

**Remarks by Hon. Finance Minister Dr. Yuba Raj Khatiwada
in the VC meeting with World Bank Vice President
August 21, 2020**

**Mr. Hartwig Schafer, Vice President, South Asia Region,
Mr. Faris H. Hadad-Zervos, Country Director for Nepal, Maldives and Sri Lanka,
Ms. Lada Strelkova, Operation Manager, the World Bank, and
Secretary and Joint secretary, MOF
Other colleagues from the World Bank, who are joining this meeting.**

1. Thank you all for joining this meeting. It is good to see you all safe despite global health risk due to Corona pandemic. Nepal expresses its solidarity to the world wide efforts made to fight this deadly disease.
2. Nepal appreciates WB for its continued support to Nepal's development in several forms including financial, technical and knowledge support as a lead development partner. It is noteworthy that WB support immediately after COVID as an emergency financial assistance and subsequent disbursement of Energy DPC II remained instrumental for the resource management to deal with pandemic.
3. I would like to thank you Mr. Schafer for your active support in upgrading Country Office in Kathmandu to the sub-regional level with resident Country Director.
4. We have had successful last year in terms of cooperation, as we witnessed a significant increase in the country portfolio, and volume of budget support. It reflects Bank's trust to our national policies, institutions and system. We expect further collaboration to strengthen Public Finance Management system to get better results of the public expenditure and investment.
5. We had a big challenge to institutionalize Fiscal Federalism which we could do it quite smoothly. Sub national governments are functioning well and performing better. WB Fiscal PFM DPC and FCNA remained substantial support in this process.
6. Despite fiscal crunch, the government decided to subscribe the additional share of the World Bank and IFC considering our good rapport and mutual trust. I think it will contribute in enhancing our collaboration.
7. Let me now come to COVID 19 pandemic which has posed a huge toll to the global economy including Nepal. This synchronized deep downturn to both advance and emerging economies mostly in negative trajectory has made recovery mostly uncertain. Countries are under pressure not only from economic reasons but also are struggling with capacity constraints of the health system and short supply of the medicine and logistics.
8. Nepal has provided immediate relief and financial as well as policy incentives and stimulus to the affected sectors. We proactively imposed lock down measure at the initial phase, which obviously supported us from many dimensions.
9. Lockdown has lead to downward revision of targeted output by around 6 percent; business survival particularly of SMEs is a big challenge to us; and tourism sector

has been hard hit. Loss of jobs in informal sector and payroll protection in formal sector is a forefront issue. Trade, service and construction sector have been contracted and revival process is very slow

10. It can leave deeper economic scratches, make the recovery more prolonged, and pose greater challenges to continue social protection to the vulnerable segment and strengthening health care systems.
11. We have applied fiscal and monetary instruments for creating employment, continuation of social protection and liquidity injection as well as credit expansion. Despite the adverse situation; we have been maintaining stability particularly in fiscal, monetary and external sectors. Our financial sector remains sound and stable.
12. Having several headwinds, we could recover to some extent the shortfall in revenue collection in the last moment and maintain our treasury in comfortable position. Overall macro indicators are broadly in a good shape with inflation around 6 percent, current account deficit at less than 2 per cent of GDP and balance of payment surplus of more than 1.6 billion dollars.
13. Budget of this F/Y has emphasized fundamentally on health and economic recovery and announced several schemes to supporting private sector for crowding in additional resources and deferral of immediate liabilities. Understanding the risk of reversal of development achievement, we have made several interventions in in social sector and social protection.
14. We are greatly engaged in containing the spread of virus, resume business activities and achieve the new normal output level. This requires additional resources as well. In this, we are much concerned on the foreign aid landscape during and post COVID scenario.
15. Let me briefly highlight about our portfolio performance: We have a record portfolio performance this year despite of very tough situation. It is good to know that overall performance of World Bank funded project in FY2019/20 has significantly improved with 31.3% disbursement. I have informed that our achievement in FY2019/20 is higher than the initial target of 24% and the Regional average of 16.8%. We have improved the performance of problematic projects / potential problem projects and those numbers are come down. Nepal's active involvement in IDA 19 replenishment process has been very effective which has provided us an opportunity to be visible to the bank management and donor countries.
16. We could be able to sign the following projects last year which demonstrate the level of our cooperation and close collaboration: Youth Employment Transformation Initiative Project (USD 120 Million); Earthquake Housing Reconstruction Project Additional Financing II (USD 200 Million); Nepal Development Policy Financing with CAT DDO (USD 50 Million); Nepal COVID-19 Emergency Response and Health System Preparedness Project (USD 29 Million); Second Programmatic Energy Sector Development Policy Credit (USD 100 Million); and Nepal Strategic Road Connectivity and Trade Improvement

Project (USD 100+200+150 = 450 Million). We used the new product of WB – Scale up Facility in this project for the first time of its kind.

17. Following Pipeline projects are in our priority, and MOF will work together with WB team to conclude at the earliest: Finance for Growth DPC (USD 200 Million); Urban Infrastructure Project (NUGIP) (USD 150 Million); Rural Enterprise and Economic Development (REED) (USD 80 Million); and Sustainable Tourism in Protected Areas (STENPA) (USD 70 Million).
18. We will continue to work on following Pipeline projects on priority basis: Fiscal policy for Growth Resilience and recovery DPC (USD 150 + 100 Million) – Government of Japan is also interested to co-finance in this DPC; Human Capital Project; Developing digital foundation/ basic infrastructure; Provincial and Local Road Project (PLRDP); and Upper Arun Hydro Power Project.
19. Finally, I would like to extend my sincere appreciation to the WB group for continued support in the development endeavor of Nepal. I must acknowledge the contribution of VP Hart, Faris and the World Bank team for their proactive support in this process. I trust that our mutual cooperation and engagement will be further enhanced in your sound leadership. I wish you all the best. Thank you.