



Development Cooperation Report 2013-14 unveiled

Hon. Finance Minister Dr. Ram Sharan Mahat unveiled Development Cooperation Report (DCR) 2013-14 on 22 April 2015 amidst a function organized at the Ministry of Finance. Hon. Minister Dr. Mahat briefly highlighted the key findings of the Report. Dr. Mahat while delivering his remarks opined that overall aid disbursement was encouraging compared to the previous year. According to the Report, total volume of aid disbursement for FY 2013-14 was US\$ 1.112 billion of which ODA contribution was US\$ 1.036 billion and INGOs contribution was US\$ 76.08 million. Aid disbursement in the previous fiscal year was US\$ 0.96 billion. Excluding the INGO contribution, the share of multilateral and bilateral development partners was 52 percent and 48 percent respectively. The World Bank was the largest multilateral donor followed by Asian Development Bank, EU, UN Agencies and Global Fund. Similarly, UK was the largest bilateral donor followed by India, USA, China and Japan making disbursement in 2013-14. Of the total ODA disbursement, 66 percent was grant, 18 percent loan and 16 percent mobilized as technical assistance.

The DCR revealed 71 percent of aid disbursed on-budget



Hon. Finance Minister Unveiling DCR, 2013-14

while it was only 64 percent in previous Fiscal Year. Social sector mobilized 39 percent of the aid followed by 26 percent mobilized in infrastructure development and 25 percent in macro-economic policy and economic development area. Education sector remained the largest aid recipient followed by local development, health, and energy and road transportation. The Report includes a separate chapter on INGO contribution for the first time. Hon. Finance Minister expressed satisfaction on the progress made toward the management of aid information system during the last few years through Aid Management Platform (AMP) and emphasized the need for further enhancement of its quality. It is believed that [Contd P5](#)

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Local Development Partners Meeting held



A Glimpse of Meeting

Ministry of Finance organized regular Local DPs Meeting on 18 March 2015 at the Ministry in the aftermath of mid-term review of the budget implementation. The meeting was chaired by Honorable Finance Minister Dr. Ram Sharan Mahat. Hon. Dr. Swarnim Wagle and Hon. Dr. Chandra Mani Adhikari, Members of National Planning [Contd P7](#)



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Message from the Chief Editor



We understand that maintaining a robust data is just the beginning, but bringing positive change in the people's lives through wiser use of aid resource is the end product. On the other hand, data can lead to better policy decisions, and our goal is to provide good data to inform the important work of the Government, development partners and other development stakeholders.

To this end, the Ministry of Finance has been effortful in managing and coordinating aid information available in the Aid Management Platform (AMP) since 2010. In order to make development cooperation more effective, it is equally important to focus on aid transparency. Not only the recipient country, but also the citizens of donor countries should know where, how and why the aid money is spent. Aid transparency helps to make both the recipient country and the development partners accountable for better use of development cooperation. As part of this aim, it has published four consecutive Development Cooperation Reports, the latest published in March this year. This year's Development Cooperation Report 2013-14 seeks to provide both overall view of development cooperation in Nepal, as well as specific analysis of important aid trends based on AMP data. Efforts have also been made to reflect aid mobilized through INGOs for the first time. This new information will help the Government agencies and INGOs to align programs with purposive objectives.

The Report provides important findings which will help both the government and development partners in making policy decisions in the coming years. The findings of the Report are very interesting and will be valuable in many ways. Firstly, the volume of disbursement during 2013-14 has increased as compared to the previous year. Secondly, the aid mobilized through INGOs both from the local donors as well as donor headquarters has been reflected in the Report. Altogether US\$ 208 million (US\$ 76.08 million from abroad and US\$ 132 million through various projects from local donors in Nepal) was mobilized through INGOs. This provides an opportunity to relevant stakeholders to start debates on where, why and how INGOs use their resources in Nepal. Thirdly, grant dominates the total volume of disbursement and the share of the top 5 multilateral development partners is approximately 50 percent. Top 10 development partners including both bi-lateral and multilateral contribute about 80 percent of the total disbursement in FY 2013-14.

Another critical finding was the trend of aid disbursement channeled through the on budget (71 percent) and off budget (29 percent) mechanism. Although, bringing all aid under on budget is a challenge, there has been an improvement in on-budget disbursement from 64 percent in the previous year. Another significant finding is the various evidences of aid fragmentation in the country, from a donor, sector and ministerial perspective. Most of development partners seem to have been engaged in many sectors spending less than 5 percent of the total disbursement of each donor's aid portfolio. This has signaled to follow donor's division of labour where there is comparative advantage or expertise. I believe this scenario will be improved in the coming years. Let us use the DCR results as ingredients for aid operation reform in Nepal.

Thank you

MMarasini

Emergency DPs Meeting Held, ADB Pledges Immediate Relief

In the immediate aftermath of the traumatic earthquake, Ministry of finance called on emergency Development Partners meeting at Ministry yard on 26 April 2015. Hon. Finance Minister Dr. Mahat urged all the Development Partners to join hands with the Government for immediate rescue and relief work.

Asian Development Bank (ADB) has agreed to provide a cash assistance of US\$ 3 million (about Rs. 30 Crores) to support immediate relief efforts in the wake of the powerful earthquake of 7.8 magnitudes which struck the country on 25th April, 2015.



A Glimpse of ADB Pledge Amount Signing Ceremony

The grant agreement was signed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and Mr. Kenichi Yokoyama, Country Director, Nepal Resident Mission ADB, at Ministry of Finance, on 29 April 2015.

China Agreed to Provide Grant Assistance

The Government of People's Republic of China has agreed to provide a grant assistance of RMB 800 million (about Rs. 12 Arba 83 Crores) under the Economic and Technical Cooperation for marking the sixtieth years of cordial and friendly diplomatic relationship between Nepal and China.

This grant assistance aims to support Nepal's economic development by implementing the mutually agreed development projects covering various sectors including infrastructure development. This cooperation will be utilized in the development programs as agreed by both Governments.



From Right: Finance Secretary Mr. Sharma, Hon. Finance Minister Dr. Mahat at Center and Chinese Ambassador HE Mr. Chuntai

The Programs will be implemented in continuous basis from FY 2015/16. The sectoral ministries of the government of Nepal will be the implementing agencies for the projects under this Grant Assistance.

The Agreement was signed in Kathmandu on 17 March 2015 by Mr. Suman Prasad Sharma, Secretary of Ministry of Finance and H. E. Mr. Wu Chuntai, Ambassador of the People's Republic of China to Nepal on behalf of the respective Governments in the presence of Hon. Finance Minister Dr. Ram Sharan Mahat.

Agreement with UK

The Government of the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development (DFID) has agreed to provide Financial and Technical assistance of Pound Sterling 35 million (about Rs. 5 Arba 21 Crores) to the Government of Nepal for the implementation of Accelerating Investment and Infrastructure Programme. Memorandum of Understanding (MoU) to this effect was signed between the Government of Nepal and United Kingdom of Great Britain and the Northern Ireland at Ministry of Finance on 16 April 2015.

The main objective of the Programme is to support the activities initiated by the Government with a view to enhancing the pace of economic growth and

development. A steering committee with representatives from Ministry of Finance, National Planning Commission, Nepal Rastra Bank and DFID Nepal provides overall guidance and steers the programme.



From Right: Finance Secretary Mr. Sharma and DFID Head Dr. Marzetti

The Programme has 3 major components namely - i) Public - Private Infrastructure Investment Promotion, ii) Economic Policy Development and Reform, and iii) Financial Sector Stability. DFID Technical Contd P8

Australia Agreed to Provide Additional Grant Assistance to SSRP

The Government of Australia has agreed to contribute an additional grant assistance of Australian Dollar 4 million (about Rs 31 Crores 40 Lakhs) to the pool of School Sector Reform Program (SSRP). The Government of Nepal and the Government of Australia signed an agreement to this effect at the Ministry of Finance on 15 April 2015.

The SSRP was implemented under Sector

Wide Approach (SWAp) modality, which is one of the preferred modality of the Government of Nepal for mobilization of development cooperation. The SWAP modality is an exception to the threshold for grant aid

as stipulated in the Development Cooperation Policy. Government of Australia has been supporting SSRP as one of the prominent pool partners. The extended Joint Financing Arrangement (JFA) has already been signed among pooling partners including Australia as a guiding framework for implementing the SSRP.



A Glimpse of Signing Ceremony

Mr. Suman Prasad Sharma, Secretary,

Ministry of Finance and H.E. Mr. Glenn White, Ambassador of Australia to Nepal have signed the agreement on behalf of their respective Governments.

World Bank Agreed to Provide Loan for Higher Education Reform

The International Development Association (IDA) of the World Bank Group has agreed to provide a concessional loan assistance of US \$ 65 million (about Rs. 6 Arba 40 Crores) to the Government of Nepal for the implementation of Higher Education Reform Project (HERP). An agreement to this effect was signed between the Government of Nepal and the World Bank at the Ministry of Finance, Kathmandu on 6 April 2015.

HERP aims to support Nepal's National Program for

Higher Education Reform and Development (NPERD) by ways of financing reforms in selected institutions for improving quality, relevance and efficiency of higher education. The project will also assist under-privileged students to help improve equitable access to education.

Further, HERP will use an Investment Project Financing instrument with a results based financing modalities to

support implementation of the Government's reform program. Out of total concessional loan, US\$ 60 million will be utilized for implementation of reforms activities in higher education while remaining US\$ 5 million will be used for capacity development and project management. This project is continuation of the Second Higher Education Project (SHEP) with a view to fully institutionalizing

the positive outcomes of the SHEP. The project will be implemented by University Grant Commission (UGC), Tribhuvan University and Student Financial

Assistance Fund Development Board (SFAFDB) for the period of 5 years.

The agreement was signed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and Mr. Takuya Kamata, Country Manager of the World Bank on behalf of the Government of Nepal and the World Bank Group, respectively.



A glimpse of Signing Ceremony

Technical Assistance from KOICA

The Korea International Cooperation Agency (KOICA) of the Government of the Republic of Korea has agreed to provide a technical assistance of US \$ 5 million (about Rs. 49 Crores) to the Government of Nepal for implementation of the Project for Improving Maternal and Child Health Care in Mugu District. The Memorandum of Understanding (MOU) in this regard was signed between the two Governments at the Ministry of Finance, Kathmandu, on 24 March 2015. It was signed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and H.E. Choe Yong-Jin, Ambassador of the Republic of Korea to Nepal on behalf of their respective Governments.

The project aims to strengthen the capacity of health system in terms of providing quality and equitable maternal health services; develop capacity of caregivers, parents, families and communities to make informed decisions to improve maternal health, child health and hygiene situation in Mugu District.

The major components of the project include technical

support for Mugu District Health Strategy Development; construction of the District Hospital in Mugu; provision of equipment and materials necessary for project



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

implementation; developing health system's capacity to provide child and maternal health services; and conducting public health awareness programs. The project will be implemented by the Ministry of Health and Population aligning with the Nepal Health sector policy and program. KOICA will represent the Korean Government to support implementation.

KFAED Agreed to Provide Loan

The Kuwait Fund for Arab Economic Development (KFAED) has agreed to provide a loan assistance of Kuwaiti Dinar 5 million (about Rs. 1 Arba 68 Crores) for the implementation of Irrigation Systems Improvement Project (ISIP).

ISIP aims to facilitate irrigation support in the Central and Eastern Development Region of Nepal by rehabilitating and extending existing Farmer Managed Irrigation Systems (FMIS). It further plans at enhancing agricultural productivity and sustainability by reducing poverty and improving the livelihood of the poor rural population.

The Agreement was signed in Kathmandu by Mr.

Madhu Kumar Marasini, Joint Secretary of Ministry of Finance and Mr. Hamad S. Al-Omar, Deputy Director General of The Kuwait Fund for Arab Economic



From Right: IECCD Chief Mr. Marasini and KFAED Deputy Director General Al-Omar

Development (KFAED) on behalf of the Government of Nepal and the Fund, respectively on 23 March 2015.

Development

the new development cooperation policy will help discourage aid fragmentation and lead to concentrate on large and national priority projects in the country. Expressing sincere thanks to all development partners for supporting the efforts of the Government of Nepal

in enhancing aid transparency and accountability, Dr. Mahat encouraged all the policy makers, academia, development partners and civil society to benefit from the DCR.

UNDP Annual CPAP Review Meeting Held

A Country Program Action Plan (CPAP) annual review meeting was jointly organized by the Ministry of Finance and the UNDP at Ministry of Finance on 4 March 2015. The meeting was chaired by Mr. Madhu Kumar Marasini, Joint Secretary and Chief of IECCD and attended by National Project Directors, National Project Managers, UNDP officials and other Government officials.

Mr Marisini, while welcoming the participants, highlighted the issues about the cooperation of UNDP in Nepal and emphasized on the importance of feedback in enhancing development effectiveness. Mr Marasini also praised the achievement of the Aid Management Platform (AMP) in making Nepal's aid information more transparent and effective.

Mr. Renaud Meyer, UNDP Country Director, highlighted the UNDP and Government of Nepal (GoN) partnership for the development of Nepal. He further said that UNDP and GoN have joint accountability for implementing the CPAP and applauded the Government's leadership and ownership for its implementation.

Ms. Sophie Kemkhadze Deputy Country Director at



A Glimpse of CPAP Review Meeting

UNDP, made a presentation on UNDP's results. In her presentation, she highlighted about UNDP program areas, CPAP 9 outcomes and 37 outputs and issues and challenges faced by UNDP implemented projects.

After the presentations, the participants raised some questions which were answered by UNDP country director and deputy director. Similarly, National Project Directors and National Project Managers representing various UNDP funded projects expressed their satisfaction with the current progress of CPAP implementation.

At the end of the meeting, Joint Secretary Mr. Madhu Marasini, further responded the questions related to Ministry of Finance and urged for more results to showcase in the future.

Nepal Participated in the Third CNM of AIIB

Nepal participated in the third Chief Negotiators' Meeting (CNM) on establishing the Asian Infrastructure Investment Bank (AIIB). Thirty Prospective Founding Members (PFMs) including Nepal were among the participants in the meeting which was held on March 30-31, 2015 in Almaty, Kazakhstan. Mr. Erbolat Dossaev, Minister, Ministry of National Economy, Kazakhstan and Mr. Shi Yaobin, Vice Minister, Ministry of Finance, China and Chair of the CNM, co-chaired the meeting. The meeting extended a warm welcome to new PFMs - Jordan, Luxembourg, Switzerland and the United Kingdom. On behalf of Nepal, Mr. Madhu Kumar Marasini, chief of IECCD and Mr. Prem Upadhyay, Under Secretary of Ministry of Finance participated the meeting as a chief negotiator and alternative negotiator.

The meeting began with a briefing by Secretary General Mr. Jin Liqun of the multilateral interim secretariat on establishing the AIIB on the secretariat's work progress since the second CNM in January 2015. Mr. Jin highlighted ongoing progress in four areas- Articles of

Agreement (AOA), operational policies, recruitment and AIIB facilities. The meeting was focused on discussion regarding the issues on governance, capital allocation, voting power and final provision of articles of association.



CNM of AIIB Participants

In response to request of many representatives for illustrative figures on capital allocation, the Secretary General proposed that the secretariat will make simulations for that. Nepal requested for special quota for the smaller economies. The secretariat will circulate a revised illustrative share allocation table once PFM membership is final on April 15, 2015.

According to the work plan of AIIB establishment, the final CNM will be held in May 20- 22, **Contd P8**

World Bank Semi-Annual Portfolio Performance Review Meeting Concluded

The Ministry of Finance and the World Bank, Nepal Country Office jointly organized Semi-Annual Portfolio Performance Review Meeting (WB-SAPRM) of WB assisted projects at the Ministry of Finance on March

2, 2015. The meeting aims to identify current status of implementation and to pursue future course of action for the improvement of overall portfolio of WB funded projects. The main theme of this meeting was [Contd P8](#)

Local Development

Commission, Dr. Yubaraj Khatiwada, Governor of Nepal Rastra Bank, Mr. Shankar Prasad Adhikari, Financial Comptroller General, Ambassadors, Heads of Missions, representatives of development partners and media persons were also present on the occasion. This meeting updated the development partners about progress in budget implementation based on mid-term review accomplished by the Ministry of Finance.

In his opening remarks, Hon. Dr. Mahat termed the mid-year status of Nepal as a mixed bag of notable achievements and problems. Hon. Dr. Mahat presented improvement in peace and security situation; contained average inflation at less than 7.5 percent; economic growth rate sustained at 5 percent for two consecutive years, and growth of non-agricultural sectors despite natural calamities as some of the notable achievements while the low public expenditures of only 26.2 percent of the allocated budget with only 12.6 percent of capital expenditure out of that and 16 percent increment in trade deficit as some of the problems. Similarly, Dr. Mahat explained slower revenue growth and remittance inflow as moderate but not satisfactory achievements. To cope up with such problems and to continue with progresses, Hon. Dr. Mahat assured development partners that he is accelerating ongoing reforms in policies and laws with a view to devising incentives structures and accomplishing stricter monitoring of the progress. At the same time the Government has tasked the National Planning Commission to craft Vision 2030 for Nepal which will identify the long-term sources of economic growth and suggest pathways to reach middle-income status over the next 15 years. The Government will take lead in this effort to ensure strong ownership of the national vision and ambition in consultation with large section of the society, including development partners. Hon. Dr. Mahat also referred to the nearly 7 months old Development Cooperation Policy that substantially contributed to strengthening transparency, accountability and partnership for development. He further believed that an honest implementation of the policy would greatly help ensure increased investment in infrastructure, greater use of country systems, simplified process of

reimbursement and enhanced government capacity in public financial management. Hon. Minister reaffirmed his commitment to fully operationalize the policy in the following days.

Finance Secretary Mr. Suman Prasad Sharma presented the current economic scenario along with details of the mid-term status of the budget implementation. Mr. Sharma also highlighted the status of the next year's budget formulation and ongoing reform initiatives. Finance Secretary Mr. Sharma clearly spelled out the expected role of the development partners for the accelerated development of Nepal.

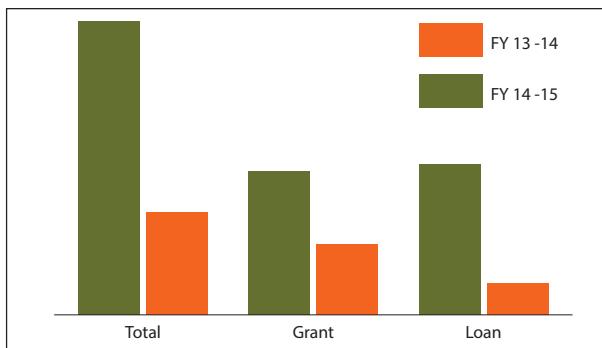
Dr. Swarnim Wagle, Hon. Member of National Planning Commission made remarks with regard to Nepal's goal to graduate from the status of Least Developed Countries by 2022 and Nepal's vision 2030. Dr. Wagle shed lights on Nepal's pathways to graduation making clear demarcation between technical and income based graduation. Dr. Chandramani Adhikari, Hon. Member of National Planning Commission made remarks around budget implementation and formulation. Dr. Yubaraj Khatiwada, Governor, Nepal Rastra Bank presented the current status of the implementation of monetary policy and its contribution to the present growth trajectory.

On behalf of development partners, Mr. Jamie McGoldrick, UN Resident Coordinator for Nepal expressed interest of development partners to enhance strategic level discussions with the Government and suggested to establish a small and representative task force that can help optimize strategic discussions. He welcomed the Government's goal of graduation from LDC status by 2022 and expressed readiness to join hands. He further opined that the LDC graduation criteria should be embedded into an overall plan and development trajectory for the country.

In his closing remarks, Hon. Finance Minister responded to major concerns and curiosities raised by the development partners and thanked all for their time and deliberations.

Foreign Aid Commitment

As of April 2015 of the current FY, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 261,695.86 million (Rs. 127,479.63 million as grant and Rs. 134,216.23 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. 91,415.95 million (Rs. 62,987.95 million as grant and Rs. 28,428 million as loan).



Agreement UK

Support has been instrumental in promoting foreign direct investment especially in large hydropower project through Investment Board Nepal for the last few years. This very programme has provisioned of supporting IBN to promote private investment in the country. Likewise there are provisions of continuing support to the second and third phases of Financial Sector Reform Programme of the Government initiated few years back. Some resources are earmarked to carry out activities of monitoring and evaluation of the said Programme. The programme activities are planned to be accomplished in 6 years period starting from the beginning of 2015.

The British support to Nepal was started in 1961 and the VSOs are engaged in Nepal for the last 50 years. British Financial and Technical Cooperation covers the areas of livelihoods to local development, finance, education, health, governance and peace building.

The Memorandum of Understanding was signed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and by Dr. Gail Marzetti, Head of Office, DFID Nepal on behalf of their respective Governments.

Nepal Participated

2015 in Singapore and it is expected that the PFM will finalize and sign the AOA by the end of June and have it ratified by the end of 2015 so that the AlIB would be operational by the end of year.

World Bank

Sharing Good Practices and Challenges. The meeting was chaired by Finance Secretary Mr. Suman Prasad Sharma, attended by Joint Secretaries and other officials from different line ministries including Ministry of Finance, World Bank Country Manager Mr. Takuya Kamata and other officials from the Bank. Addressing in the meeting, Finance Secretary Mr. Sharma highlighted the fact that slow disbursement continues to be a major challenge in portfolio management and urged to concerned line ministries and project directors to expedite disbursement with concrete action plan for implementation.



A Glimpse of Semi-Annual Meeting

The Review meeting shifted the review approach from discussing upon the specific problem projects to reviewing from sectoral perspective highlighting both good practices and emerging challenges in the sectors. In addition to providing portfolio performance snapshots, broad sectors discussed during the meeting were energy, health, education and transport. Major problems highlighted during the meeting were poor disbursement, performance with almost zero disbursement in some projects, delay in audit report submission and high turnover of project staff etc. The meeting concluded with a renewed commitment to put extra effort to improve overall portfolio performance.

