



## UK State Minister Called on Hon. Deputy Prime Minister and Finance Minister

UK Minister of State for the Department for International Development (DFID) Mr. Roderick James Nugent Stewart called on Hon. Deputy Prime Minister and Finance Minister Mr. Krishna Bahadur Mahara on 30 August 2016 at his office. This was a courtesy call visit with Hon. FM Mr. Mahara.

Both the ministers exchanged their views in a cordial environment. During the meeting, Hon. FM reiterated the long standing bilateral friendly relationship of two countries and cooperation provided by the Government of United Kingdom. Hon. FM Mr. Mahara expressed a great pleasure to receive the State Minister at his office on the auspicious year of bicentennial celebration of mutual relationship between Nepal and the UK.

During the meeting, Hon'ble FM talked about the priorities of action of incumbent Government mainly as: thoroughly implementation of constitution by holding local, province and central level election, addressing the issues of discontent political parties and groups, completing the remaining task

of earthquake reconstruction and rehabilitation, concluding peace process and getting socio-economic development of the country. In response to this, Hon'ble State Minister Mr. Stewart expressed that the DFID is firmly

committed to support Nepal's priorities going through its national system. He was of opinion that Nepal has a huge potentiality to reach economic prosperity. He [Contd P8](#)



Hon. Finance Minister Mr. Mahara (Right) and UK Minister of State for DFID Mr. Stewart

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## Participation in Eighth SAARC Finance Ministers Meeting



An Inaugural Session of the SAARC Finance Ministerial Meeting

A Nepali delegation led by Hon. Deputy Prime Minister and Minister for Finance Mr. Krishna Bahadur Mahara participated in the 8th SAARC Finance Ministers meeting held in Islamabad, Pakistan on 26th August 2016. The Meeting was inaugurated by the Rt. Hon. Prime Minister of the Islamic Republic of Pakistan, Mian [Contd P5](#)



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Ministry of Finance

**International Economic  
Cooperation Coordination  
Division (IECCD)**

**Singhadurbar, Kathmandu**

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## Message from the Chief Editor



Effective implementation is a key to the success of any project. A project aims to get desired result with the use of specific inputs in stipulated time. If the project does not complete on time, there is always risk of cost overrun and the output/outcome may not be as desired. Further, this delays the development process and people's aspiration may not be fulfilled. A careful implementation, of all phases of project cycle, is, therefore, crucial for the effective project implementation.

Project readiness is the first step to better implementation. Implementing the project without enough preparedness not only affects the overall results, but also causes the time and cost overrun. In the case of foreign aided projects, it seriously hampers the disbursement. Data shows that on an average only 52.18 percent foreign aid has been disbursed against the allocation in past seven years. This has led to extension of almost all the projects. Needless to say, this has been the concerns of all stakeholders including the development partners. In addition to implementation delay, the expenditure is skewed towards the end of fiscal year. The past seven years data shows that nearly 70 percent expenditure is made at the last trimester of the fiscal year. This also reflects the unpreparedness for the project implementation year wise. This is very critical in the case of infrastructure projects. Therefore, project readiness is one measure to address these concerns and better implementation of the projects.

Ministry of Finance is in process to apply the Project Readiness Filter in all new projects starting from this fiscal year. This Filter checks the project readiness at every step of the project cycle and at the stages of financing. This also eases the aid negotiation with the development partners. This also helps to ensure the funding for any project implemented with domestic sources. The stages of this Filter are being finalized with wider consultation among all the stakeholders. The pilot check has been also initiated.

The experience of other countries also suggests that the project runs smoothly when it is ready enough to be implemented. Bangladesh could be one such example in the recent years. With the adoption of Project Readiness Filter, Bangladesh has been able to complete all projects on time, and in some cases earlier than the stipulated time. It has been practice that almost all land is acquired and consultants are mobilized before the finalization of aid. Once the negotiation completes and aid becomes effective, the projects get the momentum from the very first day. One can easily observe how the Bangladesh is transforming by project implementation with enough readiness.

The project readiness, however, is not a new topic. Nepal Portfolio Performance Review held in 2009 suggested to apply the Project Readiness Filter. It had also suggested the stages of Project Readiness. It was a consensus product of Government of Nepal and all the development partners. With simple modification, it can work well to ensure the smooth project implementation and thereby ensures the desired results. Its success depends on the cooperation from all stakeholders. For the overall development through better project implementation, we have to anyway take this initiative.

## Agreement with the Government of Japan

Government of Japan has agreed to provide 1452 million Japanese Yen (approx. Rs. 1505.6 million) and 300 million Japanese Yen (approx. Rs. 303.3 million) grant assistance to the Government of Nepal for the Project for Improvement of Aviation Safety Facilities in Major Airports of Nepal and School Sector Development Program(SSDP), respectively.

Mr. Lok Darshan Regmi, Secretary, Ministry of Finance and His Excellency Mr. Masashi Ogawa, Ambassador of Japan signed the Exchange of Notes today in the Ministry of Finance on behalf of the Government of Nepal and the Government of Japan, respectively. Likewise, Mr. Baikuntha Aryal, Joint Secretary and Chief, International Economic Cooperation Coordination Division, Ministry of Finance and Mr. Jun Sakuma, Chief Representative of JICA Nepal Office signed the grant agreement on 31 August 2016.

Honorable Mr. Krishna Bahadur Mahara, Deputy Prime Minister and Finance Minister, Government of Nepal and Honorable Mr. Nobuo KISHI, State Minister for Foreign Affairs, Government of Japan were also present at the signing ceremony.



From Right: Secretary Mr. Regmi, Hon. Finance Minister Mr. Mahara, Hon. State Minister for Foreign Affairs Mr. KISHI and Japanese Ambassador HE Mr. Ogawa

The project for Improvement of Aviation Safety Facilities in Major Airports of Nepal aims at improving safety navigation and landing through installation of various safety equipments at different domestic airports as well as Tribhuvan International Airport. Similarly, the project supports to strengthen the technical capacity of Civil Aviation Authority and Aviation Training Academy of Nepal. This project helps the flights with precise approach and safety equipment and Contd P6

## UK Government Provided a Grant Assistance for the Skills for Employment Program

The Government of the United Kingdom, Department of International Development (DFID) has agreed to provide a grant assistance of Pound 29.5 million (approximately NRs 4.48 billion) to the Government of Nepal for the implementation of Skills for Employment Program. A Memorandum of Understanding between these two Governments was signed on 28 July 2016 by Baikuntha Aryal, Chief and Joint Secretary, International Economic Cooperation Coordination Division (IECCD), Ministry of Finance and Gail Marzetti, Head of DFID Nepal on behalf of their respective government.

The overall objective of this program is to assist in the recovery efforts to help Nepal "Build Back Better" and to take advantage of the potential economic dividend of a growing working age population by helping to improve the skills of Nepalese people, including women and disadvantaged working groups; and helping them to undertake employment activities either in Nepal or through migration. As underlining principles, this program aims at aligning with the



From Right: IECCD Joint Secretary Mr. Aryal and Head of DFID Nepal Dr. Marzetti

GON's Development Cooperation Policy- 2014 by keeping the program management cost to minimum and ensuring maximum value for money by utilizing a right combination of domestic and international skills in areas where it adds value the most. The program will be implemented mainly under Council for Technical Education and Vocational Training (CETVT).

## Japanese Grant Provided for Human Resource Development Scholarship

The Government of Japan has agreed to provide Rs. 306,018,000 (Japanese Yen 292,000,000) as grant assistance for the implementation of the Project for Human Resource Development Scholarship by Japanese Grant Aid (JDS). Mr. Lok Darshan Regmi, Secretary, Ministry of Finance and Mr. Masashi OGAWA Ambassador of Japan for Nepal signed the Exchange of Notes on 01 July 2016 in the Ministry of Finance on behalf of their respective Governments.

This project aims at enhancing the capacity of the government officials through scholarship programs in Japanese Universities for studying Master Degree in various subjects like economic policy, international relation, industrial development policy and legal and judicial system during the project period of five years. The grant will be utilized for covering the scholarship expenses, airfares and other relevant expenses of the students while living in Japan during their study. The project will be implemented by the Ministry of Finance in coordination with JICA/ JICE and other agencies/ stakeholders.



From Right: Finance Secretary Mr. Regmi and Japanese Ambassador HE Mr. Ogawa

Under this program, 20 government officers will be selected for scholarship every year beginning from 2016 to 2019 and sent to Japan for Masters Degree studies for the subjects as per their specialization. After the completion of the five year's JDS program, Nepal will get highly qualified human capital and mobilize them for the enhancement of the civil service of Nepal.

## Korea Country Partnership Strategy, CPS (2016-2019) Held in Kathmandu

Korea Country Partnership Strategy, CPS (2016-2019) was held in Kathmandu on 9th August, 2016. In the Meeting, Mr. Koh, Young Kul Dy Director of External Cooperation Division, Ministry of Foreign Affairs of Korea led the Korean delegation and Mr. Baikuntha Aryal, Joint Secretary, IECCD Ministry of Finance lead the Nepali delegation. The objective of the meeting was to discuss Country Partnership Strategy (CPS (2016-2019)). The meeting began with a welcome note from

Mr. Baikuntha Aryal. During the welcome remarks Mr. Aryal expressed his views on Country Partnership

Strategy. He mentioned how CPS will address the guiding principles of Aid Effectiveness, ensuring the national system of aid mobilization. In response to the welcome remarks, Mr. Koh, Young Kul, expressed his gratitude on behalf of the Korean Delegation. Representative from National Planning Commission,

Ministry of Health, Ministry of Education, Ministry of Agriculture, Ministry of General Administration and Ministry of Federal Affairs and Local Development were present in the meeting.

The meeting began with a presentation from Nepal by Dr. Narayan Raj Paudel, Program Director from NPC on Country Priority based on three years base document. He highlighted on the development achievements of



A Glimpse of Meeting

13th Plan for 2014-2016 and national priority for the purposed 14th Plan for 2017-2019 as set by base document.

This was followed by a presentation on Draft CPS by Mr. Koh Young Kul. He also highlighted the achievements of the Korean Development Cooperation in Nepal so far and further discussed the area of interest and potentials on development cooperation. The presentation was concluded with comments and feedbacks **Contd P6**

## Green Climate Fund Readiness Meeting

The first Project Executive Board (PEB) meeting of the Green Climate Fund (GCF) Readiness Programme was held on Thursday, 14th July 2016 at the Subarna Hall of MoF. The meeting was chaired by Mr Yug Raj Pandey, Under Secretary of the Ministry of Finance/International Cooperation Coordination Division and the National Project Director of the GCF Readiness Programme. The Project Executive Board comprises of representatives from the Ministry of Population and Environment, the National Planning Commission, Ministry of Forest & Soil Conservation and Ministry of Agriculture Development along with representatives from the technical partners United Nations Development Programme and United Nations Environment Programme. The office the GCF Readiness Programme has been established in the Ministry of Finance.

The Board meeting served as an introductory meeting for all the members about the Green Climate Fund and the Readiness Programme implemented by the Ministry of Finance, the National Designated Authority (NDA) for Nepal for the Fund with technical support from UNDP and UNEP. The meeting also approved the annual and quarterly activities and budget of the Readiness Programme for 2016.

In his closing remarks, the Chair highlighted the need for the GCF-Readiness Programme team to speed-up the activities to meet the ambitious targets for the year and also extended sincere appreciation to the members of the board for their active participation.

## Participation in Eighth ....

Muhammad Nawaz Sharif.

The working session of the meeting was opened by the Hon. Deputy Prime Minister and Minister for Finance Mr. Mahara in his capacity as the current Chairperson. He gave very brief overview of the agenda of the meeting and underscored the importance of such meeting in enhancing and strengthening the regional economic and financial cooperation. Hon. Senator Mohammad Ishaq Dar, Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization, Government of Pakistan was unanimously elected as Chairperson and Chair of the Meeting.

The Finance Ministers and head of delegates made statements on cooperation in economic and financial sector among the SAARC Member States. In their statements, the Finance Ministers and head of delegates emphasized the need for accelerating the process towards SAEU in a phased and planned manner by ensuring implementation of decisions made by the Member States at various SAARC mechanisms in order to realize the goals of SAARC Charter as mentioned in the Declaration of 18th SAARC Summit. They further emphasized on promoting the welfare of the people of South Asia and to accelerate economic growth, social progress and cultural development in the region, heightening regional trade through full and expeditious implementation of South Asian Free Trade Agreement (SAFTA).

The meeting, reviewing the progress in the implementation of the recommendations of the Seventh meeting of SAARC Finance Ministers, emphasised the

urgency of making progress in bringing down tariffs, eliminate NTBs/PTBs, reduce sensitive lists to enhanced intra-regional trade under SAFTA, operationalize the SATIS without further delay by finalizing the schedules of specific commitments. Early finalisation of the text of the SAARC Agreement on Promotion and Protection of Investments, initiation for widening the scope of SAARC Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters were also highlighted in the meeting. The meeting opined that early operationalization of Economic and Infrastructure windows of SAARC Development Fund (SDF) could enhance intra-regional investments and bridge the large infrastructure financing gap in the region.

The meeting also adopted the report of the Eighth SAARC Finance Secretaries Meeting held on 25 August 2016, Islamabad, which had considered and approved various reports, including the report of the 8th Meeting of Inter-Governmental Expert Group on Financial Issues, report of the SAARC-ADB Special Second Meeting of Representative of Ministry of Commerce and Finance to Prioritise Recommendations of Regional Economic Integration Study (Phase-II) held in Male, Maldives on 27-28 January 2016. The meeting urged to finalize amending protocol related to avoidance of double taxation and early completion of internal process of Member States for its implementation. Similarly, Mr. Baikuntha Aryal, Joint Secretary, Ministry of Finance led the Nepali delegation in the 8th SAARC Finance Secretaries' Meeting.

Finance Ministers and high level delegates **Contd P8**

# Portfolio Review Meeting of USAID-Funded Projects Held

The second portfolio review meeting on USAID-funded projects, under the Assistance Agreement signed between the Government of Nepal (GoN) and the U.S. Agency for International Development (USAID) on 23 September 2014, was held on August 22, 2016 at the Ministry of Finance. The meeting was chaired by Mr. Baikuntha Aryal, Joint Secretary and Chief of IECCD, Ministry of Finance, and co-chaired by Mr. Peter A. Malnak, Mission Director, USAID/Nepal. The objective of the review meeting was to ensure proper accountability and development planning between the GoN and USAID.

The meeting began with welcome remarks by Mr. Aryal during which he recalled that the United States is one of the first countries to provide development assistance to Nepal. The U.S. Government/GoN partnership

spans more than 65 years, with USAID engaging with the GoN to achieve key development results in Nepal. U.S. assistance to Nepal was instrumental in increasing



A Glimpse of Meeting

literacy, improving agriculture productivity, improving health and hygiene, and eradicating malaria. Co-chair Mr. Malnak also highlighted the engagement of the United States of

America on development efforts in Nepal and its achievements to date.

Mr. Malnak then introduced the overall purpose and agenda for USAID's presentation and the USAID team presented sector issues focusing on democracy and governance; social, environmental, and economic development; health and education; and disaster risk reduction, reconstruction, and resilience. **Contd P8**

## Korea Country Partnership ....

from representatives of various sector ministries.

On the basis of the issues discussed in the meeting and the achievements of past three years plan, the Korean team was requested to incorporate all the feedbacks, comments and update statistics and provide the final draft of the CPS document to the Government of Nepal.

The meeting was concluded with concluding remarks from Mr. Baikuntha Aryal and Mr. Koh Young Kul.

During the concluding remarks Mr. Aryal on behalf of Government of Nepal, expressed appreciation for continued support of Korean people and Government in Nepal's economic and social development endeavor and inspiring the day to day life of Nepalese people to come up and work together to build a modern and prosperous Nepal. He also expressed that this consultation meeting will strengthen our bilateral relations and open up future possibilities of mutual cooperation in the days to come.

## Agreement with ....

enhances the usability of the airports in Nepal.

The School Sector Development Program (SSDP) is a continuation of School Sector Reform Program (SSRP). While SSRP was more focusing on the quantity, the SSDP focuses on the quality. This program supports the comprehensive interventions in improving quality in basic education and expands the coverage of quality secondary education. The program ensures the new school construction meeting all disaster risk resilience standards. Further, building on SSRP experiences, this

program will be implemented in more harmonized and coordinated way through Joint Financing Arrangement among other Development Partners.

Ministry of Culture, Tourism and Civil Aviation will be the executing agency and the Civil Aviation Authority of Nepal (CAAN) will be responsible for the implementation of the Project in Improving the Aviation Safety Facilities. Likewise, the Ministry of Education will be the executing agency and the Department of Education (DOE) will implement the SSDP.

## Exposure Visit to Bangladesh

Asian Development Bank, Nepal Residence Mission organized an exposure visit to Bangladesh for high level officials of the Government of Nepal. The aim of this visit was to study the key elements and best practices behind achieving and sustaining economic growth at more than six percent per annum in the past decade. A Nepali delegation led by Mr. Baikuntha Aryal, Joint Secretary, Ministry of Finance including Joint Secretaries from Ministry of Finance, Ministry of Physical Infrastructure and Transport and Ministry of Energy visited Bangladesh on 31 July to 3 August 2016. The delegation met with the senior officials of the People's Republic of Bangladesh and discussed public sector investments including project readiness, portfolio management, public private partnership and private sector investment including foreign direct investment. The delegate also visited ADB funded regional connectivity strategic road and power projects sites.

Senior Secretary Mr. M. Mejbahuddin of the External Relation Division of Ministry of Finance highlighted consistent annual economic growth rate of over 6% in the past decade and reaching the lower middle income country status with \$1,466 per capita income in 2015. He stressed the importance of efficient public investments particularly of infrastructure that led to an increase in development expenditure by 15-20% and annual commitment of foreign aid from \$3-4 billion to \$7 billion and disbursement from \$2-2.5 billion to \$3.5 billion per annum. He indicated the clear and long-term vision and sector investment plans with commitment to reforms, high readiness of projects, strong portfolio management systems, annual performance target setting and agreements with ministries, strong monitoring and enforcement mechanisms including a high level (PM-led) monitoring committee (held bi-monthly) for fast track projects and adoption of 100% e-Government Procurement as the main contributors of Bangladesh success story.

The delegate visited ADB's Bangladesh Resident Mission (BRM) and met Country Director Mr. K. Higuchi and his team and discussed on portfolio performance, application of project readiness criteria and Government – ADB collaboration to solve procurement and disbursement and contract management issues. BRM achieved contract award and disbursement ratios of 17-18% and 19-20%, respectively, exceeding the annual targets during 2013–2015. Higher readiness –for design ready and procurement ready (8 in 10 approved projects in 2015 and 7 of 11 in 2016 were rated to have high project readiness); Government approvals for PPP are obtained before loan negotiation, monthly review and facilitation of problem solving by sector, project, and component and

contract levels; and land acquisition and compensation distribution mechanism through NGOs are some of the good practices that Nepal can consider.

The delegates also met with CEO and management team of Dhaka WASA and were briefed about how Dhaka WASA became successful to change the mindset, ensure transparency and accountability, establish cost-effective management, customer service excellence and carried out institutional reforms and build capacity and achieved the world-class performance in key indicators. The discussion was instrumental to reconfirm how the dynamic leadership and competent middle managers supported by political leaders could make meaningful changes to happen. The delegates also visited Sattola slum and saw the water supply facilities to the Low Income Communities (LIC). Kathanamdu Upatyaka Khanepani Limited could learn from the success of Dhaka WASA.

The delegation met with Secretary of Power Division and heads of all the related agencies (generation and trading, transmission, and distribution), and was impressed by rapid increase of power generation capacity, from 5,800MW in 2009 to 12,700MW now, and envisaging 24,000MW by 2022, and high competency of managerial staff. The process of Power Development Board (PDB) spinning off transmission and distribution companies was found instrumental for Nepal. Bangladesh side emphasized the need for diversification including imports from India and Bhutan, and showed keen interest to import power from Nepal. Both sides agreed for closer collaboration for possible power exchange and learning lessons of the sector reform. The delegation visited the project site of SASEC Roads Connectivity Project (costing \$410M), and also met with the executing agencies.

Delegates also met with the officials of PPP Authority and Investment Board. As of now, Bangladesh PPP Authority has approved 44 projects (worth \$14 billion) –excluding power projects; of them, contracts signed with 7 projects (\$1.5 billion), procurement completed for 12 projects (\$1 billion), and 10 Projects (\$5 billion) are at different development phase. By 2015, FDI inflows to Bangladesh reached \$2.23 billion from \$0.9 billion in 2010. Strong macroeconomic indicators over the sustained period have created the enabling environment for FDI inflows in Bangladesh. Responsive leadership, simplified and fast track procurement process, competitive wage rates, availability of large work force (2 million young workers added every year), and increased trade integration and urbanization process are the drivers of FDIs.

## Foreign Aid Commitment

As of August 2016 of the current FY (2016/17), the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 31,101.14 million as grant 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 had reached the total of Rs. 31,797.1 million (Rs. 30,000 million as grant and Rs. 1,797.11 million as loan).

## Portfolio Review ....

The GoN's programmatic review of USAID's health, agriculture, and education sectors were presented by representatives of the respective GoN ministries. The Ministry of Finance then discussed the overall engagement of USAID in Nepal, current portfolio status, challenges, administrative issues, and proposed ways forward for further improvement.

Towards the end of the meeting, co-chair Mr. Malnak highlighted the fact that discussing such issues helps us to reach a common understanding on development cooperation and to plan ahead to build stronger portfolios. He also agreed to conduct such meetings biannually as proposed by the GoN. The meeting was concluded with closing remarks from Mr. Aryal where he encouraged the sector ministries to expedite the government processes to ensure timely implementation of projects without time and cost overrun. This will help us receive additional assistance from the U.S. Government based on performance. Finally, he expressed his gratitude towards the U.S. Government on behalf of the GoN.

## Participation in ....

from Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka participated in the meeting. The meeting unanimously agreed Afghanistan's proposal to hold next SAARC Finance Ministers' Meeting in 2017 in Afghanistan.

The Fifth meeting of Governing Council of SAARC Development Fund was also held in Islamabad after closing of 8th SAARC Finance Ministers Meeting. The Governing Council reviewed the progress and emphasised on effective implementation of Social Window and early operationalization of Economic and Infrastructure windows of SAARC Development Fund.

## Discussion Program Organized for IECCD Officials

A two days discussion program was organized for IECCD officials to discuss on the work allocation and revision of SoP at Dhulikhel on 08-09 July 2016. The program was initiated with the opening remarks from Joint Secretary Mr. Baikuntha Aryal of IECCD/MoF. A brief presentation was made by Under Secretary Mr. LB Khatri on the existing work allocation mechanism of the IECCD, challenges and opportunities of the current practice among others. Participants provided their valuable feedbacks on the current work allocation approach and the discussion suggested to the adoption of the current approach with some reforms. On the same occasion, a thorough discussion was held on the revision of IECCD SoP. Sufficient ground work was done for both the topics before initiating the program. This discussion program was facilitated by Effective Development Financing and Coordination Project in the Ministry of Finance being supported by UNDP/DFID.

## UK State Minister ....

mentioned the possibility of future support from UK Government in hydropower sector, governance and capacity development of human resources seeking foreign employment and permit system. Hon'ble Minister Stewart has also shown his deep concern over the development stagnation of Nepal since 1961 though it has a great potential within the country.

Hon'ble State Minister was accompanied with Mr Richard Morris, Her Majesty's Ambassador to the Federal Democratic Republic of Nepal and Dr. Gail Marzetti, DFID Head for Nepal.

Prior to this cordial meeting, Mr. Richard Morris, Her Majesty's Ambassador to the Federal Democratic Republic of Nepal and Dr. Gail Marzetti, DFID Head for Nepal had a courtesy call with Hon'ble Deputy Prime Minister and Finance Minister Mr. Mahara at his office on 29 August 2016.