



## DCP Policy Matrix Preparation Workshop Held

The IECCD of Ministry of Finance organized a workshop to prepare Policy Matrix for the implementation of recently launched Development Cooperation Policy (DCP) on August 15, 2014. For this purpose, the whole team of IECCD officials was divided into five groups in the leadership of five under secretaries. Mr. Hari Prasad Pandey, Mr. Bhuban Karki, Mr. Narayan Dhakal, Mr. Lal Bahadur Khatri and Mr. Tek Bahadur Khatri were the leaders of each group with five members.



IECCD Members at the Workshop

Delivering his opening remarks, IECCD chief Mr. Madhu Kumar Marasini said that the works of DCP need to be translated into action. He further mentioned that proper implementation of DCP with well structured Policy Matrix may bring fruitful results for the mobilization of development cooperation.

There was intensive group discussion on the assigned part

of DCP and each group prepared draft Policy Matrix. Each group leader presented their output and the zero draft of

Policy Matrix was finalized after the accommodation of comments given by the participants. The revised draft will be prepared soon.

The preparation of Policy Matrix was deemed necessary amidst the confusion expressed by development partners and implementing ministries and agencies over some of the provisions mentioned in DCP. The Policy Matrix Contd P6

Inside this issue:

Message from the Chief Editor	2
ADB Vice President Meets Hon. Finance Minister	3
ADB 2nd QCPRM Meeting-2014	3
Agreement with Asian Development Bank	4
World Bank Extends Support to RWSSIP	4
4th Round Multilateral Consultation Meeting of AIB Concluded	5
Nepal-German Biannual Negotiation to be Held in December	5
Foreign Aid Commitment	6
Experience Sharing Visit to Timor Leste	6

## Hon. Finance Minister Visits China

Hon. Finance Minister Dr. Ram Sharan Mahat Visited China from August 6 - 12, 2014, at the invitation of his Chinese counterpart Mr. Lou Jiwei. During his visit Dr. Mahat also held talks with Commerce Minister of China, Mr. Gao Hucheng.



From Left: Hon. Finance Minister Dr. Mahat and Finance Minister of China Mr. Jiwei

On August 7, there was separate meeting with Mr. Jiwei and Commerce Minister of China Mr. Gao Hucheng. During the occasion, discussions were held on economic cooperation, investment promotion, trade extension and other important issues. Both Ministers informed about the continuity of existing cooperation to Nepal and also committed to increase cooperation in the future. 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, Shyam Nidhi Tiwari, Tara Prasad Sapkota, Tek Bahadur Khatri & all members of IECCD Team

**Editor:**

Hari Prasad Sharma

**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](mailto:ieccd@mof.gov.np)

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

## Message from the Chief Editor



The Government of Nepal unveiled Development Cooperation Policy (DCP) on 27 June 2014. Soon after its publication, it has been receiving positive feedbacks and comments from various stakeholders. As such, implementation of this Policy is the main focus for now. The strength of any policy is measured by its implementation. The Government is well aware of the implementation challenges. Realising the above facts, the IECCD has taken number of actions. One of them has been the IECCD workshop on preparing policy matrix. The initiation of formulating policy matrix has been an honest attempt by IECCD to ease DCP implementation. There are a number of immediate actions that need to be executed to lead to smooth implementation of DCP.

Firstly, we should identify the areas which require further interpretation. Secondly, the concerned stakeholders should be informed of the outcome of such interpretations. Thirdly, the IECCD should facilitate the regular consultation with the stakeholders. Fourthly, if there happens to be ambiguity or needs further clarifications on the provisions made in the Policy, Policy Implementation Committee should always be ready to unbundle them. Fifthly, development partners' comments and feedback should be sought to implement this Policy as they are primary stakeholders. Making appropriate clarifications on visa and tax related provisions in the policy could be one of the forward looking steps towards finding amicable solutions to the issues related to development partners.

The Government and the development partners may further share and exchange ideas regarding implementation and challenges of the Policy through various forums such as local development partners meeting and NPPR. Smooth implementation of any policy entirely depends on the capacity of the institutions responsible for implementation. In this case, IECCD, being the main Government institution in charge of managing and implementing the international development cooperation, also requires enhancing its capacity.

Finally, public support is of utmost importance in implementing development cooperation policy. It is therefore necessary to work on informing the public about this policy. The Government of Nepal reiterates its commitment to translate words of DCP into actions and anticipates strong ownership from its stakeholders as well. The Government understands that only shared responsibility to DCP can create conducive environment for its implementation. The DCP is a living document and it can never be an obstacle to the implementation of development programs with best practices.

Wishing you all in advance a very very happy Vijay Dashami and Deepawali, 2014.

*Madhu Marasini*

## ADB Vice President Meets Hon. Finance Minister

Mr. Wencai Zhang, Vice President of Asian Development Bank (ADB) met with Hon. Finance Minister, Dr. Ram Sharan Mahat at the Ministry of Finance on 14 August 2014. The meeting was also attended by Mr. Rajan Khanl, Officiating Finance Secretary, Mr. Madhu Kumar Marasini, Joint Secretary, IECCD, Ministry of Finance, Mr. Bhuban Karki, Under Secretary, IECCD, Ministry of Finance and Mr. Kenichi Yokoyama, Country Director, ADB. On the capacity of vice President of ADB, it was his first visit to Nepal.

During the meeting, Hon. Finance Minister Dr. Mahat recalled the fruitful meeting between him and Mr. Zhang in Astana during ADB's 47th annual meeting. Dr. Mahat briefed about the latest political and macro-economic situation of the country. Hon. Minister acknowledged the ADB's approach of Performance Based Allocation System (PBAS) in distributing resources among the countries. However, he requested ADB to consider the country context while allocating resources, for example, country emerging from conflict affect situation should be exempted from this criterion as they need more time to improve their performance. Hence, they should not be deprived of needed resources in



Hon. Finance Minister Dr. Mahat and ADB Vice president Mr. Zhang along with High GoN Officials

the name of Performance Based Allocation, he added.

Mr. Zhang informed that ADB is eager to support more on economic reform agendas as well as public management and capacity development issues. He assured to initiate internal consultation within ADB regarding loan/grant issue. He also mentioned that ADB is committed to enhance regional development through the investment in energy, trade and transport via SASEC initiatives.

## ADB 2nd QCPRM Meeting-2014

The ADB's Quarterly Country Portfolio Review Meeting for the 2nd quarter 2014 was organized in Ministry of Finance on 1 August 2014, principally to review and discuss the performance and overall implementation status of ADB supported projects in Nepal. The meeting was chaired by Mr. Naba Raj Bhandari, Officiating Finance Secretary and Co-chaired by Mr. Kenichi Yokoyama, Country Director of Asian Development Bank.



Meeting Floor

In their opening remarks, Mr. Madhu Kumar Marasini, Joint Secretary, IECCD and Mr. Yokoyama focused on the need and importance to continue the review process in order to better improved portfolio performance. Special concern was given on the poor contract award and disbursement achieved in 2014 against the set up target. Mr. Marasini emphasized the need of optimum efforts to expedite the project

implementation and achieve the optimal disbursement so as to improve the overall ADB Country Portfolio rating and thereby to increase the ADF allocation to Nepal in the years to come.

During the meeting presentation about the summary on portfolio performance and key project issues was made by Mr. Tika Limbu, Head, Portfolio Management Unit, NRM, ADB followed by discussion. The compressive discussion and the way forward for fourteen selected critical projects under ADB funded projects were also done during the meeting. Project Directors and officials from concerned ministries tried to clear the issues raised during the discussion session.

Officiating Finance Secretary Mr. Bhandari uttered his special concern about the frequent occurrence of common problems such as slow or low disbursement, slow contract awards, delaying procurements, low capital expenditure etc among the donor funded projects. He urged all the concerned officials to pay special attention to solve these problems. He assured for every kind of support including budgetary issues from Ministry of Finance to achieve improved project performances.

Contd P6

## Agreement with Asian Development Bank

The Asian Development Bank has agreed to provide an assistance of US \$ 191.2 million (equivalent to NRs 18.16 billion) to the Government of Nepal for the implementation of South Asia Subregional Economic Cooperation Power System Expansion Project. Of the total assistance US \$ 180 million is loan and US \$ 11.20 million is grant (strategic Climate fund).

The Loan Agreement and Grant Agreement regarding the implementation of the project were signed between the Government of Nepal and the Asian Development Bank in the Ministry of Finance, on July 11, 2014. Finance Secretary Mr. Yuba Raj Bhusal and ADB Country Director Mr. Kenichi Yokoyama signed the agreement.

The main objective of the project is to increase the

power transmission capacity and improve power distribution network in the country. The project also aims at increasing mini grid based renewable energy systems in off-grid areas and to improve the management capacity of Nepal Electricity Authority and Alternative Energy Promotion Centre. Under the power



A Glimpse of Signing Ceremony

transmission capacity development component an approximately 45 kilometers of 400 kv and 192 kilometers of 220 kv transmission lines along Kali Gandaki Corridor and Marsyangdi-Kathmandu route will be constructed.

Likewise, grid substations will be constructed, augmented and replaced in various parts of the country.

The SASEC Power System Expansion project is expected to be completed by 31 December 2021. [Contd P6](#)

## World Bank Extends Support to RWSSIP

The International Development Association (IDA) of the World Bank has agreed to provide US \$ 72 million assistance (US \$ 22 million grant and US \$ 50 million loan), equivalent to NRs 6.94 billion for the implementation of Rural Water Supply and Sanitation Improvement Project (RWSSIP) Mr. Madhu Kumar Marasini, Joint Secretary/Chief of International Economic Cooperation Coordination Division, Ministry of Finance and Mr. Bigyan Pradhan, Senior Operations Officer of Nepal Country Office, the World Bank signed the agreement on behalf of the Government of Nepal and the World Bank, respectively, on July 11, 2014.



A Glimpse of Signing Ceremony

This project will be implemented in five years (2014-2019) with a total project cost of US \$ 90 million consisting of IDA credit and grant of US \$ 72 million (equivalent of

NRs 6.94 billion), Government of Nepal contribution of US \$ 10.5 million, and community contribution of US \$ 7.5 Million. This project will serve total of 2.4 million people (1.5 million with improved water supply and sanitation, and 0.9 million with improved sanitation facility) through 1874 Water Supply and Sanitation schemes and 400 Open Defecation Free VDCs.

The objectives of the project are to increase sustainable access to improved water services and promote improved sanitation and hygiene practices in rural areas and develop and implement a long-term support mechanism to promote the sustainability of water supply schemes in selected districts. The project consists of four major components: (i) Access to improved water supply and sanitation and promotion of improved sanitation and hygiene practices, (ii) District Level Institutional Strengthening, (iii) Technical Assistance/Capacity Building and Project Management, and (iv) Contingency Emergency Response.

Women and children will also benefit from this project, as they currently bear the burden of securing the daily drinking water needs of the family and suffer [Contd P6](#)

## 4th Round Multilateral Consultation Meeting of AIIB Concluded

The 4th round multilateral consultation meeting (MCM) for the preparation of establishment work of Asian Infrastructure Investment Bank (AIIB) was held in Beijing on 6 -8 August 2014. Twenty countries that had already committed to join the AIIB as founding member were the participants in the meeting. Mr. Madhu Kumar Marasini, Joint Secretary, Mr. Lal Bahadur Khatri, Under Secretary of the Ministry of Finance and Mr. Gajendra Bista, Press Advisor participated in the meeting on behalf of the Government of Nepal.

The objective of the bank is to foster economic

development and create wealth and improve infrastructure connectivity in Asia by investing in infrastructure

and other productive sectors as deemed appropriate. Further, it also aims to promote regional cooperation and partnership in addressing the [Contd P6](#)



AIIB Meeting Floor

## Nepal-German Biannual Negotiation to be Held in December

Nepal-German consultations on bilateral development co-operation between the Government of Nepal and the Government of the Federal Republic of Germany were held in Kathmandu from 28 to 30 April 2014. The Nepalese delegation was headed by Mr. Madhu Kumar Marasini, Joint Secretary, Ministry of Finance while German delegation was headed by Mr. Wolfgang Hruschka, Acting Head of South Asia

Division, Federal Ministry for Economic Cooperation and Development (BMZ).

During the consultations, both sides agreed to focus on three priority areas, namely, Promotion of Sustainable Economic Development and Trade, Health and Renewable Energy. German side also expressed its commitment to further support the [Contd P6](#)

## Hon. Finance Minister ....

On the occasion, Mr. Hucheng agreed to activate the bilateral secretary level mechanism.

Hon. Minister urged to improve performance of some Chinese contractor companies saying the performance of some of the contractors' company was not satisfactory one.

In response to this, Mr. Hucheng urged Nepal to select the companies among those, which provide quality service, and participate in the bidding process.

Likewise, Chinese side expressed concern over the loss of life and property due to landslide and Sunkoshi River water flood in Sindhupalchowk district while expressing willingness to provide necessary support.

Hon. Minister also expressed his sympathy over the loss of life and property caused by earthquake occurred in Hunan Province, China.

Meanwhile, Chinese Commerce Minister Hucheng

expressed the commitment to provide necessary support regarding the request to make Chinese market loose to Nepal to balance the trade between Nepal-China.

Nepal delegation also held discussion with some of the industrialists so as to promote investment in Nepal while they were in Beijing. During the occasion, Nepalese delegation also informed them about cheap labour and least developed country's facility that can be in favour of the investors in Nepal.

Hon. Minister also met Chairman of the Tibet Autonomous Region People's Congress Parliament Mr. Baima Chilin during his visit.

IECCD Chief Mr. Madhu Marasini, Under Secretary Mr. Lal Bahadur Khatri and Mr. Gajendra Bista, Press Advisor, among others accompanied Hon. Minister during his China visit. The visit was fruitful in promoting the age long friendly relation and bilateral economic trade.

## Foreign Aid Commitment

Total foreign aid commitment for the last fiscal year 2013/14 (2070/71) reached the total of Rs 1,33,445.75 million for the implementation of 40 different development projects/programme. It is observed that grant assistance was higher than that of loan, amounting to Rs 73,057.90 million (54.75%) as grant and Rs 60,387.85 million (45.25%) as loan. Likewise, at the end of August 2014, new foreign aid commitment for the current fiscal year has reached to Rs 325.70 million, which are all grants.

## World Bank Extends ....

the consequences of illnesses associated with poor access to water and sanitation. Beneficiaries will be predominantly from districts having low access to water and sanitation services and higher poverty incidence. The project will help achieve the target of National Rural Water Supply and Sanitation Policies by providing all the access to water supply and sanitation services by 2017.

## Agreement with ADB ...

The total cost of the Project is US \$ 440 million. Of the total cost the Norwegian Grant assistance is US \$ 60 million and European Investment Bank loan is 120 US \$ million.

Government and beneficiary community has to contribute US \$ 68.8 million for the project. The renewable energy portion of the SASEC Power System Expansion project will be implemented by Alternative Energy Promotion Centre (AEPC) and the components of power transmission and distribution network improvement activities are to be carried by Nepal Electricity Authority (NEA).

## Nepal-German ....

Government of Nepal in its efforts to achieve the MDGs and to overcome the LDC status by 2022.

It was also stated in the consultations that new commitments will be decided upon the next bi-annual Government to Government Negotiations which are tentatively scheduled for December 2014.

## Experience Sharing Visit to Timor Leste

Nepal has been one of the pioneering countries for the implementation of Aid Management Platform in the area of aid transparency. Regular publication of development cooperation report, bi-monthly newsletter and public access given through AMP public portal have been some of the approaches of the Government adopted to enhance transparency as well as accountability. So far, officials of the Ministries of Finance from Malawi, Tanzania, Timor Leste and Uganda have visited Nepal to see overall implementation of AMP in Nepal. Recently, 5 officials of the Ministry of Finance went to Timor Leste to share experience from Timor Leste about donor coordination, budget integration, geocoding, public portal and various other aspects of the AMP. The visit was regarded as very useful from the perspective of both the countries to learn from each other. The visit was facilitated by "Developing Capacity for Effective Aid Management and Coordination Project".

## DCP Policy ....

contains interpretation and clarification of those provisions of DCP, where necessary. Along with the clarification of confusion, the Policy Matrix will show the concrete path of effective implementation, to the extent possible.

## ADB 2nd QCPRM .....

The meeting was attended by the secretaries of concerned ministries, Project Directors, senior level government officials and ADB NRM officials.

## 4th Round ....

development challenges by collaborating with other multilateral and bilateral development institutions.

Two days long MCM concentrated on the preparation of draft MoU. After this, a roadmap for the next step was prepared and circulated to the participating countries. During the meeting, it was decided that the 5th MCM will sign the MOU and also decide the headquarter of AIIB. The meeting also invited the prospective founding members to prepare the projects that can be financed by AIIB. It is expected that by signing the MOU, the establishment of AIIB will be announced by the end of October, 2014.