

**Address by Nepal's Finance Minister Dr Ram Sharan Mahat
at the 41st Annual Meeting of the Board of Governors of ADB
Madrid, May 2008**

Mr. Chairman,
President Kuroda,
Excellencies,
Ladies and Gentlemen!

I feel honored to address ADB's 41st Annual Meeting today as Nepal's head of delegation in this beautiful city of Madrid.

Let me begin by expressing deep sympathies and condolences to the people of Myanmar for the unprecedented tragedy they have suffered from a devastating cyclone. Myanmar deserves all possible emergency support from the global community at this time of great need.

Mr. Chairman, I congratulate ADB for bringing out the Long-Term Strategic Framework, called Strategy 2020. The Strategy shows ADB's commitment to address emerging challenges, embrace new opportunities and move in new directions for rooting out poverty and deprivation in the Asia and Pacific region. It is a sad fact that the region is still home to more than 600 million absolute poor whose daily earnings are barely enough for two meals a day. We welcome and strongly support ADB's target to reduce the number of such people to 2 percent by 2020. This is not easy task though, and will require sustained economic growth in which the poor will feel their stake in generating its momentum and reaping its benefits. We view that ADB's role in promoting this pro-poor, sustainable growth through adequate resource commitment is crucial, and therefore, the replenishment of ADF, for which the negotiations have now been successfully concluded, is immensely significant. I would like to thank the donors and congratulate the ADB member countries and the management team for their hard work in reaching this commendable success. We are in agreement that regional cooperation and integration would enhance DMCs' potentialities for growth by expanding trade and joint investments, and strengthening connectivity through advancing transport and information and communication technology.

The operational framework of supporting agriculture and rural development as well as the health and disaster management would be helpful for the DMCs. In Nepal, over four-fifth of its population lives in rural areas, more than one-third of its GDP comes from agriculture, and two-third of its economically active population adopts agriculture as its source of livelihood. There is limited commercialization of agriculture as it is mostly subsistence-based. Large chunk of the farm is still monsoon-dependent, making agricultural productivity vulnerable to the uncertainty of the weather. Development of agriculture and rural economy would, therefore, generate gainful employment among the rural population and contribute to the objective of socio-economic development and poverty reduction in the country. Likewise, child malnutrition is another area where Nepal's situation demands much improvement.

Mr. Chairman,

Things have changed globally as well as at our doorstep since we last met in Kyoto during the 40th Meeting. The world economy has not picked up fast following the financial turbulence and credit squeeze triggered by the sub-prime mortgage crisis in the US. This has been exacerbated by the sharp rise in oil and commodity prices signaling higher inflationary trend, and also by increasing risk of global food insecurity impacting mostly the developing countries. The food problem is further exacerbated by restriction on exports by countries with food surpluses. This policy, aimed at containing domestic prices, will lead us to unimaginable consequences which will be good for no one. The weaker economies in general and the poorer sections of the people in particular would be hit hard from this economic slowdown and the price hike. As a result, attaining the development objectives would become difficult as the poverty ratio and income inequality could worsen. The ADB needs to respond

soon to mitigate such adverse effects by increasing its support to the vulnerable DMCs through all possible measures.

Mr. Chairman,

As you may be aware, Nepal suffered from a period of armed conflict and political turmoil for over a decade. As a result, the economy suffered and stagnated for a long time.

The peace process started two and a half year ago mainly as a home-led initiative is now headed to its logical conclusion. On April 10, 2008, Nepal successfully completed the election to the Constituent Assembly (CA). The country will soon begin the process of drafting a new constitution which will make the country a federal democratic republic in response to the popular wishes expressed in the last People's Movement. The positive development on the political front is already paying dividends. In fact, even during the trying circumstances of political transition, Nepal has been able to maintain macroeconomic stability. The growth of revenue mobilization during the past two years has been remarkable. Donor commitments have risen and resource allocation to the socio-economic infrastructure and local development significantly increased. Together with this, continued growth of remittances and improved tourism sector have profoundly contributed to raising foreign exchange reserve, expanding financial sector, lifting people out of poverty and maintaining external sector stability.

Nepal has since July 2007 been implementing its Three-Year Interim Development Plan which will bridge the current political transition and pave the way for embarking on the next full-fledged plan when the political process will have taken a stable shape. The plan has been built as a sequel of Poverty Reduction Strategy Paper (PRSP) in terms of objectives and priorities. The Nepal's Donors Consultative Meeting held in Kathmandu in February 2008 was participated by representatives of most of the donor institutions present here including Vice President Jin of ADB. The meeting has agreed to align donor assistance with the TYIP targets in different sectors. The meeting underscored the primacy of trade and regional integration for building connectivity through private sector development. It was agreed that modernizing agriculture, constructing clean-energy hydro projects for mitigating energy crisis and optimization of the use of water resources, implementing the fast track roads, and promoting tourism would be the priorities of immediate concern for the country. Nepal expects ADB support in these sectors from all possible windows and avenues.

Mr. Chairman

Nepal now stands at a very critical juncture of its history. It is on the way of charting its political destiny through peaceful and democratic means to usher in an era of sustained peace, justice, democracy and development. Popular expectations are high. Suppressed feelings have come to a fore. Failure to address them in the form of peace dividend could invite disenchantment and revive instability. I therefore call upon ADB and other development partners to come forward with greater support to meet the needs of our country and countrymen in this hour of critical need. Meanwhile, we also commit ourselves to work together with ADB in its mission of making Asia Pacific free of poverty, and extend all possible support in that direction.

I wish this meeting all success and thank you all for your kind attention!