

**Opening Address by Honorable Finance Minister Dr. Ram Sharan Mahat
For Nepal Portfolio Performance Review (NPPR) Meeting, 2013
April 23, 2014 Hotel Yak & Yeti, Kathmandu**

Chairman

Excellency Ambassadors and Heads of Missions in Nepal

Senior Officials of the Government of Nepal,

Representatives of Private sectors and Civil Societies

Media friends

Ladies and Gentlemen,

- Namaste and a Warm Welcome!

It gives me immense pleasure to stand in front of you today and welcome you to Nepal Portfolio Performance Review (NPPR) Meeting – an event jointly organized by the Ministry of Finance and development partners working in Nepal. I believe that the meeting will serve as a platform for a much-needed self-reflection and a productive discussion between the government and the development partners to streamline project implementation process in the country. Strategically being organized right before the budget presentation for the upcoming fiscal year, NPPR 2014 will inform our decisions around next year's budget – specifically those decisions that will help us achieve improved project portfolio performance in the future. I believe that a robust deliberation during this meeting will bring the government and the development partners together to work towards resolving the project implementation issues in a true spirit of partnership. I hope that the key take-away from this meeting will be a demonstrated commitment to implement a concrete work-plan that ensures improved portfolio performances in all of our projects and programs.

One of the key problems our country is facing with regard to foreign aid is that of low disbursement. Aid money is primarily being channelized into capital expenditure, and therefore the low disbursement rate of foreign aid adversely affects Nepal's highest priority economic goals. Low disbursement could be the product of a number of reasons, and identifying those reasons should be the first step towards enhancing aid effectiveness. We need to better understand the project development cycle – from the selection of right projects to proper design to efficient preparation to effective implementation – and identify the existing gaps throughout the project development cycle so that we are better informed about the factors leading to low disbursement. After a better understanding of the reasons responsible for low disbursement, we will be able to take actions to overcome the deep-rooted structural hurdles and enhance aid effectiveness in Nepal. Enhancing aid effectiveness and leveraging foreign aid for the country's socio-economic development has currently been a central focus of countries around the world. I recently attended international meetings in Belgium and Mexico on this very topic. The discussion at the Mexico Global Forum was oriented towards making development cooperation more effective. Platforms such as the NPPR will not only meet Nepal's economic development objectives, but also make a meaningful contribution towards the global community's understanding of the measures required to streamline the process of foreign aid flows. **Ministry of Finance launched 2013 Development Cooperation Report, yesterday. The figures reflected in the report help us to recognize our own baseline and to identify our destination in terms of better management of development cooperation.**

Streamlining the process is a challenging task and can be only achieved by the collaborative efforts between development partners and the government; engaging in a 'blame game' will only be detrimental. A collaborative exercise between the two parties is the only basis for devising a renewed strategy around: prioritizing sectors and projects to receive aid money, improving project design, having a real impact on the

livelihoods of the poor segments of the population through better targeting, and improving overall project implementation.

I would like to reiterate that it is imperative we: identify the right projects, allocate the right amount of fund to each project, ensure the full disbursement of allocated budget in a timely manner, learn from the shortcomings in the past, and pledge never to repeat those shortcomings going forward. Our government is committed to formulating new policies to address the shortcomings hindering the sound implementation of projects and programs.

Let me assure you that our government is announcing the new Development Cooperation Policy very soon. The Policy is being developed on the foundation of evolving principles on aid effectiveness – lately, development cooperation effectiveness – and will be instrumental in enhancing portfolio performance across the board. The need for government’s sense of ownership, alignment of the aid program with country’s priorities, minimization of aid fragmentation, optimization of quality, investment in the programs and projects that help augment domestic resources, and mobilization of aid based on the principle of mutual accountability are the central features of the upcoming Development Cooperation Policy. We are confident that with the implementation of the new Policy, we can: add value for money, deliver top-notch development cooperation results, and help Nepal transition towards a self-reliant economy.

Ladies and Gentlemen!

We now have the challenge to upgrade our status from Least Developed Country (LDC) to Developing Country by the year 2022. We are at the cusp of a major economic and political transition. The present, transitional phase cannot be used as an excuse for falling short on delivery of development results. Being progressive, we should not fall prey to excuses or we risk being trapped in the same vicious cycle that

has engulfed most of our history. This time, things are different. We are committed to translating the talks about economic development being the top priority to practice through formulating policies and ensuring those policies are implemented.

I invite our development partners to cooperate with us in this respect so that the foreign aid can have a meaningful contribution to solving the deep-rooted structural problems. If the interests and the efforts of our development partners are aligned with those of our government, we can collaboratively create history through a rapid economic transformation.

Despite a decade-long insurgency and longer than expected transition period, we have been able to achieve good progress on the social development front & in alleviating poverty. The key challenge going forward is to accelerate growth. We need to enhance growth to meet our economic priorities of long-term economic sustainability, poverty alleviation, and delivery of robust infrastructure. We need to increase investment, particularly in critical infrastructure sector. We have expectation from development partners to support our priority sectors and help us improve our capacity to take full ownership over the development projects. Your support to achieve sustainability and accountability, and on delivering results cost effectively would ensure that Nepal gets the most out of development cooperation.

We are certainly heading in the right direction with respect to redefining the strength and nature of our collaboration. NPPR has been serving as an effective annual platform to bring the government and development partners together to resolve the most critical issues related to portfolio performance and efficiency. I am delighted and encouraged to see such mutual collaboration between the government and the development partners on regular intervals. Let's engage in meaningful discussions keeping in mind the true needs and priorities of Nepal. Let's disagree if we have diverging perspectives

on some issues; Disagreement is not necessarily conflict, but rather a healthy way to challenge our beliefs and helps us understand viewpoints contrary to our own.

But let's make sure that the meaningful discussions and disagreements during this event lead us to produce a concrete Action Plan going forward. Let's finalize a concrete Action Plan in an expeditious manner during this event, and then concentrate all our efforts on the mutually agreed upon Action Plan.

Before I conclude, I would like to thank the International Economic Cooperation Coordination Division (IECCD) of Ministry of Finance for organizing and coordinating this meeting. My appreciation and sincere thanks goes to development partners for their active participation and support in organizing this meeting. In particular, I would like to thank the World Bank, ADB, JICA, UN, EU, Norway, DFID Australia, Denmark, IFAD, USAID, and Switzerland for joining this forum. Let us work together for the Nepalese people and Nepal in such a challenging juncture. Thank you for your continuous support, patience, and dedication.

Government of Nepal owns the reforms by implementing the NPPR agreed Action Plan that we finalize today. We are confident about receiving development partners' utmost support in that regard. **We have the political will to introduce legislations to make development cooperation more effective, and there will be absolute synchronization of the legislative framework with the institutional capacity. Our interests are aligned, and the timing is perfect. Let's work in a true spirit of partnership to deliver rapid development through effective development cooperation. Let's deliver to Nepal what she truly needs!**