



Nepal - China Joint Economic and Trade Committee Held after a Long Interval

The Eleventh Session of Nepal – China Joint Economic and Trade Committee was held on 17 -18 December 2014 in the Ministry of Commerce of the People’s Republic of China



From Left: Finance Secretary Mr. Sharma and Vice Minister for Commerce of PR China Ms. Yin signing a MoU

in Beijing. The Nepalese delegation was led by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and

the Chinese side was headed by Ms. Gao Yin, the Vice Minister for Commerce of PR China.

The 11th JETC held after seven years of the 10th meeting,

which was held in Kathmandu on July 24, 2007. Both the countries have expressed their happiness for being able to resume this important bilateral mechanism after a long gap and have agreed to convene JETC on an annual basis.

At the session, both sides reviewed the development of bilateral trade, economic and technical assistance and economic cooperation between Nepal and China in the recent years. Both side expressed satisfaction on the accomplishments achieved during the period and gave more emphasis on enhancing level of cooperation to further augment bilateral trade and economic cooperation between the two countries.

The Nepalese side requested for more Chinese investments in Nepal in prioritized sectors and more concession to improve Nepalese export to China as to [Contd P6](#)

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Bilateral Meeting with Germany



Finance Secretary and his team with German Delegates

The Biannual Governmental Negotiations on bilateral development cooperation between the Government of Nepal and the Government of the Federal Republic of Germany were held on 1-2 December, 2014 at the Ministry of Finance. The Nepalese delegation was headed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance, Government of Nepal and the delegation of the Federal Republic of Germany was headed by Dr. Wolfram Klein, Head of Division of South Asia, Federal Ministry of Economic Cooperation and Development (BMZ).

The negotiations were held in an open, friendly and constructive atmosphere. This negotiation was [Contd P5](#)



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Message from the Chief Editor



International development cooperation being a major source of development financing in Nepal, a clear picture of aid flow all the way from upstream to downstream have long been desired by the Nepalese society. Which is why the Government of Nepal has been calling the development partners to provide their assistance through government system. The new development cooperation policy also clearly manifest the government policy of channeling aid through government system and in a more transparent manner. We are happy to find growing interest in the donor community as well as to use the government system. However, there are still significant member of development partners who prefer to flow aid out of government system and in an uncoordinated manner. In the short run such a system may ease to channel aid in their own preferred areas. But, in the long run that creates issue of transparency and accountability.

In order to cope with this challenge and enhance aid transparency and accountability, Nepal has established an on-line database known as Aid Management Platform (AMP) in the Ministry of Finance. The AMP provides software tools and institutional strengthening activities that improve the availability of aid information at the country level. Through a combination of process analysis, training, and technical assistance, Nepal has been engaging in managing aid data through AMP and making efforts to use those data for policy decisions.

In response to the enthusiasm expressed in various international forums mainly by the international donor community, developing countries and civil society, the AMP data base was designed and implemented in more than 27 countries across the world. Currently, the AMP records billions of dollars of aid flows. Nepal AMP is also based on and harmonized with the Development Gateway Foundation (DG) supported international aid information management system. Every year, the DG organizes AMP workshop to share experiences and best practices among the AMP using countries.

Ministry of Finance, GoN co-hosted the 7th AMP Best Practices Workshop, which was organized in Kathmandu from 10-12, December 2014. More than 30 participants from 11 countries have participated in the workshop and expressed their commitment to further extend mutual collaboration throughout the year by means of various modes like experiences sharing visits, social media collaboration, and regional seminars. Ministry of Finance feels proud to co-host this workshop as one of the pioneering AMP user countries.

Despite the challenges in AMP implementation, the outcome of data analysis has been generating enthusiasm among the users for generating information and feeding into decision making because the ultimate success of any system depends upon wide and wise use of the data. Government of Nepal is making efforts to make AMP data and other data open, accessible and useful. All AMP partners are encouraged to put further effort into making AMP data open and useful for government, donors and citizens. The workshop also focused on how we can use the data to inform policy decisions. It was evident that we can accomplish many good things if we begin to use and analyze our data in innovative ways.

The AMP Annual Workshop can be regarded as an opportunity to anchor the data revolution in country; find ways to reduce the costs of data collection through IATI; and devote more time to analyzing data with a view to ensuring results. The workshop was useful for the AMP family to take stock of their progress, share common challenges, and seek common solutions in the best example of South-South cooperation. The workshop further encouraged Nepal to strengthen the government system through use of innovation such as AMP, and enhance aid transparency and accountability. I look forward for continuous support from DPs in this endeavor.

Happy New Year-2015 !

Loan Agreement with ADB

Asian Development Bank has agreed to provide a loan assistance of SDR 38.92 million (about Rs. 5.78 Arba) and grant assistance of US\$ 1.3 million (about Rs. 12.74 Crores) to the Government of Nepal for the implementation of Third Small Town Water Supply and Sanitation Project in Nepal. The Agreement to this effect was signed on 25 November 2014 at the Ministry of Finance. Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and Mr. Kenichi Yokoyama, Country Director of ADB signed the agreement.

The project aims to fund the physical investments in water supply and sanitation infrastructure in selected small towns as well as non-physical investment in the strengthening of sector policy, regulatory and institutional capacity, service delivery and project management. Further, the expected outputs of the project include (i) upgrading and construction of water supply system for 26 small towns (i.e. Ilam, Charaali, Mahendranagar of Sunsari, Bhojpur, Diktel, Sakhuwa Mahendranagar of Dhanusha, Katari, Mirchaiya, Bidur, Dumre, Lalbandi, Charikot, Birendranagar of Chitawan, Chainpur, Kathariya, Aabukhaireni, Tamsariya, Babiyachaur, Nirmalpokhari, Tikapur, Chandrauta, Salyan, Musikot, Suda and Liwang) (ii) and



From Right: Finance Secretary Mr. Sharma and ADB Country Director Mr. Yokoyama

construction of approximately 20,300 additional private toilets with septic tanks.

Ministry of Urban Development and Town Development Fund are the implementing agencies of this project. The project is expected to be completed by 31 January 2021.

Switzerland Extends Grant Support

The Government of Switzerland has agreed to provide Swiss Francs 9.99 million grant (about Rs. 1.1 Arba) for the implementation of Trail Bridge Sub Sector Program, Phase IV and Swiss Francs 5.8 million grant (about Rs. 58 Crores) for the implementation of River Protection Works and Livelihood Improvement in Chitwan –Phase II.

Both agreements were signed between the two Governments at the Ministry of Finance on 25 November 2014. Mr. Madhu Kumar Marasini, Joint Secretary and Chief of IECCD, Ministry of Finance and Mr. Jean-François Cuénod, Chargé d' Affaires, Deputy Head of Mission and Head of Cooperation of SDC Embassy of Switzerland in Nepal signed the agreement on behalf of their respective Governments.

The main objective of Trail Bridge Sub Sector Program, Phase IV is to contribute towards poverty reduction through improvement of access of the local people in rural areas to basic social public services, as well as to economic resources and opportunities, by availing

them year round safer river crossing facility within 1 hour of detour. During the program period, 2500 trail bridges will be constructed and 5000 trail bridges will be maintained annually. The program will cover across the country and implemented for the period of five years (October 2014 - July 2019).

Similarly, the main objective of River Protection Work and Livelihood Improvement Project in Chitwan, phase II is to enhance their livelihoods and resilience to natural disasters, like floods for the people of Eastern Chitwan. With the implementation of this project about 187,000 people in the flood plains (downstream VDCs) area will be protected through constructing river protection infrastructures by local communities. The project covers the 16 VDCs and one Municipality in Chitwan and 1 VDC in Makwanpur district. It will be implemented for the period of four years (September 2014 - August 2018). Both the program and project will be implemented by the Ministry of Federal Affairs and Local Development.

Additional Grant Agreement with Norway

The Government of Norway has agreed to contribute an additional grant assistance of Norwegian Kroner 127 million (about Rs. 1.83Arba) to the pool of School Sector Reform Program (SSRP). The addendum to the financing agreement was signed at the Ministry of Finance on 5 December 2014. Mr. Madhu Kumar Marasini, Joint Secretary/Chief of IECCD, Ministry of Finance and H.E. Mr. Kjell Tormod Petterson, Ambassador Extraordinary and Plenipotentiary of Norway to Nepal signed the agreement on behalf of their respective Governments.



From Right: IECCD Chief Mr. Marasini and H.E. Mr. Petterson, Norwegian Ambassador

The SSRP was implemented as the first support under sector wide approach (SWAp) modality. The Government takes lead role

in implementing, monitoring and evaluating its school sector programs and the contribution of development partners are pooled into one basket in harmonized and aligned manner. This program mainly aims at reforming public schools with quality and inclusive education towards achieving the goal of "education for all" in Nepal.

Originally planned to complete in 2013/14, the Government of Nepal has decided to extend for another two years considering its continued relevance. Government of Norway has been supporting SSRP as one of the prominent pool partners since 2009. The extended Joint Financing Arrangement (JFA) among pooling partners including Norway has already been signed as guiding framework for joint financing.

GEF Operational Focal Point Support Programs Conducted

Different programs under GEF Operational Focal Point Support Program were conducted by IECCD in November and December 2014 including consultative workshop with Civil Society Organizations (CSOs), workshops to identify synergies cross-focal areas and focal areas workshops.

A National Workshop to Identify the Role of Nepalese CSOs in GEF was held on December 22 at Hotel Soaltee Crown Plaza,



Meeting Floor

Kathmandu. Mr. Madhu Kumar Marasini, Joint Secretary/Chief of IECCD addressing the meeting highlighted the role of operational focal point and also mentioned about the collaborative effort with CSOs. Mr. Vijaya Prasad Singh, UNDP Nepal gave initial remarks and Dr. Arjun Karki from RRN Nepal shared his experiences of working with GEF through GEF-CSO network. In the Workshop, Mr. Bhuban Karki, Under Secretary IECCD presented about the GEF program scenarios in Nepal. Similarly, Mr. Gopal Raj Serchan from UNDP presented about partnership with CSOs experience from GEF-Small Grant Program (SGP), Mr. Jeevan Thapa from

YONSED Nepal presented about Smriti Brichhya and Ms. Bishnu Thakali, WEPCO Nepal presented about community based initiation in solid waste management: experience from community based organization. The participants raised questions about the presentations and the respective presenters answered the queries. Dr. Damaru Ballabha Paudel, GEF desk officer facilitated

the program as master of the program.

Similarly, GEF Stakeholders' National Workshops were

conducted under the three themes namely Climate Change (28 November), Bio-diversity (30 November) and Land Degradation and Chemicals (4 December). Further, a daylong GEF Stakeholders' National Workshop to Identify Synergies of Cross-Focal Areas was held in The Everest Hotel, New Baneshwor, Kathmandu, on 19 December 2014. The participants in the program were representatives from Government Ministries, Non-Governmental Organizations (NGOs) and International Organizations, Environmental Organizations, academicians, researchers, and Global Environment Facility officials in Nepal.

World Bank Agreed to Provide Additional Assistance

The International Development Association (IDA) of the World Bank Group has agreed to provide an additional assistance of US\$ 46 million (about Rs. 4 Arba 53 Crores 20 Lakhs) to the Government of Nepal for the implementation of Kabeli Hydroelectric Project. Of the total US \$46 million financing, US \$ 40 million is loan and the rest US \$6 million is grant.

The objective of this project is to construct 37.6 MW hydroelectric projects in Kabeli River running through Taplejung and Panchthar Districts under the public private partnership (PPP) model. Promotion of PPP especially in infrastructure development is the priority area of the Government of Nepal. International Finance Corporation (IFC) is one of the co-financers of the project. IFC finances US \$ 38.12 million and the Kabeli Energy Limited finances \$ 22.96 million as an equity share for the project. The project also aims at developing the institutional capacity of the Department of Energy Development (DOED). Investment Board will have an access to US \$ 4 million to strengthen its capacity towards preparation and negotiation of PDA

with large size project investors. Total cost of the project is US \$ 102.08 million. The project is expected to be completed by June 2019. Government of Nepal

through a subsidiary loan agreement will relend the total loan to Kabeli Energy Limited through Hydropower Infrastructure Development Company Ltd.

The Agreement was signed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and Mr. Takuya Kamata, Country Manager, World Bank Nepal Office at the Ministry of Finance on 24 November 2014.



From Right: Finance Secretary Mr. Sharma and Country Manager World Bank Nepal Mr. Kamata

World Bank Extends Grant Assistance

The International Bank for Reconstruction and Development of the World Bank has agreed to provide US\$ 7.9 million grant (about Rs.78 Crores) for the implementation of Extended Biogas Project in Nepal. The agreement was signed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and Mr. Takuya Kamata, Country Manager, World Bank Nepal Office on 24 November 2014 at the Ministry of Finance.

The World Bank acting as an implementing agency of the Scaling Up Renewable Energy Program (SREP) in Low Income Countries Multi Donor Trust Fund under the Strategic Climate Fund will support the objectives of the National Rural and Renewable Energy Program (NRREP) for Extended Biogas Project. This project will be implemented by Alternative Energy Promotion Center in five years (2014-2019).

Bilateral Meeting

followed by the Government consultations between the two countries held on 28 to 30 April 2014. During the negotiation, both sides acknowledged progress made in the peace and transition process in Nepal and agreed cooperation in three focal areas, namely, sustainable economic development and trade, energy efficiency/renewable energy and health. For the out phasing programs, 'sub national governance' as well as 'support to the peace processes', specific measures

for the consolidation and transfer of achievements to other programs will be taken.

The Government of Federal Republic of Germany has pledged to provide Euro 48 million for bilateral technical and financial cooperation for the implementation of above mentioned programs. This comprises Euro 27 million for financial cooperation and Euro 21 million for technical cooperation.

NPPR First Review Meeting Held

The First Review Meeting of Nepal Portfolio Performance Review (NPPR) Action Plan 2014 was organized on 12 November 2014 at Ministry of Finance. The

champions of different thematic/sectoral groups of NPPR and representatives from the core group members of NPPR and

different development partners in Nepal were present in the meeting. The meeting was chaired by Mr. Navraj Bhandari, Officiating Secretary, Ministry of Finance,



Meeting Floor

Government of Nepal and initiated by Mr. Bhuban Karki, Under Secretary, IECCD, Ministry of Finance.

The Champions of 5 different thematic groups namely Public Financial Management, Public Procurement, Human Resource Management, Managing for Development Results (MFDR) & Mutual Accountability and 4 Sectors including Local Governance, Roads and Transport, **Contd P8**

Amendment of Joint Financing Arrangement

The Government of Nepal and School Sector Reform Program (SSRP) Pooling Donors have signed the amendment of Joint Financing Arrangement (JFA) on utilizing fund for SSRP extension plan, at Ministry of Finance on 9 November 2014. A group of eight development partners, namely UNICEF, European Union, JICA, ADB, Australia, Finland, Norway and the World Bank have been the SSRP pooling donors. Originally, the JFA was signed with the development partners in August 2009 as guiding framework for channeling grant assistance in SSRP.

The main objective of SSRP is to improve literacy for all in general and deprived community in particular ensuring free and compulsory basic education and quality education. This program was originally scheduled to complete in 2013/14, however considering its importance, Government of Nepal has

decided to extend the project implementation period for another two years with its pre-stated goal and strategies, as they were manifested in previous SSRP document. SSRP is being implemented from Ministry of Education.

The amendment was signed jointly by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and the heads of four SSRP pooling donors namely UNICEF, EU, ADB and Finland, on behalf of their respective institutions. Mr. Bishwo Prakash Pandit, Secretary from Ministry of Education, Mr. Madhu Kumar Marasini, Joint Secretary and Chief of IECCD and other officials from Ministry of Finance, higher officials from Ministry of Education as well as officials from SSRP pooling partners were present during the signing ceremony. Remaining pooling donors will sign on this amendment at the nearest future.

Nepal - China Joint

reduce the growing trade deficit faced by Nepal. The Chinese side responded positively on the issues such as harmonization of working hours of custom offices, establishment and upgradation of necessary infrastructures at custom points in Tatopani and Rasuwagadi among others.

Other members of the Nepalese delegation included Secretary for Commerce Mr. Narayan Gopal Malego, Secretary for Culture, Tourism and Civil Aviation Mr.

Suresh Man Shrestha, Joint Secretary Mr. Madhu Kumar Marasini from Finance Ministry, Joint Secretary Mr. Bishnu Om Bade from Ministry of Physical Infrastructure and Transport, Director General of Custom Department Mr. Surya Prasad Acharya, Mr. Pravin Raj Aryal from Ministry of Energy, Executive Director of Nepal Rastra Bank Mr. Bhisma Raj Dhungana, Under Secretary Mr. Kiran Shakya from Ministry of Foreign Affairs and Under Secretary Mr. Prem Upadhyay from Ministry of Finance.

AMP Workshop held in Kathmandu

The 7th Annual Aid Management Program Good Practices Workshop was held in Kathmandu on 10-12 December 2014 jointly organized by the Ministry of Finance and the Development Gateway based in Washington DC. The ultimate objective of the workshop was to facilitate AMP implementing country representatives learn the best practice and experience from each other. Finance Secretary Mr. Suman Prasad Sharma while delivering his opening remarks appreciated the critical role of Development Gateway in supporting aid transparency through strengthening AMP. Mr. Sharma also welcomed the delegates representing Finance Ministries of various countries together with donor representatives. The Development Gateway CEO Mr. Jean-Louis Sarbib appreciated Nepal's efforts in many new and innovative ways wherein AMP and information on development activities can be used to make better decisions, fine tune development policy, use evidence, and to allow everyone on the country to have access to information through the AMP public portal.

Development Gateway showcased the new version of AMP, known as version 2.10, which includes updated dashboards, map, reports and other features. Mr.

Bibhusan Bista of Open Nepal and Indra Sharan KC of USAID/Nepal presented their respective work on meeting challenges of open data. These presentations demonstrated the ways that users outside of the Government use AMP data. Nepal team also made a presentation on how AMP data could be used for policy making. Likewise, various other experiences were shared during the session. One very important session of the workshop was a hands-on session, where each country delegation conducted some analysis with AMP and other data to "tell a story" about



A Glimpse of AMP Workshop

development policy. Nepal delegation created an excellent presentation about "Aid for Peace Process in Nepal", which was presented by IECCD team. During the last day's concluding remarks, Mr. Madhu Kumar Marasini, Joint Secretary of IECCD/MoF expressed his thanks to Development Gateway for choosing Nepal as the workshop venue and invited international delegates to come to Nepal again. The workshop was attended by 30 participants from 11 countries in addition to the donor representatives from Nepal and abroad. The workshop was concluded with a historical tour of Kathmandu, guided by the delegation from IECCD.

ADB and Norway Extend Support to Overcome Crippling Power Shortage

The Asian Development Bank and the Norwegian Ministry of Foreign Affairs signed a co-financing agreement to fund the South Asia Sub-regional Economic Cooperation (SASEC) power expansion project. ADB will administer a grant of 360 million Norwegian Kroner (Equivalent to 60 million USD, about Rs. 5.85 Arba) from the Government of Norway for the implementation of the SASEC Power System Expansion Project. The main objective of the project is to increase electricity access and help overcome power shortage in Nepal. In addition, the project aims to export surplus power to neighboring India by strengthening and increasing the power transmission capacity and network in the country.

The grant agreement was signed by Mr. Madhu Kumar



From Right: IECCD Chief Mr. Marasini, ADB Country Director Mr. Yokoyama and Ambassador of Norway H.E. Mr. Pettersen

Marasini, Joint Secretary and Chief of IECCD, Ministry of Finance and Mr. Kenichi Yokoyama, ADB Country Director for Nepal, on 14 November 2014. His Excellency Mr. Kjell Tormod Pettersen, Ambassador of Norway to Nepal, was also present on the occasion.

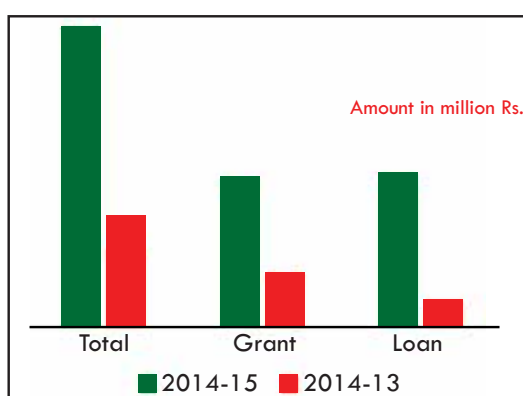
This is the largest single project supported by the Norwegian Government to the energy **Contd P8**

Project Cycle Management Training organized in Kathmandu and Biratnagar

IECCD with the support from Developing Capacities for Effective Aid Management and Coordination Project organized Project Cycle Management Training in Kathmandu and Biratnagar on 15-16, and 18-19 December, 2014 respectively. Altogether 66 Government officials representing various districts of Central and Eastern Development Region participated in the training. The objective of the training was to make the participants familiar with the concept and use of project cycle management tools. The training was assisted through the support from UNDP and Denmark and facilitated by Alliance Nepal.

Foreign Aid Commitment

At the end of December 2014 in this current FY 2014-15, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 212,591.80 million (Rs. 104,843.67 million as grant and Rs. 107,748.13 million 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 was Rs. 55,073 million (Rs. 37,245 million as grant and Rs. 17,828 million as loan).



NPPR First

Agriculture & Energy made presentation on the progresses achieved in their corresponding sectors.

During the meeting, representatives of the World Bank, ADB, DFID, UNDP and Australia and core members of NPPR raised some issues regarding the overall portfolio performance of Nepal. More specifically, over the years, NPPR Review meetings were focused on Public Financial Management, Public Procurement and Staff Transfer issues but results are not visible so far.

ADB and Norway

sector of Nepal and the project will leverage private sector investment and extend access to energy services in Nepal. Further, the project aims at increasing the mini grid based renewable energy systems in off-grid areas and improving the management capacity of Nepal Electricity Authority (NEA) and Alternative Energy Promotion Centre (AEPCC). Under the power transmission and distribution capacity development component, approximately 45 kilometers of 400 KV transmission line, 192 kilometers of 220 KV transmission lines along Kali Gandaki Corridors and Marsyangdi – Kathmandu route will be constructed.

The SASEC power system expansion project is expected to be completed by 31 December 2021. The renewable energy portion of the SASEC power system expansion project will be implemented by the AEPCC and the components related to power transmission and distribution network improvement activities are to be implemented by NEA.