

**Statement by Dr. Yuba Raj Khatiwada, Finance Minister, Government of Nepal and
Governor of the Board of Governors of the Asian Infrastructure Investment Bank
(AIIB) at the Annual Meeting in Mumbai, India**

June 25-26, 2018

**Mr. Chairman,
Fellow Governors / Alternate Governors,
Mr. President Jin Liqun, and
Distinguished Delegates**

1. I feel honored and privileged to attend this meeting in the beautiful city Mumbai. At the outset, I must express my sincere gratitude to the Government of India for hosting this important meeting and extending warm hospitality to my delegation. I take this opportunity to appreciate Mr. Jin Liqun, the president of AIIB and his team for the excellent arrangements made for this meeting.
2. I am happy to note that AIIB has been able to carry forward, in its less than three years of operation, 25 projects related to infrastructure and environment with investment amounting to more than 4.4 billion US Dollars. I appreciate that most of this investment has been approved for projects in South Asia which is really facing huge infrastructure gap. Nepal, so far lagging behind in tapping the AIIB resources, would take immediate steps to benefit from such window of opportunity. I also note that the thematic priorities of this institution which include sustainable infrastructure, cross border connectivity, and private capital mobilization are realistic and appropriate for the journey towards this region's prosperity.

Mr. Chairman,

3. Asia is rapidly striding to catch up its 15th century's share to world GDP which slipped down along with industrial revolution in the West. In the recent decades, Asia has been increasing its share in global GDP with spectacular growth. During 2010 to 2017, its GDP grew by 2.5 folds resulting to 35 percent share in the world GDP. The expectation that

Asia should have at least half of world's GDP by 2040s can only be achieved by raising factor productivity in the region rather than simply by accumulating capital and depleting natural resources. Efficient infrastructure system would be a key intervention in this process. We should also be better prepared to achieve sustained economic growth and achieve sustainable development goals by mobilizing the regional resources in infrastructure sectors that promote green growth and efficient connectivity. I am sure, this would help our region to continuously be the engine of economic growth for the world economy.

4. For maintaining the growth momentum, tackling poverty and responding to climate change, Asian developing countries need to invest at least US\$ 1.7 trillion per year to close their infrastructure related investment gap until 2030. I am confident that AIIB would be able to address the regional infrastructure problems, especially in road and waterways, aviation, telecommunication, power and connectivity, and water supply and sanitation, among others.
5. Nepal also faces huge infrastructure and connectivity gaps. The country needs to invest at least 50 per cent of GDP annually to meet the SDGs alone during the entire period till 2030, and this translates to public sector financing gap of more than 10 percent of GDP, on average, for the entire SDG period. As more than half of such SDG investment requirement belongs to infrastructure, I see a great role that AIIB can play for meeting the SDG infrastructure financing gap.
6. Nepal deserves the geographical advantage of linking two of the largest economies of Asia which are also the largest markets. The country has overcome prolonged political instability with the promulgation of Nepal's Constitution in 2015 and smooth transition from unitary to federal set up of the state. After the parliamentary election of November 2017, a stable government has been formed with more than two-thirds majority in the parliament. Provincial and local elections held prior to the parliamentary election has elected more than 36 thousand people's representatives at the sub national levels in a highly inclusive pattern which have deep rooted democratic system and decentralized

governance. But infrastructure bottlenecks in provincial and local government units has been detrimental for their effective service delivery. We are making joint efforts to ensure that the 753 local level and 7 provincial level government and interconnected through basic infrastructure facilities amid resource constraints at each level.

7. Nepal's government has come up with crystal clear vision of Prosperous Nepal and Happy Nepali with an objective of graduating from LDC status by 2022, reaching to lower middle income country and achieving the sustainable development goals by 2030. To achieve this, the country needs huge investment in infrastructures in connectivity, tourism and energy for accelerating economic growth to double digit level and ending all kinds of poverty. There is large investment opportunity for both the public and private sectors and such investments carry attractive rates of return.
8. Nepal government has committed to construct, in 10 years' time, 2000 km of railways, 15 thousand MW of electricity, 70 thousand km of roads including highways and roads for regional connectivity. We have also the agenda for constructing additional international airports, hotels and other tourism infrastructure to bring in 5 million tourists by 2027. We are committed to ensure renewable energy and basic water supply for all in three years' time along with addressing unfinished MDG agenda. Thus, we look forward to extended support from our development partners to meet the financing and other capacity gaps both at the public and private sectors.
9. Nepal entrusts AIIB as a specialized 21st century multilateral development bank for improving social and economic development of Asia to complement with other regional cooperation mechanism. While we seek all the available options and windows of investment that is being accessible to LDCs, we are confident that AIIB will be our trusted partner for mobilizing necessary additional resources for our infrastructure development.

Mr. Chairman,

10. Nepal's current majority government led by Communist Party of Nepal has presented its budget for the next fiscal year with the objective of achieving 8 percent GDP growth focusing on jobs and better connectivity. Almost half a million people enter in the domestic labour market every year; and so far, less than half of them are absorbed in the domestic labour market and the rest opting for foreign employment. Most of such jobs are expected to be generated in the construction, industrial and service sectors which can only be achieved through larger investment in these areas. Nepal also values the role of private sector in delivering better infrastructure facilities and services. The solutions are not only limited to financing but extend beyond to include innovation and efficient management. Policy reforms undertaken by the country to take private sector on board in the aviation, energy, tourism and industrial sectors have already yielded encouraging results. We are amending our investment laws and PPP frameworks for implementing mega projects. I am confident that these initiatives will encourage both domestic and international private investment in infrastructure and enterprises. We look forward for substantive engagement of AIIB in our endeavor to this direction.

11. In closing, Nepal looks forward to build strong relationship and expand meaningful collaboration with the AIIB. The discussions and deliberations throughout the meeting, I am confident, will pave the way to address investment gap in the region. We are also eagerly looking forward for even more proactive role of AIIB to help poor countries of the region to come out of extreme poverty by means of its technical and financial cooperation.

I wish the Annual Meetings a great success.

Thank you.