



## Fifth Bilateral Review Meeting on Lines of Credit Extended by India to Nepal

The 5<sup>th</sup> Bilateral LOC Review Meeting between Nepal and India was held on 21 February 2017 in Kathmandu. Mr. Baikuntha Aryal, Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance, Government of Nepal led the Nepal delegation and Mr. Ajit Gupte, Joint Secretary (DPA-I), Ministry of External Affairs, Government of India led the Indian delegation to the Review Meeting.



A Glimpse of Meeting (Rt. Side Nepali Delegates and Lt. Side Indian Delegates)

Mr. Baikuntha Aryal, Joint Secretary extended a warm welcome to the Indian delegation. He said that the review meetings have been very useful in monitoring the implementation of LOC projects and bridging the gap on procedural issues. Mr. Aryal stated that good progress has been made in projects allocated under the LOC-I and LOC-II. Under LOC-III, the GoI approval for DPRs for 17 roads and one Mahakali Bridge has been received on 19 February 2017. He further stated that Government of Nepal is fully committed to successful implementation of the

projects funded under GoI LOCs.

Mr. Ajit Gupte, Joint Secretary stated that Lines of Credit have emerged as a major component of development partnership between the two countries. He also stated that the Bilateral LOC Review Meetings are the useful mechanisms for clarifying and settling pending issues. He stated that the pace of implementation of the road projects could be improved to complete these within the approved costs and time. He also emphasized the need to [Contd P6](#)

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## KOICA Vice President called on Hon. DPM and FM



From Right: IECCD Joint Secretary Mr. Aryal, Hon. DPM and Finance Minister, Vice President KOICA Mr. Choi, Country Director of KOICA Dr. Kim

Mr. Sung Ho Choi, Vice President of Korean International Cooperation Agency (KOICA) paid a courtesy [Contd P5](#)



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## Message from the Chief Editor



The Government of Nepal is the signatory of the Commitment of Global Aid Effectiveness Agenda including the High Level Forums from Paris to Nairobi. In a bid to maintain the updated record of international development cooperation in the country, the Aid Management Platform (AMP) is in operation in the Ministry of Finance. Nepal is one of 27 countries to have the AMP, which is the official online database of aid-funded projects and programs in Nepal. It is rolled out to all government agencies, development partners and INGOs. In addition, the public portal access is available since 2013, where the stakeholders can view the aid data and generate required reports. The system captures both on budget and off budget projects. The official from International Economic Cooperation Coordination Division (IECCD) are responsible for data entry related to on-budget projects whereas the development partners and INGOs enter the data for off-budget projects. The development partners and INGOs are also responsible for disbursement reporting.

The Development Cooperation Policy 2014 and the 14th Plan also envisage on the mandatory provision of timely and updated reporting development cooperation in the AMP. From 2015 onward, AMP has also configured the feature of post-earthquake reconstruction. This has enabled the availability of information on the post-earthquake reconstruction as well. Therefore, AMP is regarded as a key component of aid transparency and coordination efforts in Nepal. It contributes to better development planning by providing up-to-date information on aid activities in the country. It is used for better integration of aid into the national budget, for tracking the key aid effectiveness indicators, and for better coordination of DPs' interventions and avoiding duplication of efforts.

While the DPs report on trimester basis, the Government agencies report only the feature of project progress including key achievements, implementation issues and efforts made to address the problems. The Ministry of Finance uses the data from AMP to publish Development Cooperation Report every year. This Report provides analytical information about the use of aid in the country including the INGO contribution. The Report helps governmental policy makers, line ministries, the private sector, the general public as well as development partners to understand the overall aid scenario in the country. In addition, the AMP data has also been helpful in facilitating the First and the Second Round of Global Partnership for Development Cooperation.

As the AMP also provides the feature of planned disbursement of development cooperation for the next three years, this will be crucial for estimating the budget ceiling on the aid portion in the coming years. This feature is currently found to have been not well reported in the AMP. Similarly, it has not been possible to find timely data in the AMP due to delayed reporting of the aid disbursement. The Ministry of Finance is in the process of making the AMP portal more user-friendly so that all interested stakeholders can view and use the data on development cooperation. In order to make the AMP data transparent, useful in the decision making and accessible to the public, all development partners are required to report all project information in the AMP on scheduled time. The government agencies are also required to update the progresses on time. The desk officers in the IECCD of Ministry of Finance should validate the entry time to time. This way only the purpose of AMP will be fulfilled, which can contribute to the agenda of aid effectiveness. I wish to appreciate all AMP focal points for their dedication towards achieving our common goal of aid effectiveness and transparency.

Thank you!

## Agreement with the Government of Japan

The Government of Japan, Japan International Cooperation Agency (JICA), has agreed to extend 4813 million Japanese Yen (approx. Rs. 4539 million) grant assistance to the Government of Nepal for the Project for Improvement of Water Supply in Pokhara under the grant assistance scheme in Japan's Fiscal Year 2016.

The project aims to improve water supply services in Pokhara Sub-Metropolitan city and to increase revenue of Nepal Water Supply

Corporation through the construction of water treatment facilities, improvement of distribution systems including reservoirs, and procuring customer meters, thereby contributing to the improvement of livelihood of residence of Pokhara Sub-Metropolitan City.

Ministry of Water Supply and Sanitation will be the counterpart ministry and Nepal Water Supply

Corporation will be responsible to implement this project. The project, which will have the capacity to filter 40.2 million liter of water every day, is expected to be completed by December 2022. After the completion of the project, it is expected that more than 405000 people will be directly benefited from this project.



From Right: IECCD Joint Secretary Mr. Aryal, Finance Secretary Mr. Subedi, Japanese Ambassador H.E. Mr. Ogawa and Chief Representative of JICA Mr. Sakuma

Shanta Raj Subedi, Secretary, Ministry of Finance and His Excellency Masashi Ogawa, Ambassador of Japan to Nepal signed the Exchange

of Notes in the Ministry of Finance on behalf of the Government of Nepal and the Government of Japan, respectively. Likewise, Baikuntha Aryal, Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance and Jun Sakuma, Chief Representative of JICA Office Nepal signed the grant agreement.

## Tripartite Portfolio Review Meeting

The first Tripartite Portfolio Review Meeting was held on 26-27 February 2017 at Hotel Annapurna, Kathmandu Jointly Chaired by Mr. Shanta Raj Subedi, Secretary Ministry of Finance and Mr. Diwesh Sharan, Deputy Director General ADB/SARD. The TPRM were attended 233 participants. Finance Secretary

Mr. Subedi thanked line ministries, project team for remarkable financial achievement in 2016, which is a high level achievement in the ADB operation history in Nepal. He highlighted that there is much effort required to improve disbursement progress. He also outlined the generic issues that impede project implementation progress like frequent transfer of staffs, lengthy and complex procurement process, weak project capacity

of management, weak financial management etc.

Deputy Director, Mr. Sharan also appreciated strong effort of IA/EAs to improve performance and acknowledged good financial achievement against the agreed targets of 2016.



Finance Secretary Addressing the Meeting

Joint Secretary and Chief of IECCD Mr. Baikuntha Aryal thanked ADB for its long lasting partnership in Nepal and urged all project directors to fully comply with their own agreed actions and to continue focus to resolve implementation

issues and expedite progress.

Country Director of ADB, Mr. Kenichi Yokoyama emphasized the need for collective efforts **Contd P6**

# The World Bank has Agreed to Provide Loan Assistance

The World Bank has agreed to provide US\$ 150 million Loan Assistance equivalent to NRs 16.371 billion for Strengthening Systems for Social Protection and Civil Registration Project. An agreement to this effect was signed and exchanged at the Ministry of Finance.

The Strengthening Systems for Social Protection and Civil Registration Project supports the expansion of coverage of the civil registration and Social Security Allowances (SSA) Programs by establishing a national population register of individuals and household/family folders. For modernizing social security delivery systems, this project supports the e-payments for the delivery of SSA. This project supports in conducting nationwide information and outreach campaigns to support data collection and promotion of regular registration of vital events. Further, it helps support institutional capacity of Ministry of Federal Affairs and Local Development (MoFALD) and the Department of Civil Registration (DoCR). MoFALD and DoCR are executing and implementing agencies respectively for this project.

Mr. Shanta Raj Subedi, Secretary, Ministry of Finance



From Right: Finance Secretary Mr. Subedi and WB Country Manager Mr. Kamata

and Mr. Takuya Kamata, Country Manager, the World Bank, signed the Loan Agreement on behalf of the Government of Nepal and the World Bank, respectively.

## Swiss Agreement for Motorable Local Roads Bridge Programme (MLRBP), Phase III

The Government of Switzerland has agreed to contribute a total of CHF 9.9 million (Equivalent approximately NPR. 1 billion) to the Government of Nepal for accelerating the construction of bridges and facilitate improved access through Motorable Local Road Bridge Programme (MLRBP), Phase III. The proposed phase will further build on the confidence of the GoN on the Swiss technical support and strictly follow the national labour standards during the construction works. The proposed phase is considered to be an expansion phase of 3.5 years from March 2017 to July 2020.

The third phase is expected to benefit a total of 4 million people across the country through their improved access to services, markets and employment. MoFALD and DoLIDAR are executing and implementing agencies, respectively, for this project.

The Agreements to this effect were signed and exchanged between Dr. Baikuntha Aryal, Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance and H.E. Dr. Jorg Giovanni Frieden, Ambassador, the Embassy of Switzerland in Nepal on behalf of their respective governments on 26<sup>th</sup> January 2017.

## Nepal-World Bank Negotiations

Negotiations between the delegation of the Government of Nepal and the delegation of the International Development Association (IDA) were held on February

15, 2017 at the World Bank's office in Kathmandu. As the World Bank has proposed to support US \$ 185 million equivalent to support the School **Contd P6**

## Agreement with the Asian Development Bank

Asian Development Bank (ADB), has agreed to provide 206.8 million US \$ (approx. NRs. 22.4 billion) assistance for SASEC Power System Expansion Project and SASEC Road Improvement Project. Out of this assistance, USD 20 million will be used for power system expansion project as grant assistance and US \$186.8 million will be utilized for Road Improvement project as loan assistance.

The objective of SASEC Power System Expansion Project is to increase capacity of the national power grid and enhance renewable energy development. It will further support in generating additional energy by developing solar systems and promoting green energy thereby to attain ecological balance. The grant assistance will be used for providing viability gap fund under NEA's PPA with private entities generating energy from solar power. This grant assistance will also support for capacity building of NEA. The project will be completed in 2022.

Likewise, the objective of SASEC Road Improvement Project is to improve transport efficiency and safety by rehabilitating and upgrading Narayanghat- Butwal road corridor (about 115 km) along the East West Highway, Bhairahawa Lumbini Taulihawa road corridor (about 45 km) and establishing a road accident



From Right: Finance Secretary Mr. Subedi and ADB Country Director Mr. Yokoyama

emergency response system. The project is expected to support trade facilitation among SAARC countries and to promote tourism of Lumbini. The project will be completed in 2022.

Mr. Shantaraj Subedi, Secretary, Ministry of Finance and Mr. Kenichi Yokoyama, Country Director, ADB Nepal Resident Mission signed the agreements on behalf of GON and ADB, respectively.

## KOICA Vice President ....

call with Hon. DPM and Finance Minister on 18<sup>th</sup> of January 2017 at latter's office in Ministry of Finance. During the meeting, Hon. Finance Minister expressed his satisfaction to welcome him in Nepal and at the Ministry of Finance and also extended his gratitude, on behalf of the GON to the Government of Korea especially KOICA for its generous support in various field including Post earthquake rescue, relief and recovery. Hon. Minister also welcomed to Korean initiative to support in Lumbini, birthplace of Lord Buddha.

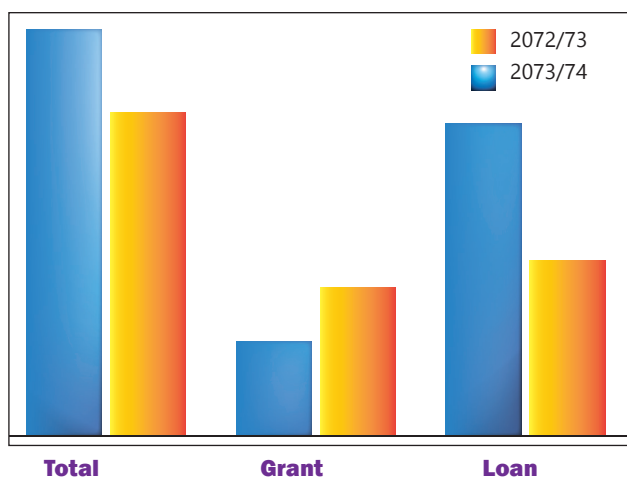
Meanwhile, Vice President Mr. Sung also thanked to Hon. Minister for providing his precious time for this meeting. He explained that GoK is ready to support Nepal in the field of education, health, rural development etc. under Country Partnership Strategy

(CPS). He also admitted that after his visit to Lumbini, he would explore the other possibilities to support for the development of Lumbini at large. During the meeting, both sides discussed extensively over the issues of bilateral relations and mutual cooperation. Dr. Baikuntha Aryal, Joint Secretary, International Economic Cooperation Coordination Division (IECCD) Mr. Punya Prasad Regmi, Chief Economic Advisor of the Ministry of Finance, Dr. Hyungkyoo KIM, Country Director of KOICA Nepal Office as well as officials from IECCD and KOICA Nepal Office were also present during the meeting.

Vice President of KOICA visited Nepal from 17-23 January 2017 to oversee the status of Korean funded project in Nepal.

## Foreign Aid Commitment

As of February 2017 of the current FY (2016/17), the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 196.11 billion (Rs. 45.61 billion as grant and Rs. 150.5 billion 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 had reached the total of Rs. 156.18 billion (Rs. 71.39 billion as grant and Rs. 84.79 billion as loan).



## Tripartite Portfolio ....

by all to continue building on momentum of outstanding results of 2016. He reiterated the importance of strong leadership for project management to achieve the best performance.

Next TPRM will be held in May 2017 to review performance and agreed actions to expedite project implementation and improve overall portfolio performance in 2017.

## Fifth Bilateral ....

expedite the delayed Rahughat HEP project covered under LOC-I & II. He referred to the approval for 16 Road Projects (including Mahakali Bridge) conveyed recently to GoN and requested for early finalization of tender documents for these projects.

As GoN has now provided revised Legal Opinion, both sides noted that the Reconstruction LOC for US\$ 750 million is ready for operationalization. National Reconstruction Authority (NRA) is coordinating with the relevant GoN agencies to finalize the list of projects to be covered under this LOC and the list will also be shared with GoI through the Ministry of Finance. Considering the fact that the GoI LOC process is new for reconstruction agencies, GoN has requested Exim Bank of India to conduct familiarization programs for LOCs for the officials of NRA and other concerned agencies in Kathmandu / New Delhi.

It was decided that the next LOC Review Meeting will be held in August 2017 at New Delhi. The discussions were held and concluded in a cordial, friendly and constructive atmosphere.

## Nepal-World Bank ....

Sector Development Program (SSDP), the negotiations were centered on the different procedures of this support. During the negotiations, there were huge discussions on various aspects like SDR Amount, Commitment Charge Rate, Payment Dates, Condition of Effectiveness, Disbursement Linked Results and many other relevant issues. The delegation also reviewed and agreed on (1) Program Appraisal Document (PAD), (2) Financing Agreement, (3) Disbursement Letter, (4) Program Action Plan and (5) DLI Verification Protocol. On behalf of the Government of Nepal Mr. Baikuntha Aryal, Joint Secretary and Chief, International Economic Cooperation Coordination Division, Ministry of Finance and on behalf of the International Development Association Mr. Dilip Parajuli, Senior Economist and Task Team Leader for South Asia Region signed and confirmed the acceptance of Agreed Minutes of Negotiations.