



2014 Annual Meetings of the World Bank Group and the IMF Held in Washington DC

The 2014 annual meetings of the Board of the Governors of the World Bank (WB) Group and the International Monetary Fund (IMF) was held in Washington DC on October 10-12, 2014. Addressing the meeting, Hon. Finance Minister and the Governor of the World Bank Group for Nepal Dr. Ram Sharan Mahat expressed gratitude to the WB Group and the IMF for their continued support in Nepal's efforts for socio-economic development.

Hon. Dr. Mahat reaffirming Nepal's commitment to the twin goals of the WB Group (end extreme poverty and promote shared prosperity), emphasized that the process for rapid progress requires a strong 'developmental state' that can carry the growth agenda. He also welcomed the Bank's renewed emphasis on global public goods. Appreciating the assistance of WB Group in economic growth, poverty reduction, connecting hinterlands and introducing new ideas, Dr. Mahat invited the WB Group to support



Hon. Finance Minister Dr. Mahat, Addressing the Annual Meetings

implementing a fresh series of economic reforms aligned and coordinated with country-driven national priorities. Hon. Finance Minister also asked the Bank group to encourage increased creditableness of Nepal by continuing with IDA grant.

In the context of recently concluded Power Development Agreement (PDA) for Upper Karnali [Contd P6](#)

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Nepal Became Founding Member of AIIB



Signing Ceremony at the Great Hall of the People, Beijing

Nepal has signed a Memorandum of Understanding (MoU) as a founding member to establish the Asian Infrastructure Investment Bank (AIIB) in Beijing, China on October 24, 2014. Twenty other Asian Nations also signed the MoU including initiator China, India, Thailand, Malaysia, Philippines, Singapore, Bangladesh, Pakistan, Brunei, Cambodia, Lao PDR, Kazakhstan, Kuwait, Myanmar, Mongolia, Oman, Qatar, Sri Lanka, Uzbekistan and Vietnam. The [Contd P5](#)



Government of Nepal
Ministry of Finance

**International Economic
Cooperation Coordination
Division (IECCD)**

Singhadurbar, Kathmandu

Patron:

Suman Prasad Sharma

Chief Editor:

Madhu Kumar Marasini

Coordinator:

Narayan Dhakal

Contributors:

Bhuban Karki, Hari Prasad Pandey, Kailash Pokharel, Lal Bahadur Khatri, Prem Upadhyay, Shyam Nidhi Tiwari, Yog Nath Poudel & all members of IECCD Team

Editor:

Damaru Ballabha Paudel

Facilitator:

Tilak Man Singh Bhandari

Layout & Design:

Shyam Mani Ghimire

<http://www.mof.gov.np>
<http://www.mof.gov.np/ieccd>

For Comments and Suggestions
Email: ieccd@mof.gov.np

For AMP Public Portal
<http://portal.mof.gov.np>

Message from the Chief Editor



A Nepali delegation led by Hon. Finance Minister Dr. Ram Sharan Mahat attended The World Bank-IMF Annual Meetings 2014 in Washington DC. The World Bank Group is the largest multilateral development partner for Nepal supporting to end extreme poverty, boost shared prosperity, and achieve sustainable development results. The Bank is extending supports to the development programs in building physical infrastructure and improving social capital. Besides, these programs are consistent with the Government of Nepal's Thirteenth Plan, assisting Nepal for LDC graduation by 2022. There is no doubt on the fact that the Government of Nepal needs more external resources to achieve overarching goal to build a peaceful, prosperous and just Nepal.

As a member of the World Bank Group, Nepal has been regularly attending the Annual Meetings. The Government of Nepal (GoN) is committed to implement the economic reform programs to expedite the economic development in the country. Increased debt repayment capability of Nepal is undoubtedly a matter of pride. However, unique context of Nepal shaped by its long journey from transition to transformation demands more favourable assistance than ever before. Moreover, to institutionalize the gains of a young republic, Nepal is striving to conclude the peace process by finalizing a new constitution by early next year. Taking these reality into consideration Hon. Finance Minister urged the Bank to continue its grant funding to Nepal while addressing the annual meeting.

The Annual Meetings provided opportunities to the Nepali delegation to voice in favour of the poor and least developed countries and also share bilateral issues with the relevant high level officials of the Bank as well as the US government. During the meetings, Hon. Minister also spoke as a panelist in the renewable energy forum and urged the Bank to increase its portfolio for mega projects in the hydropower sector.

Given the transitional nature of Nepal's current situation – with a new constitution being drafted, the investment climate has been improved amid the formation of relatively stable government following the second Constituent Assembly. Further a more favourable environment for investment has been created following the power trading agreement (PTA) between Nepal and India and the project development agreement (PDA) of upper Karnali hydropower project. At this backdrop, Ministry of Finance is expecting more investment from our development partners utilizing better investment opportunity in prioritized sectors. Nepal's participation in the 2014 joint Annual Meetings of the World Bank and IMF has remained productive. We look forward for extended cooperation with these institutions as well as with the global community.

Thank You !

Local Donors Meeting Held

Local Donors Meeting - a mechanism for regular dialogue between development partners and the government – was held at the Ministry of Finance on 5 September 2014 as a post-budget consultation with development partners. The meeting was kicked off with welcome remarks by Joint Secretary Mr. Madhu Kumar Marasini and opening address by Hon. Finance Minister Dr. Mahat. Finance Secretary Mr. Suman Prasad Sharma presented current economic scenario and status of budget.

Dr. Yubaraj Khatiwada, Governor, Nepal Rastra Bank and Hon. Vice Chairman of National Planning Commission Dr. Govinda Pokhrel have also made their remarks.

Delivering his remarks, Hon. Finance Minister Dr. Mahat gave a snapshot of the current macroeconomic situation, which portrayed a combination of economic challenges and strengths. Strengths as Hon. Minister articulated were around positive scenario in terms of economic growth, inflation, balance of payment and foreign exchange reserves. Despite these strengths, Hon. Minister enunciated the challenge of achieving higher growth rate at around 8 percent per annum, particularly in the face of Nepal's determination to graduate from the status of Least Developed Country by the year 2022. This was further aggravated by other challenges, such as, low investment, high liquidity, slower implementation of the projects, trade deficit, high cost of capital formation, low capital spending and high recurrent spending. To overcome these challenges and place the economy into a smooth growth trajectory, Hon. Minister informed the development partners of necessary ground work for a second tier reform through reengineering institutional, policy, and legal framework that Nepal has already started.

Hon. Minister expressed happiness to note the results that Nepal has already achieved in social indicators such as in longevity, average literacy, maternal mortality and infant mortality, among others. Observing infrastructure gap and policy barriers as major bottlenecks to growth, Nepal's policy and priority for current year would focus on attracting investment to accelerate economic growth, particularly through investment in physical infrastructure development. Sectors like hydropower development including construction of transmission lines, expansion of road connectivity, improving rural infrastructure, agriculture development, and tourism sector would be priority sectors. Having said this, Hon. Minister also



focused on social sectors including education, health, drinking water, and human development as being the foundations of democracy. Hon. Minister also highlighted on the need of a transparent and tangible cooperation that helps build a self-sustaining financial and institutional base to meet ever increasing demand of Nepal's development financing. New policies and programs will be focused on creating an environment conducive to welcoming more investments, including attracting FDI.

Finance Secretary Mr. Suman Prasad Sharma, during his presentation, further elaborated on the current strengths and challenges facing Nepal. He communicated to the development partners the tentative framework of major priorities, policies and programs that the government was preparing. Dr. Yubaraj Khatiwada, Governor, Nepal Rastra Bank informed about adequate fiscal space, monetary space and financial space supported by increasing revenue, comfortable reserves and financial position, respectively.

Appreciating the second wave policy reforms initiated from Government of Nepal, the comments and suggestions from development partners revolved around modernizing agriculture, education for all national action plan, inclusion agenda, human capital, implementation challenges, partnering with private sector, procurement act, and clarification of some of the development cooperation policy issues and so on.

Hon. Finance Minister while responding the comments and suggestions from the development partners assured that the government was open for strategic dialogue for development issues. Clarifying some provisions of development cooperation policy, Hon. Minister emphasized on transparent, responsible and accountable aid and further highlighted the need to reach mutual consensus. He also asked assistance from the development partners to rehabilitate the replaced families from Sindhupalchok flood victims.

New EU-Nepal Cooperation Programme 2014-2020 Launched

During the first ever top level EU visit to Kathmandu, European Commissioner for Development, Andris Piebalgs, and the Hon'ble Finance Minister of Nepal, Dr. Ram Sharan Mahat, officially launched the new EU-Nepal Cooperation Programme 2014-2020 in a program organized at the Ministry of Finance on 19 October 2014. The cooperation programme was signed by Finance Secretary Mr. Suman Prasad Sharma and EU Ambassador HE Ms. Rensje Teerink.

In the launching ceremony, the Commissioner Piebalgs appreciated the peaceful democratic transition of Nepal and also announced to triple the current aid provided by EU to Nepal. Similarly, Hon'ble Dr. Mahat stated that despite the difficulties Nepal achieved significant progress in reducing poverty for better livelihoods of Nepalese people. He further added that Nepal was keen to jointly implement concrete actions with its European friends.



A Glimpse of Signing Ceremony

The seven year strategy with an envelope of €360 million (about NPR 44.8 billion)

The EU and the EU Member States are the largest providers of official development assistance (ODA) in Nepal. For the last three decades, the EU has been supporting the people of Nepal on a range of key development issues such as education and health, stability and peace building and addressing climate change, food security and natural disasters. EU also helps protecting human rights in Nepal, because the way the most vulnerable are treated is the real benchmark for genuine and inclusive development.

for 2014-2020 aims to expand the opportunities for a prosperous Nepal by boosting rural development, creating job, fostering quality education and strengthening democratic governance in Nepal.

The new EU Nepal Cooperation Programme, Multi-Annual Indicative Programme (MIP) was adopted in the autumn of 2014. It is aligned to the National Development Strategies of Nepal and [Contd P8](#)

Energy+ Cooperation Framework Agreement

The Government of Nepal, the Government of Norway, the Government of Denmark, the Asian Development Bank (ADB) and the United Nations Development Program (UNDP) have signed a Framework Agreement for Energy+ Cooperation to contribute towards achieving Sustainable Energy for All in Nepal.

By signing this Framework Agreement, Nepal is taking an important step towards actual implementation of the Sustainable Energy for All initiative (SE4ALL) launched by the United Nations Secretary-General,



From Left: ADB Country Director Mr. Yokoyama, Danish Ambassador HE Ms. Geelan, IECCD Chief Mr. Marasini, Norwegian Ambassador HE Mr. Pettersen and UNDP Country Director Ms. Noda

with the goals of providing universal access to modern energy services, doubling the rate of energy efficiency improvement and doubling the share of renewable energy in the energy mix by 2030. The International Energy and Climate Initiative (Energy+) acts as a vehicle in developing

countries to achieve the goals of SE4ALL. The Energy+ Partnership was launched by the UN Secretary General and the Norwegian Prime Minister on October 2011 and Nepal has joined the partnership.

The Development Partners intend to use this [Contd P7](#)

United States Agreed to Provide Grant

The United States of America acting through the United States Agency for International Development (USAID) agreed to provide a grant assistance of US Dollar 402 million (Equivalent to about NRs. 38.60 billion) to the government of Nepal for a period of five years.

This grant assistance will be utilized over the next five years in areas of strengthening democratic processes, improving Governance, maternal and child health and literacy, increasing economic growth, and addressing the challenges of food insecurity and climate change. The assistance will be mobilized to meet the priorities

of the Government of Nepal as stipulated in the 13th periodic plan (2013/14-2015/16) of Nepal in accordance with the Development Cooperation Policy, 2014.

Mr. Madhu K. Marasini, Joint Secretary and Chief of International Economic Cooperation Coordination Division of the Ministry of Finance and Dr. Beth Dunford, Mission Director of USAID/Nepal signed the agreement on behalf of their respective Governments on 23 September 2014 at the Ministry of Finance.

ADB Extends Grant Support

Asian Development Bank (ADB) has agreed to provide US \$3.5 million grant equivalent to NRs 339 million for the implementation of Establishing Women and Children Service Centers (EWCSC) project. An agreement was signed and exchanged at the Ministry of Finance, Kathmandu on September 24, 2014.

The main objective of EWCSC project is to improve access of women and children in participating districts to legal protection and social support services. The project will help reduce the gender based violence, promote the justice, social consultation and awareness activities. The project will be extended to 20 districts from the current 5 districts with this additional co-financing. The additional 15 districts are namely



From right: IECCD Joint Secretary Mr. Marasini and ADB Country Director Mr. Yokoyama

Saptari, Achham, Siraha, Bajhang, Mahottari, Rolpa, Dolakha, Banke, Rasuwa, Dhading, Gorkha, Tanahu, Surkhet, Sindhuli and Pyuthan.

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Nepal Became

Bank, to be headquartered in Beijing, is expected to come into operation by the end of 2015 and will help bridge funding gap in developing countries of Asia. Mr. Jin Liqun, who was also the former Vice-President of the Asian Development Bank, has been appointed as the Secretary General of AIIB.

At the signing ceremony, Chinese President Xi Jinping stressed that the bank would make available resources in an easier way for the infrastructure sector in the Asian region. During a separate meeting with the delegates, Xi also assured that the Bank would play a strong role to bridge the financing gap in infrastructure. The MoU states that the authorized capital of AIIB will be USD 100 billion and the initial subscribed capital

is expected to be around USD 50 billion. The paid-in ratio will be 20 per cent. Voting rights are to be decided after consultations among the members over fixing the bench marks which were expected to be combination of GDP and Purchasing Power Parity (PPP). Based on this formula, it appears that China will be the first and India will be the second largest share holder of the bank.

On behalf of Government of Nepal, Hon'ble Finance Minister Dr. Ram Sharan Mahat signed the MoU at a special ceremony held at the Great Hall of the People. Mr. Madhu Kumar Marasini, Chief of International Economic Cooperation Coordination Division (IECCD) was also present on the occasion.

Japan Extends Support to SSRP

The Government of Japan has agreed to provide a grant assistance of Japanese Yen 300 million (approximately NRs 272.7 million) to the Government of Nepal for the implementation of School Sector Reform Program (SSRP) extension plan.

SSRP has been implemented in Nepal since 2009 in form of programmatic support with its objective of improving literacy for all in general and deprived in particular and ensuring free and compulsory basic education as well as quality of education. This program was supposed to end by 2013/14 in term of fund availability. Considering the relevancy of programme objectives; target and implementation strategies, Government of Nepal has decided to extend this project implementation period for another

two years with pre-stated goal and strategies as they were manifested in previous SSRP main document.

The Exchange of Note was signed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and H.E. Mr. Masashi Ogawa, Ambassador Extraordinary and Plenipotentiary of Japan to Nepal, on behalf of their respective Governments on 23 September 2014 at Ministry of Finance. Similarly, Mr. Madhu Kumar Marasini, Joint Secretary and Chief of International Economic Cooperation Coordination Division (IECCD), Ministry of Finance and Mr. Tsutomu Shimizu, Chief Representative, Japan International Cooperation Agency (JICA) Nepal signed on grant agreement and Memorandum of Understanding (MoU).

2014 Annual

Hydropower and the Power Trading Agreement (PTA) with the government of India, Dr. Mahat had also sought investment in Nepal's hydropower sector from the World Bank Group during his meeting with the WB officials alongside the annual meeting. Hon. Dr. Mahat also held a meeting with Mr. Philippe Le Houérou, the World Bank's Vice-president for South Asia. During the meeting, Mr. Houérou assured that the WB Group



Hon. Finance Minister at a plenary session

was ready to invest in Nepal's hydropower and other infrastructure sector.

In the sidelines of the annual meetings, the Hon.

Minister was also called on by US Assistant Secretary of State Ms. Nisa Biswal, US Assistant Secretary of Treasury Ms. Marisa Lago and Millenium Challenge Corporation (MCC) Managing Director of Policy Evaluation Mr. Thomas Kelly. Nepal's ongoing reform initiatives were applauded during these side events signalling interest to invest in hydropower sector of Nepal. Minister Dr. Mahat also took part on Energy Forum and spoke as a panelist. Where he highlighted the importance of hydropower development as critical source of renewable energy in the contest of Nepal and urged for strong support of international donors for this cause.

Mr. Suman Prasad Sharma, Finance Secretary, Mr. Madhu Kumar Marasini, Joint Secretary and Chief of IECCD, Mr. Narayan Dhakal, Undersecretary, Mr. Kishor Joshi, Undersecretary of the Ministry of Finance were also present during the annual meeting. The World Bank is the largest multilateral donor supporting diverse of sectors in Nepal.

ADB Extends

After the implementation of the project, it is expected that the survivor or women and children, heavily affected mainly by the Gender Violence, will have easy access to police offices and legal systems. They will, somehow, be capable enough to handle their problems. The praiseworthy role of Nepal police officials is anticipated to make this project fruitful as they have had in previous phase. The project will be

implemented until 31 March, 2018.

Mr. Madhu Kumar Marasini, Joint Secretary/Chief of International Economic Cooperation Coordination Division, Ministry of Finance and Mr. Kenichi Yokoyama, Country Director, the Asian Development Bank, Nepal signed the financing agreement on behalf of the Government of Nepal and the ADB, respectively.

Framework Agreement with Korea

The Government of Nepal and the Government of the Republic of Korea signed a Framework Agreement for Grant on 30 October 2014. It was signed and exchanged by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and His Excellency Mr. Choe Yong-Jin, Ambassador Extraordinary and Plenipotentiary of the Republic of Korea to Nepal on behalf of their respective Governments.



From Right: Finance Secretary Mr. Sharma and Ambassador of Korea HE Mr. Yong-Jin

The main objective of this agreement is to specify terms and procedures of grant aid programs of Korea to Nepal. The agreement will become a foundation for the Korean

grant aid to Nepal, which is a commitment of the Korean Government to help for the poverty reduction and the sustainable economic and social development of Nepal.

Korea started its development cooperation to Nepal since 1976. Since then Korea has been continuously increasing its activities over the decades. Currently, Korea is supporting in 3 priority sectors - health, vocational education, and rural development under the grant aid project for Nepal. With this Framework Agreement it is expected to further strengthen the bilateral relations and open up the future possibilities of mutual cooperation.

The Embassy of the Republic of Korea is celebrating 40 years of establishment of diplomatic relation between Korea and Nepal this year. Therefore, this special occasion of signing of the Framework Agreement shall be one of the important milestones in strengthening the diplomatic ties between the two countries for the future endeavors.

ADB Third QCPRM Held

The Country Portfolio Review Meeting for the third quarter of 2014 for Asian Development Bank (ADB) supported projects in Nepal was organized in the Ministry of Finance on 21 October 2014. The meeting reviewed and discussed the overall performance and implementation status of the projects. The meeting was chaired by Mr. Suman Prasad Sharma, Finance Secretary and co-chaired by Mr. Kenichi Yokoyama, Country Director of ADB Nepal Resident Mission.

Delivering opening remarks Mr. Madhu Kumar Marisini, Chief of IECCD and Mr. Yokoyama focused on the need and importance to continue the review process. Special concern was given on the slow contract award and disbursement performance in 2014. Finance Secretary, Mr. Sharma requested all project teams to develop concrete time-bound action plan to resolve problems and expedite project implementation in a systematic and more assertive manner. **Contd P8**

Energy+

agreement to improve coordination to assist Nepal to achieve universal access to sustainable energy. All of the Development Partners and the Government of Nepal are already contributing towards improving access to Renewable Energy through the National Rural Renewable Energy Program (NRREP). In November, Norway will announce an increase in assistance in the transmission, distribution and rural energy program to support infrastructure and energy access activities in the energy sector. The Development Partners and the Government of Nepal will work on a joint implementation note (similar to a program document), which can be a basis to channel

more development assistance to the energy sector in Nepal.

The Framework Agreement was signed by Mr. Madhu Kumar Marasini, Joint Secretary and Chief of IECCD, Ministry of Finance, Mrs. Kirsten Geelan, Ambassador, Embassy of Denmark, Mr. Kjell Tormod Pettersen, Ambassador, Embassy of Norway, Ms. Shoko Noda, Country Director, UNDP and Mr. Kenichi Yokoyama, Country Director, Asian Development Bank, on behalf of their respective institutions.

Various Trainings Conducted through IECCD

IECCD provided 2 days' negotiation skills training to 24 government officials in Kathmandu, represented from 14 line agencies including MoF, NPC, FCGO, OPMCM and various key development ministries. The participants were familiarized with theoretical as well as practical aspects of project negotiation skills. High level officials including Secretary of Ministry of Foreign Affairs, Joint Secretaries of Ministry of Health and Population and Ministry of Education also shared their knowledge and experience on aid negotiation to the participants during the training.

Likewise, 2 days' training on Project Cycle Management was provided to the government officials of Western Development Region, Mid western and Far western Development Region separately in Pokhara and Dhangadhi. Altogether 61 participants attended the training. The objective of this training was to enhance capacity building of the field level officials with respect to aid effectiveness. IECCD has continued to disseminate various aspects of aid effectiveness to government officials of the key line ministries at the centre as well as in the districts.

Furthermore, in order to ensure data quality of Aid Management Platform (AMP), 2 days' data cleaning workshop was held. Verification of project level information with budget source book and use of various other tools were tested. AMP IT staffs were involved in the data cleaning process. All the above mentioned activities were supported through UNDP and Denmark under "Developing Capacity for Effective Aid Management and Coordination Project" at the Ministry of Finance.



A Glimpse of Project Cycle Management training at Pokhara

Foreign Aid Commitment

At the end of October 2014 in this current FY 2014-15, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 84,337.40 million as grant 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. 17,172 million (Rs. 3,072 million as grant and Rs. 14,100 million as loan).

New EU-Nepal

the funds will triple to €360 million as compared to 2007-2013. The MIP identifies three focal sectors- 40.5% for sustainable rural development, 38% for education, and 20.5% for strengthening democracy and decentralization and rest 1% for support measures.

In addition, Nepal can benefit from the Asia Regional Cooperation, specifically regarding aid for trade cooperation, aid to uprooted people, the EU funded Asia investment facility and SAARC regional integration as well as a number of initiatives through calls for proposals reaching out to civil society such as the European Instrument for Democracy and Human Rights (EIDHR) and the Non State Actor/Local Authorities (NSA/LA) Initiative.

ADB Third

During the meeting, presentation about the summary on portfolio performance and key project issues was made by Mr. Tika Limbu, Head, Portfolio Management Unit, ADB. Similarly, Mr. Govinda Gewali presented the review findings and Mr. T. Khatri presented consultant performance monitoring system in water supply project. The comprehensive discussion and way forward on projects which need specific attention was proceeded during the meeting. Afterwards, Mr. Hans Carlson, Head and Advisor, ADB made his remarks on ADB funded projects. Finance Secretary Mr. Sharma concluded the meeting emphasizing the need of optimum efforts to expedite the project implementation as well as increase the disbursement so as to improve the overall ADB Country Performance Assessment (CPA) rating.