepal must train the people it will need for participation in that international manufacturing network.

Social insecurity

Economic development will be based on social security. A decade long insurgency movement in the country has deteriorated social security to the lowest level. Therefore, it is essential to restore peace in the country and to establish a well organised secure society.

Political corruption

At the present time in the world, the main reason for many people who are unable to emerge from poverty is brought on by poor politics, corruption and conflict. Therefore, we have to eliminate it from the very root level.

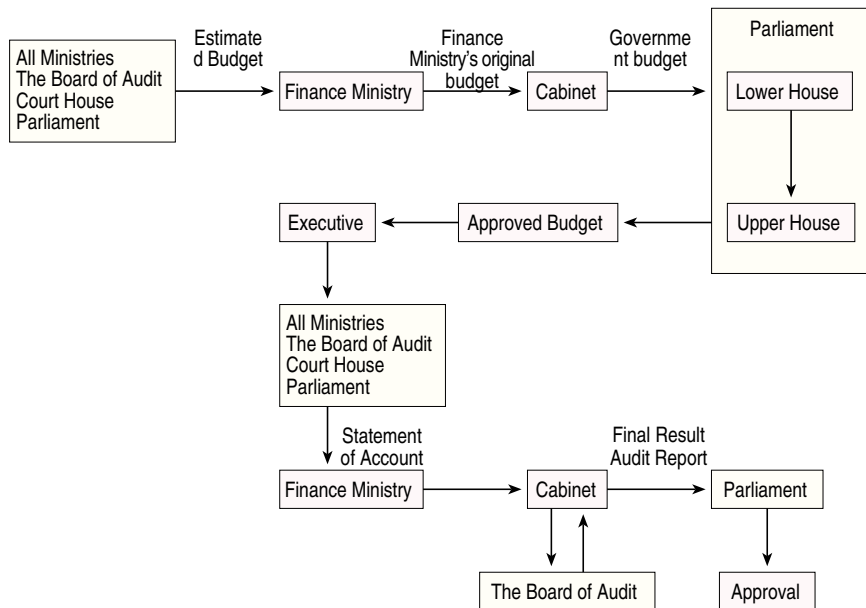
Lack of policies

There is a lack of attractive policy towards the investors who are enterprising and wish to do something in this country. Even after the establishment of multi-party government in 1991, due to insufficient economic progress, we are still behind other underdeveloped nations. Therefore, we have to formulate a liberal economic policy, simplify the bureaucratic hurdles and encourage entrepreneurs, so that domestic and international investors can be attracted.

Financial and Monetary Policy

1 Financial Policy

Public finance is the economic activity of the country in which both the national and the local governments collect taxes and employ it in public works. Financial policy, which plays an important role in regulating national economic activity and bringing about stable economic growth, can be considered the policy most basic to the national economy.



The Procedure of Budget, Approval and Execution

Functions of public finance:

Regulation of resource distribution

The national and local governments provide public finance and services. The services provided include, for example; roads, airports, water supply and sewers, construction of parks, police, firefighting, education, public sanitation and others.

Redistribution of income

In a capitalist society, income flows preferentially to the economically strong and the society tends to become unequal. The government redistributes income through such means as levying progressive taxation and invests it in social works.

Stabilisation of the economy

It is necessary for the government to have functions that will guide the economy in a way that brings about an appropriate level of economic growth while maintaining stability in the national economy. In particular, it is necessary to have functions for regulating the level of economic activity to prevent recessions and increase of unemployment. Financial policy is carried out in conjunction with monetary policy in a way that forms what is called a "Policy Mix."

2 Important points of financial reform

NNDP's basic financial policy will act positively to issue public bonds, provide needed governmental investments and financing, and introduce funds from abroad, so as to secure the needed resources and actively promote public works. We feel that there is no other way to put Nepal's economy on its feet and promote national development without these positive efforts. To support the need for a constructive public finance policy, we have compiled the "Vision of Tourism and National Development Plan in Nepal" as one element of the NNDP platform.

Public finance system

We plan to provide the people with easy - to - understand explanations of the budget system including the general account and special account, enactment of the budget, and settlement of accounts. Regarding the public finance system, we are for the setting up of consultative body to look at the fiscal year and consider whether the present public calendar and fiscal year are suitable.

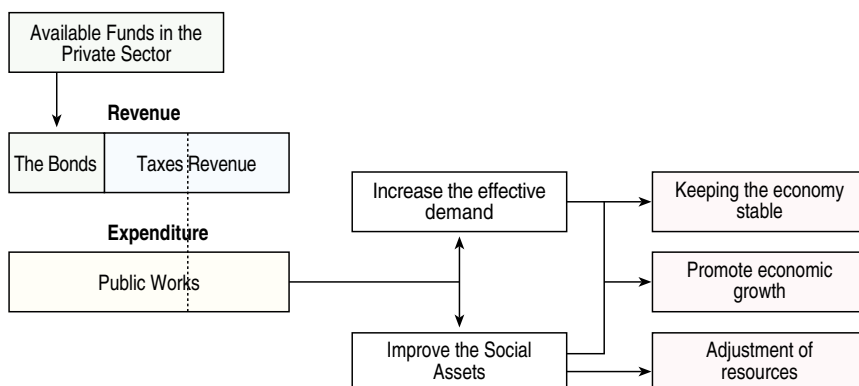
The taxation system

Types of taxes are: direct and indirect taxes, such as income tax, property tax, consumption tax, distribution tax, inheritance tax and others, each of which will be divided into the national tax and local taxes. The property tax will be thoroughly reviewed, and it will be strictly executed.

The high ratio of progressive and inheritance taxation shall be applied. For example in Japan, inheritance tax consumes all property in three generations if there is no other source to pay it. We understand that taxation is the base of national economy and reforms will also be needed.

Issuance of public bonds

The government will effectively use whatever funds are available in the private sector, issue public bonds to promote economic growth, and invest in public works. In this case, attention will be paid to the danger of inflation.



The Function of Bonds

Financial policy:

The national economy is greatly affected by financial policy. However, under the present situation in Nepal, the economy is still in primitive conditions for Fiscal Policy and Built-in-Stabiliser to work effectively. Therefore, we expect that such policies would be applied in the near future.

NNDP thinks that public works, which is one function of the fiscal policy, will have to be promoted strongly to increase the gross demand of the country.

3 Monetary Policy

a) Functions of the central bank and the methods applied to monetary policy

In Nepal, the Nepal Rashtra Bank plays a central role in monetary policy as the central bank. The central bank has the following three principal functions.

- (a) Issuance of currency and its stable supply
- (b) Banking for the public and private banks
- (c) Serving as the bank for government transactions, receiving taxes, making government payments, supervising foreign exchange, granting permits, etc,

Among these functions, the important function of the central bank is monetary, including providing a stable supply of and stabilising the value of currency. For the stability of society and for economic growth, the bank takes the following three monetary policy measures to stabilise the value of currency.

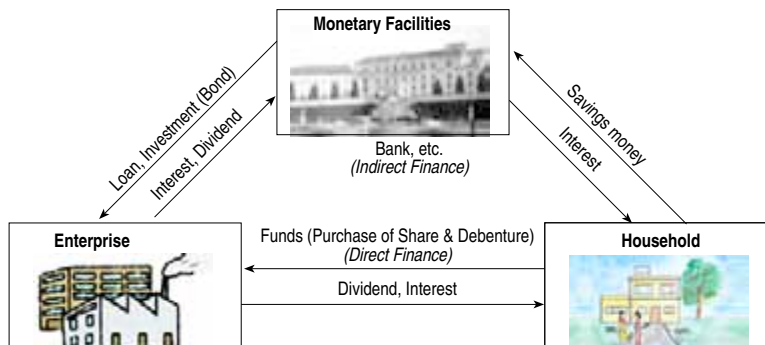
Prime rate policy: Interest policy to guide market interest in a desirable direction.

Open market manipulation: Regulate the amount of private capital by selling operations and buying operations, aiming at stable currency value and economic growth.

Payment reserve requirement operation: Tightens and loosens money, aiming at healthy economic growth.

b) Reform of monetary policy

In conducting this kind of policy, it is essential that the country's economy should be independent. A monetary policy that matches the country's economic circumstances must be followed. Under present condition of heavy trade deficit, if there were no substantial inflow of money through manpower engagement in foreign countries, there would have been little choice but to follow a high interest policy, devalue the currency and continue operations based on tightening money.



Financial Market System

In today's age of globalisation, in which free market economies are spreading throughout the world and there is a need to consider following a basic policy that promotes money market liberalisation, sooner or later it will become indispensable to promote monetary liberalisation. Specifically, this implies that in the future there will be a limit to how long the Nepali Rupee can remain pegged to the Indian Rupee at a fixed rate. That stage has not yet been reached, but it can be anticipated that when pegging to the Indian Rupee at a fixed rate is abandoned, initially at least, Nepal will face serious difficulties. However, we believe that in the end the result will be to promote healthy economic activity in both countries.

NNDP has been watching the situation, and is investigating the possibility of changing over to a floating currency exchange rate at an appropriate time. Meanwhile, we should encourage savings, determine suitable interest rates, promote the smooth flow of funds and follow a monetary liberalisation policy toward other countries. Furthermore, we should start to consider monetary internationalisation.

Education

1 Fundamental concept

Education is the backbone of the nation and is an indispensable condition for the development of a healthy society. It is essential to establish a well organised educational system for making the Nation's Framework. Therefore, NNDP holds the following principles.

- All people should be given equal opportunities for education
- The number of Public schools should be spread all over the country with their standards uplifted
- School education should not be conducted for practical and economic purposes alone; it should aim at fostering decent, responsible citizens with sound public morals and love towards the country

In order to implement these policies the government must accumulate and allocate adequate resources for education. At the same time it should also seek participation of parents by setting up communities to run the public schools with the inclusion of intelligentsia and resourceful persons.

Our approach is to thoroughly review and highlight the existing system of education in Nepal and introduce new concepts and reform the education system accordingly.

2 NNDP's thoughts on Basic Education

Policies for School Education

- o The people of Nepal need to be made aware of and should feel pride in their status as citizens of this country. For this reason, elementary education should include a thorough grounding in the Nepali language, which as Mahatma Gandhi once said "a real knowledge is possible only in the mother language" is most necessary.
- o Develop Nepali language, by promoting research and creating new vocabulary. Through the study of classical literature and poetry, we can introduce a superior level of language into school education and spread it throughout the society. Competitions shall be held among various schools and colleges regarding the promotion of the Nepali language.
- o We should develop guidelines, which emphasize the acquisition of basic knowledge of science and technology. The education system should include systematic coverage of mathematics and science (physics, chemistry, biology) in elementary and middle school education.
- o Nepalese history, classic cultures to be made compulsory subjects in the school level.
- o Mathematics, physics, chemistry and biology to be introduced from school level with gradual advanced studies in the higher level.
- o Emphasis should be given for practical education in the middle school level, which shall include learning of drawing and manual arts, and physical education. In addition, annual presentations by each school should be given on a nationwide scale.
- o Education that prepares students to think on their own and understand the subject rather than memorise everything.
- o Moral education to be given priority by all the educational entities at all levels and should teach students to become responsible citizens.
- o Sports education to be introduced and various sporting activities and competitions to be organised at the district, state and country level.

These type of education can finally uplift the soceity and the nation.

Education System

The main points of the education system NNDP proposes are as follows:

- o Education at primary and middle level should be made compulsory.
- o Public and private schools should co-exist for all levels of education.
- o Academic level of both public and private schools and colleges should be standardised nationwide.
- o Students from low income family, deprived classes and intelligent should be provided with scholarship for education upto appropriate level.
- o Public schools should be co-educational while the choice is left to each private school.

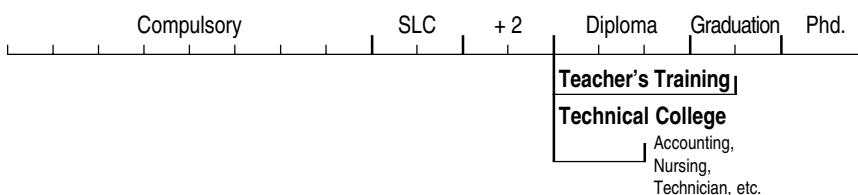
Schools and colleges in each village, town, district and region

- o There should be atleast one public school in each town or village.
- o Each district should have +2 schools, teacher's training colleges, technical colleges and colleges of all streams.
- o Each region should have one national university including medical.
- o Local and regional boards of education should be organised to supervise smooth running of public schools.

Review the system of education (classification of study levels as shown below) after discussion among the people and by setting up consultative committees.

We will follow the present system of education, but education at teachers' training colleges and technical colleges should be encouraged so that middle level manpower may be produced.

The following chart shows school years and level of study.



Proposed educational system focusing on teacher's training and technical college

The Education Ministry will determine policy and supervise its implementation.

Foreign Relations

In today's world, in international society, given the way in which countries are becoming more tightly bound to one another, it is impossible for one country to exist in isolation. In particular, Nepal, which is an under developed country, cannot ignore relations with countries which have given financial support such as India, China, European countries, the United States and Japan. Therefore, Nepal must have excellent diplomatic relations with all these countries with priority to neighboring countries and the developed nations of the world.

Balanced relations with India and China should be maintained and the non-aligned principal to be strictly followed while maintaining relations with the super powers. Nepal being a democratic country should foster good relationships with all the democratic countries of the world. In addition, Nepal should not maintain an army that is larger than needed for maintaining domestic order.

Foreign Aid

The democratisation of Nepalese politics will be an indispensable process to secure aid from foreign governments and international organisations. In seeking assistance, it will be necessary to present a clear national policy for development and follow a policy that has a long-term perspective.

We can get aid from foreign governments and international agencies by explaining the current situation prevailing in the country to the international community. Foreign aid for development projects should be based and accepted along with the long-term basic national development plan. Therefore, we have to plan and make all kinds of basic national development schemes by ourselves on the basis of our requirement which can be a model for the country's development, but not oriented by the donors. The donors will monitor and evaluate the projects. For this purpose our Nepali technical and administrative management have the capacity to take charge of such projects.

Social Security and Welfare

NNDP aims to create a social security system, which will provide all citizens protection and health services. As a basic national policy of NNDP we steadily aim to build social security and a welfare system, which covers all of the people. NNDP will start a detailed study of the viability of social security and national health care system. We will do whatever is possible for a suitable social security and welfare system, by working for the continuation and improvement of the existing system.

Under the current economic and social conditions of Nepal, it would be difficult to put all these systems into practice immediately because of problems such as the inadequacy of national finances. First of all, we need to formulate a long-term plan from the point of view of the entire social security system. We will start the preparations to implement an insurance system, which is outlined as follows.

1 Health Insurance

NNDP proposes to have full discussion about the natural health insurance plan. In the initial phase the insured individual will have to bear a large share of the burden of medical expenses but in the future, the amount will gradually decrease. For medical expenses the beneficiary's burden shall be as follows:

Beneficiary	First stage	Next stage
The Insured	30%	20%
Insured Family	50%	30%

The national treasury will subsidise about 20% of the expenses.

For this purpose, associations to be formed will be based location wise, the group of business offices, profession or sector wise, so that certain groups of people can fall in one umbrella for reciprocal supervision and it creates an atmosphere for cross checking among the beneficiaries.

Physical Doctor Required

We will attempt to secure one physician for every 2000 people. The present ratio of physician/patient is:

Nepal 1 = 5,000
Developed Nations 1 = 400

One general hospital in each region has to be maintained.

Public Health

Hygeinic surroundings is most effective prevention for all kind of disease. For this, supply of clean drinking water, sewage management, health education, etc. shall be encouraged.

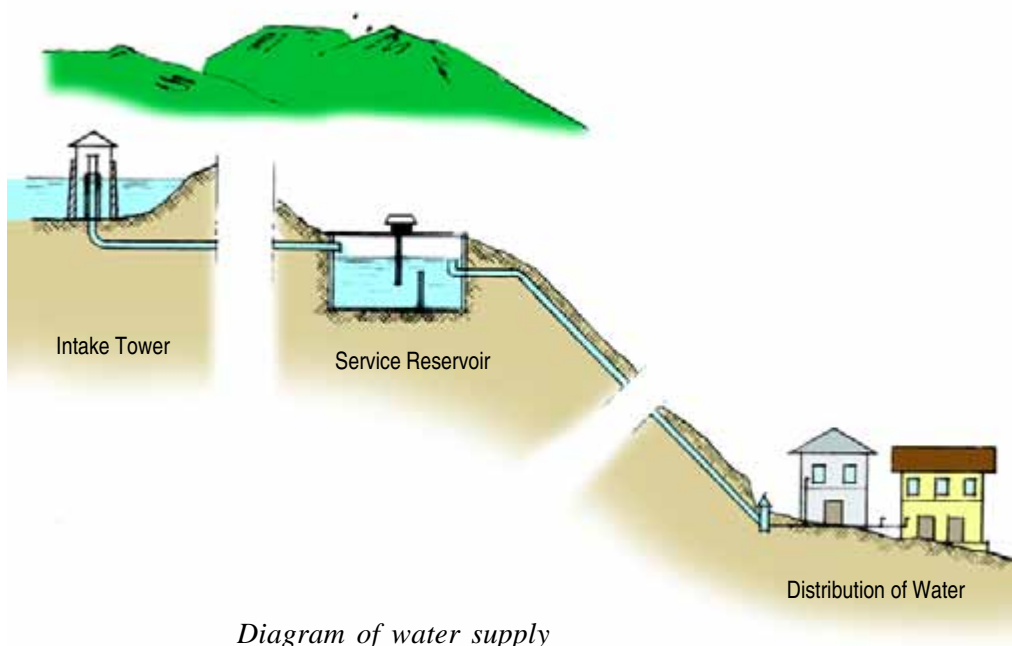


Diagram of water supply

2 Social Security

For employees a social security fund will be created with equal contribution (say 10% of the salary) from the employer as well as the employees and some subsidies from the government. A combination of individual contribution and mandatory payment is used. There will be both a national pension plan, to which all of the people belong, and private pension plans for employees.

NNDP will continue the current old age pension scheme and will raise the pension amount contributed by the employer, beneficiary and the government to make it a system similar to that of medical insurance. The old age pension can gradually grow, as more contribution flows in from the new generation and pensions will be paid in graduated amounts starting at age 65. A uniform system of old age benefit will be promoted in place of the existing pension and gratuity system with the introduction of beneficiary's contribution system.

In the beginning, the treasury will contribute some amount, as there is no existing fund for this and no system of contribution. Unemployment insurance and disaster insurance will also be introduced in due course.

3 Social Welfare and Public Assistance

A welfare program will be introduced at the national level to enable people who cannot carry out the activities of daily life under the same conditions as fully normal people because of a physical disability. People who might be assisted by a welfare program include, for example, physically or mentally handicapped or disturbed people, young children and senior citizens.

We propose the Life Protection Law, and provide people who have been forced into difficult circumstances with assistance in living expenses, education, medical care and burial. The standard amount of assistance paid will be 60% of the lowest income group of a worker's family. Our present thinking is that this program would be financed both from general taxes and a special social security tax.

We would also set up special schools to educate people with serious physical disabilities and mental disturbances. Since it would be difficult for the welfare program to provide all of this immediately, we would also use and assist the existing volunteer programs conducted by NGOs and regional groups, and gradually change over to full-fledged government programs.

Improvement of the Labour Situation

In the age of feudal societies, human rights of labourers were not legally protected. When modern capitalistic societies were formed, the relations between employer and employees changed from being based on direct personal relations to being based on law, but in the initial phase of capitalism, workers were forced to do harsh labour, sometimes leading to tragic results.

Against the background of this history, problems occurred between employer and labour, leading to the growth of a labour movement to protect the human rights of workers. As a result, labour laws were enacted, so that workers came to enjoy legal protection. The purpose of labour laws is to protect employees, who are in a weak position with respect to employers.

1 Labour problems in Nepal

In Nepal, which has a high rate of unemployment (47% in 2001, according to CIA statistics), and since there are no other employment opportunities, enterprises are able to obtain enough workers even though wages are low and conditions are poor. For avoiding this condition the improvement of the economy and expansion of employment opportunities are important tasks and is an indispensable element of the practical solution of the problem.

However, the employers are also facing a difficult situation due to the deteriorating economic condition of the country. Therefore, it is not possible for the employers to meet all the demands of labour. There should be some considerations for the employer in the labour law, which will give their enterprise security. There has to be a balance between employees' rights and employers' benefits. Without this security, one cannot expect investment to flow in.

In advanced countries, a labour environment where workers are forced to work under poor conditions and have to fear for their livelihoods, it is hard to obtain workers. The employer has moral obligations to see that the working conditions are good. The law can set minimum standards, but the rest depends on the moral values of the employer.

NNDP recognises 3 basic labour rights:

Right to organise; right to negotiate and the right to go on strike. However, it strongly advocates a balanced law, which does justice to both the employer and the employees and which can attract foreign investors to Nepal. A balanced approach needs to be taken for a fair and favorable condition for both the employer and the employee. As there is a large number of unemployed labour force in the society, just for meeting the demands of employed people only would create a bigger economic gap between the employed and the unemployed. This circumstance also should be considered. Gender inequality among the workers shall also be reformed.

2 Review of Labour Laws

NNDP, while observing the "three rights of labour", proposes to guarantee the right to union activity while regulating labour disputes; unions will have to organise in an Open Shop system. However, prohibition of inappropriate activities by employees will be formalised in the law. Their destructive deeds shall be dealt with in a lawful manner.

An arbitration law will be enacted to deal with situations in which a labour dispute erupts and intervention becomes necessary; an arbitrator will examine the industry's financial situation and reach a decision that will permit the industry to survive.

The "three rights of labour" of public servants and employees of public enterprises will be restricted as follows:

Category	Right to organise	Right to organise collectively	Right to Strike
Public enterprises	O	O	O
Public servants	O	△	X
Army, police, etc.	O	X	X

Conclusion

Now is the time, we, the people of Nepal must become aware ourselves and concentrate all our efforts for building our nation. We believe that if Nepali people are unified in their hearts and minds as one, we can achieve our goal of building the most attractive and prosperous country with abundant natural beauty in the world within 20 years.

We shall never forget the dream of such a prospective future.

