

Talking points for Hon. Finance Minister on Local Donor's Meeting March 2, 2009

Excellencies,
Heads and Representatives of Development Partners,
Colleagues, Ladies and Gentlemen!

- I am happy to be here today talking to you again in a much shorter span of a month. I am pleased to note that such meetings will now be held more regularly, at least twice a month as agreed, so that we discuss the same agenda and issues together, because we all belong to the same mission of what we call Building New Nepal. We all know that achieving this mission will only be possible by achieving sustained peace and development.
- The agenda we undertook today for presentation was immensely important. We are approaching closer to holding NDF slated for May, the dates for which, i.e. from 12 to 14, have just been confirmed by the Cabinet. As you know, the stakeholder consultations leading to the main event will be held in April, and we really need to work hard together to make these events really productive. It was in that context that we presented today a brief outline of the NDSP, which told us what development roadmap the country would take in the next three years of the current transition period. We would welcome your views on the Paper before the draft gets final and presented to NDF. Meanwhile, we take your support to the Paper granted in principle and move ahead with organizing the event as decided.
- Let me now take up some other issues discussed today. As Secretary Khanal has just explained in detail, speaking overall, the government's macro – economic situation is sound. Most of the indicators are satisfactory. To our great relief, revenue is hitting its target successfully. Fiscal deficit is at appropriate level. External assistance is also coming as committed. Remittances are still dominant for forex reserves. However, the capital spending is not

happening as per our expectation. We hope it will pick up in the later months of this Fiscal Year. As you know, efforts are actively underway to establish local mechanisms to expedite local spending.

- A few things now on Nepal's Foreign Aid Policy. We are of the opinion that Nepal would need external development assistance in many ways and forms rather than just receive ODA as grant and loan. In particular, we need trade and investment besides and along with Aid. Having said that, however, we will not take aid indiscriminately and at the terms of donors alone. Since you are our development partners rather than donors' in the strict, conventional sense of the term, you will help us fund the needs and priorities that we define. But for this, you will say, we need to develop our capacities, improve our systems, strengthen our institutions and enhance our implementation ability. We agree with your concerns, and ask you to support us to create an enabling environment to that end. But you should also realize our constraints and acknowledge the transition realities. In this context, If I may, we would like you to adopt a kind of "transition-sensitive" approach to Nepal's special development needs and circumstances rather than take a standard, normally applicable approach. By saying this, however, I am not letting any excuses prevail upon the best practices of governance including accountability, transparency and rule of law. We will continue to have "zero tolerance" against corruption of all kinds and in all manifestations.
- Speaking of capacity, apart from tapping external knowledge resources, we need to groom and develop it locally, through utilizing our existing government mechanism and the system, say cooperatives and public-private sector partnership, rather than through always depending on outside expertise, in order for lowering the cost and increasing the sustainability of development. Equally important is to avoid duplication, overlapping and fragmentation of aid especially at the grassroots level. We also need to think how to create a momentum where a national movement for development emerges to reach out every corner of the districts and regions based

on the success stories of the tested programs and projects. External aid should focus high-return and medium to bigger-sized projects. I think we need to discuss more to lead to this direction while finalizing the new foreign aid policy and the action plan.

- You have heard Planning Vice Chairman Dr Sharma highlight the *work-in-progress* National Development Strategy Paper or NDSP. Government will come up with realistically set out clear priority focusing on higher growth and employment and modality of the development for coming three years or until we have a new development plan after the new constitution. This Draft will be shared with major political parties. The NDF will be the forum where we share this draft with high level delegates.
- National Development Forum's date is announced now. We want to use this forum to stress our focus on peace and development. We strongly think that "No Peace, No Development; No Development, No Peace". And equally important, democracy reinforces the linkage between both of these elements, by securing political consensus, ensuring popular legitimacy and accountability and making the governance systems and institutions credible. So Peace, Democracy and Development are inseparable in sequence. In that way, PDD is our motto. We will be highlighting this during NDF, and therefore, need all your support to make this forum a great success.
- Needless to say, scaling up resources from your part is always important for us especially at this critical juncture of Nepal's history. We are also equally focusing on generating domestic resources and trying our best to create environment for utilizing both domestic and external private resources. We know this will demand greater and more conducive investment climate, and we will spare no efforts to that end. As our colleagues from the Home Ministry have just presented, we are constantly working to improve the law and order situation in the country.

- Finally, we are thinking to submit the next year's budget to the Parliament a bit earlier than previous years, sometime in end-May or early-June, so that more time is available for its implementation. Secretary Khanal has already highlighted on this. We will certainly let you know as we move forward.

Thank you!