



Development Cooperation Report Fiscal Year 2015/16 Unveiled

Hon. Deputy PM and Finance Minister Krishna Bahadur Mahara unveiled Development Cooperation Report 2015/16 on 16 April 2017 amidst a function organized at the Ministry of Finance. Hon. Minister Mahara briefly highlighted the key findings of the Report.

According to the Report, ODA disbursement has increased by 5.22 percent in FY 2015/16 compared to the previous Fiscal Year. While the total disbursement was US\$ 1020.75 million in FY 2014/15, it reached to US\$ 1074.06 million in FY 2015/16. Similarly, US\$ 533.19 million grant was disbursed in FY 2015/16, the disbursement of loan was US\$ 374.75 million and US\$ 166.11 million TA was disbursed. Out of total disbursement in FY 2015/16, multilateral DPs contributed US\$ 625.18 (58%) and bilateral DPs contributed US\$ 448.87 million (42%).

Among the multilateral DPs, WB Group stood at the top with the disbursement of US\$ 243.69 followed by ADB (US\$



From Left: Hon. Deputy PM and Finance Minister Mr. Mahara, Finance Secretary Dr. Subedi, Secretary (Revenue) Mr. Khanal and IECCD Joint Secretary Mr. Aryal

217.68 million), the UN Country Team, the EU and IFAD. The USAID disbursed highest among bilateral DPs (US\$ 118.93 million) followed by the DFID (US\$ 89.47 million), Japan, Switzerland and India. The top 10 DPs contributed 87.6 percent in total disbursement. While the top 5 multilateral DPs disbursed 57.1 percent of total disbursement, the top 5 bilateral DPs disbursed 30.5 percent.

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Nepal Participated in the World Bank Spring Meeting 2017



Nepali delegation led by Mr. Baikuntha Aryal Joint Secretary, IECCD, MOF participated the World Bank Spring Meeting 2017 held in Washington DC from 20-24 April 2017. He represented Nepal in the

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Ministry of Finance

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Message from the Chief Editor



International Development Cooperation has been one of the major sources of funding for socio-economic development of Nepal. The role of international cooperation will be increased for post-earthquake reconstruction activities and for achieving the SDGs. While more resource is required for the overall development of the country, the efficient system to track the expenditure is also very important. The tracking does not limit to the expenditure side, but also to the overall data management with sufficient level of transparency and accountability. In a bid to maintain such efficiency, Nepal established on-line database system, popularly known as Aid Management Platform (AMP) in the Ministry of Finance (MoF) in 2010. Through a combination of process analysis, training, and technical assistance, Nepal is engaged not only in managing aid data through Aid Management Information System but also making efforts to use those data for policy decisions. In this context, MoF has been regularly publishing Development Cooperation Report for the last six years and the latest Report covering the period of July 16, 2015 to July 15, 2016 was published recently. It has brought all development aid information into one place, providing a comprehensive analysis of the use and trend of development assistance mobilized in the country. This is an attempt of the Government of Nepal to increase the transparency in aid operation in the country helping to hold both the Government and the DPs accountable for better use of development cooperation.

In order to maintain international standard, accuracy and data quality, we have been effortful in making our information system robust and user-friendly. Development Cooperation Policy 2014 has clearly spelt out the responsibility of DPs to report aid information into the information management system established in the MoF. According to our current practice in place, desk officers of International Economic Cooperation Coordination Division (IECCD) should report information of on-budget projects in AMP. Validation should be done by respective Under Secretaries of the IECCD. Similarly, all DPs should report their off-budget project information in the AMP and disbursement information should be reported for both on and off-budget projects. In line with the data management plan shared to the Development Partners' (DPs) AMP Focal Points, they have to report disbursement figures in the information system three times a year (July, November and March). MoF also regularly communicates with the Development Partners' (DPs) AMP Focal Points for verification and updates of information they feed into the system. They are also being supported by our IT team whenever requested. Despite sufficient time allowed for updating the disbursement figures, it has not been possible to publish the Report before December after the completion of Nepali fiscal year in July.

We understand that publication and dissemination of timely data contains immense value. However, we have not been able to publish the Report on time despite our rigorous efforts. In this context, I am open to say that the delay in reporting has still remained a challenge in our process of Report preparation. Delay in reporting may also cause under-reporting and incompleteness of data. If the DPS AMP Focal Points comply with the reporting of aid information on scheduled timing, it would not be difficult to publish the Development Cooperation Report immediately after the completion of Nepali fiscal year. We are committed to publish the next Report no later than December 2017 in order to maintain the value of timely data. I am hopeful that all DPs will extend their cooperation in supporting our goal.

Finally, I would like to thank all development partners including AMP focal points for strengthening our partnership in our data management task.

Thank you!

World Bank Agreed to Provide Loan Assistance

The International Development Association (IDA) of the World Bank Group has agreed to provide US \$ 100 million Loan Assistance equivalent to NRs 10.70 billion for the Financial Sector Stability Development Policy Credit III. An agreement to this effect was signed and exchanged at the Ministry of Finance.

The objective of the assistance is to help step up Nepal's medium term reform program for the stability of financial sector, reduce the vulnerability of the banking system and increase its transparency. This is the third series of such development credit facility from the World Bank. Proposed credit will support four main policy areas: (i) enhancing financial sector development; (ii) restructuring and consolidating the financial system; (iii) strengthening the legal and regulatory framework and (iv) enhancing the governance and transparency of the banking sector. This assistance will be in the form of budgetary support and received in the national treasury in a single tranche and government could use the assistance in accordance to its needs and priority areas.

The Government of Nepal has been receiving such budgetary support from the World Bank through Development Policy Credit (DPC) window to implement policy reform in the financial sector which is critical to



From Right: Finance Secretary Dr. Subedi, World Bank Country Director Mr. Fan

enhance economic growth and for sound financial governance. Nepal has already used such credit facility as the first and second phases; the first credit in June 2013 and the second credit in June 2015.

Dr. Shanta Raj Subedi, Secretary, Ministry of Finance and Mr. Qumiao Fan, Country Director to Nepal of the World Bank Group signed the agreement on behalf of the Government of Nepal and the Bank, respectively.

Agreement with the World Bank

The World Bank has agreed to provide a total Loan Assistance of US\$ 150 million (equivalent to NRs. 15.93 billion) to the Government of Nepal for the implementation of Health Sector Management Reform Program-for-Results (PforR).

Basically, this program has three result areas. i) improved public procurement supporting the recipient's plan for

strengthening procurement and supply chain management. ii) improved financial management, strengthening of the MoH's capacity to manage public financial management cycle of planning, budgeting,

expenditure execution and monitoring through linking all spending units in the MoH with an online expenditure tracking and management system, and through improving the expenditure reporting and response to the annual audit report within the MoH. iii) improved

reporting and information sharing for enhanced accountability and transparency.

These result areas are defined

by 11 Disbursement Linked Indicators (DLIs). The implementation progress on each DLI will be evaluated and verified by the third party for the reimbursement of fund to the government treasury. Under **Contd P6**



A Glimpse of Signing Ceremony

Memorandum of Understanding Signed with the United Kingdom

The Government of Nepal (GoN) and the Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID), have agreed to sign a Memorandum of Understanding (MoU) that affirms a long-term 50 year development partnership between the GoN and the Government of UK. This MoU provides a transparent and mutual accountability framework between the two Governments on development assistance and covers commitments on Official Development Assistance (ODA) to be provided by the UK through DFID to Nepal.

This MoU is an agreement of the strategic objectives of the GoN and the UK-DFID Nepal and the programme areas that DFID Nepal will work in support of the GoN

between the period of 2016 and 2020. It further defines the processes for regular dialogue for review of the commitments made by each of the partners and the delivery of the DFID programme portfolio.

The objectives of this MoU are to agree the overarching objectives of the UK Government acting through the DFID-Nepal to support GoN's development objectives to reduce poverty in Nepal and to support GoN's aim to graduate to the Middle Income Country by 2030.



A Glimpse of MoU Signing Program

The MoU was signed by Mr. Baikuntha Aryal, Joint Secretary, Ministry of Finance and Dr. Gail Marzetti, Head, UK's Department for International Development (DFID-Nepal).

Negotiation Management Training

Effective Development Financing and Coordination Project (EDFC) under the Ministry of Finance organized a customized training for 12 middle level managers from different government entities including the Ministry of Law and Parliamentary Affairs, FCGO, Office of Prime Minister and Council of Ministers and Ministry of Finance (IECCD) who have to be involved in negotiation process directly or indirectly. The training programme was conducted during March 20-24, 2017 at Asian Institute for Technology (AIT), Bangkok. The training was funded by UNDP and DFID.

The major objective of this training was to enhance the capacity of Project Managers by teaching them to be effective Negotiators in implementing the project successfully.

The trainers were comprised of lawyers, professionals, instructors, psychologists, professors as resource persons who conducted sessions on different aspects such as; negotiation and its importance, characteristics of good negotiations, choosing the right negotiation strategies, effective implementation of chosen strategy, challenges in conducting actual negotiation and how

to overcome it, best practices of negotiation etc. After completion of the training, the participants expressed their satisfaction on the content and module of the training.



Participants of Negotiation Management Training

They also advised to the management about their future expectation on such type of training in the near future with wider level of participants from SAARC and ASEAN countries that would help them share their knowledge and experience among and between them.

Japan ODA Loan Portfolio Review Meeting

Ministry of Finance (MoF) organized a “Japanese ODA Loan Portfolio Review Meeting” on April 13, 2017 at Subarna Hall. Representatives from JICA, line ministries, project offices and International Economic Cooperation Coordination Division (IECCD) were present at the meeting that was co-chaired by Mr. Baikuntha Aryal, Joint Secretary, IECCD, MoF and Mr. Jun Sakuma, Chief Representative of JICA Nepal. Project-specific issues were discussed rigorously and possible solutions were agreed to overcome from such

issues.

After the completion of meeting, a policy matrix was prepared by accommodating all project-specific issues and time-bound action plan to mitigate such problems. The meeting also agreed to have such portfolio review meeting in bi-annual basis. In summary, meeting was enormously helpful in ensuring a smooth implementation of Japanese ODA loan-funded projects.

Wider Consultation on Preparation of Glacier Lake Outburst Flood

Ministry of Finance (MOF), facilitated a wider consultation with the key stakeholders in view of the preparation of the proposal on ‘Addressing Climate Risks in Nepal’s Mountains from Glacier Lake Outburst Floods, Flash Floods and Landslide Hazards’ for submission to the Green Climate Fund on 10 April 2017. During the consultation, Ms. Ketu Chachibaia of the Bangkok Regional Hub for UNDP shared that the

proposal will be prepared taking into consideration the lessons learned from past climate risk projects in Nepal and consultations with key stakeholders. The consultation meeting was chaired by the Joint Secretary of the IECCD, Mr. Baikuntha Aryal. The participants were representatives from the Ministry of Population and Environment (MoPE), Ministry of Forests and Soil Conservation, Department of Hydrology [Contd P6](#)

Nepal Participated

capacity of the Governor of the Bank since Finance Minister, who is the Governor in the Bank, couldn’t attend the Meeting. Likewise, Mr. Chiranjibi Nepal, Governor, Nepal Rastra Bank participated the World Bank Meeting in the capacity of Governor of IMF and Mr. Aryal as the Alternate Governor of IMF. Other Members of the delegation included Mr. Nara Bahadur Thapa, Executive Director, NRB and Mr. Lal Bahadur Khatri, Under Secretary, MOF.

The Joint Meeting of WB and IMF for Nepal’s constituency was held on 20 April 2017. The Meeting was chaired by Mr. Andin Hadiyanto, Executive Director of WB. Speaking in the Joint Meeting Mr. Aryal briefed the international community that Nepal is recording positive signs of economic recovery with growth rate of 6% in 2016/17 after being hit by the devastating earthquake and trade obstructions last year. He thanked the Bank for its continued support extended to Nepal in the time of crisis and for doubling assistance to Nepal under IDA-18. He further expected that WB cooperation will be continued and increased as per Nepal’s priorities in the days to come.

The Chair congratulated Nepal for its increased

growth rate and wished for its sustainability. He further assured that Nepal will get increased support under IDA-18.

In Addition to Joint Meeting of the WB and IMF, Nepalese delegation participated in various sideline meetings with WB ED Mr. Andin Hadiyanto, VP Ms. Annette Dixon and Country Director of Nepal Bangladesh and Bhutan Qimiao Fan as well as a Bilateral Meeting with EIB Vice-President Mr. Andrew McDowell’s. Nepal delegation also participated in other regular meetings such as V20 Ministerial Dialogue, 1st High Level V20 Dialogue with G20, The World Bank’s Reimbursable Advisory Services, Climate Action Peer Exchange (CAPE) Partnership Meeting, Discussion on WB regional Report on Reforming Asia, High Level Discussion on She Decides Movement, Development Committee Meeting and GPDC Meeting among others.

The WB Spring Meeting 2017 provided Nepal a good opportunity to update the global community on Nepal’s current situation and has sent a good message to them on its positive development in socio-economic and political aspects.

Foreign Aid Commitment

As of April 2017 of the current FY 2016/17, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 222.74 billion (Rs. 45.61 billion as grant and Rs. 177.13 billion as loan) for the implementation of various development projects/programs. In the same period of previous fiscal year, the total commitment received by the GoN from various DPs had reached the total of Rs. 195.28 billion (Rs. 78.89 billion as grant and Rs. 116.39 billion as loan).



Agreement with....

this program, the disbursement of funding is linked with result indicators to be met on stipulated time.

This program is designed so as to meet the reform areas mentioned in the Nepal Health Sector Strategy (FY 2015/2020) which aims to provide access to basic health services and achieve universal health coverage. MoH is the executing agency of this program.

Wider Consultation

and Meteorology, Department of Soil Conservation and Watershed Management along with technical experts on climate change, academicians and non government organizations. MOF is the National Designated Authority for the Green Climate Fund.

Development

The energy sector improved significantly in disbursement surpassing Health sector, the topper of last year. Central Development Region continued to receive the largest amount of ODA disbursement. On the other hand, commitment against the pledging made for post earthquake reconstruction is progressing. Of the pledging made by various development partners for reconstruction (US\$ 4.1 billion), agreement of about 66% (US\$ 2.71 billion) was concluded between the Government and various development partners until the end of 2016. Of the total ODA disbursed, about 63% of foreign aid (US\$ 678.65 million) was disbursed through on budget projects and 37% (US\$ 395.41 million) through off-budget projects in FY 2015-16.

Similarly, the volume of aid disbursement from INGOs core funding has increased from US\$ 116.89 million in FY 2014-15 to US\$ 168.39 million in FY 2015-16. The overall contribution made through INGOs has been encouraging over the years.

Consultation Meeting Held on Proposed NDA Governance Structure

GCF Readiness Programme organized a sharing and consultation meeting among senior officials of International Economic Cooperation Coordination Division (IECCD) on proposed NDA Governance Structure and GCF Toolkit On 26 March 2017 at the Ministry of Finance.

The meeting was chaired by Mr. Lal Bahadur Khatri, Under Secretary and National Project Director of the Readiness Programme. The proposal recommends the formation of three mechanisms i.e. Climate Finance Steering Committee, Climate Finance Unit and Technical Committee to support GCF processes and larger climate finance activities. The proposed governance structure was prepared on the basis of the need assessment of the IECCD held in 2016 to ensure effective and efficient functioning of the division as the NDA.