



## Nepal Delegates Participated in the Belt and Road Forum for International Cooperation

Nepal delegates led by the then Hon. DPM and Finance Minister Krishna Bahadur Mahara attended the Belt and Road Forum (BRF) for International Cooperation from 14-15 May 2017 in Beijing, China. The Forum was attended by representatives of more than 130 countries including the Heads of State of about 30 countries. The delegation was comprised of the then Hon. DPM and Finance Minister Mahara, the then Hon. Minister for Physical Infrastructure and Transport, Ramesh Lekhak, the then Hon. Minister for Information and Communication, Surendra Kumar Karki, Joint Secretaries from Ministry of Foreign Affairs, Ministry of Commerce, Ministry of Industry and Officials from Ministry of Finance. H.E. Ambassador, Leela Mani Paudyal, Embassy of Nepal in China was also a member of the Nepal delegation. During the meeting with H.E. Wang Yang, Vice Premier of the People's Republic of China, the then Hon. DPM and Finance Minister Mahara briefed that Nepal has been consistently supporting the initiative taken by His Excellency President Xi Jinping to realize the development



From Left: the then Hon. Deputy PM and Finance Minister Mr. Mahara and H.E. Vice Premier of PRC, H.E. Mr. Wang prospects of the region through the Belt and Road initiative and informed that Nepal has signed the MoU on "Belt and Road Initiative".

It was discussed that with the signing of the MoU, cooperation under the B & R would focus on improved infrastructure, better connectivity, and better **Contd P4**

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## Second Annual Meeting of AIIB Held



Nepal delegates led by Hon. Finance Minister Gyanendra Bahadur Karki attended the 2nd Asian Infrastructure Investment Bank's Annual Meeting of the Board of Governors in Jeju, Republic of Korea, on June 16-18, 2017. The meeting was attended by 45 regional and 32 non-regional member states. The delegates comprised of Hon. Finance Minister, Mr. Gyanendra Bahadur **Contd P7**



Government of Nepal  
Ministry of Finance

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

**Singhadurbar, Kathmandu**

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## Message from the Chief Editor



The budget for FY 2017/18 has been approved by the Legislature-Parliament. As the budget was approved before the FY 2016/17 came to an end, this helps to expedite the budget implementation from the first day of the Fiscal Year. Because the budget aims to transfer Rs. 225 billion to the State and Local governments, the size of the budget has increased by 21.9 percent over the previous year's budget. Further, the budget also provisions Rs. 145 billion to the reconstruction activities to be mobilized through National Reconstruction Authority. With

the successful implementation of the budget, it is expected that the overall economy will grow by 7.2 percent this year.

Implementation capacity has always been a challenge in Nepal's budget execution. Learning lessons from the past, through this budget major changes have been proposed. The systems of Authorization to spend and Program Approvals from National Planning Commission have been scrapped. Instead, we prepared the program activities prior to the budget submission to the Parliament. The programs identified in the Line Ministry Budgetary Information System (LMBIS) of Ministry of Finance are the approved programs for implementation in this year. Further the budget has strict timelines for overall procurement process such that the construction works start within the first trimester. We strongly believe that this will help to expedite the budget execution in this fiscal year.

As the local governments are already in place, the budget has transferred the resources for the activities to be carried out in the local level as per the Constitution. The associated projects and programs are also transferred to the relevant local government. Altogether 17.6 percent of the total budget has been transferred to the local and state governments. This is a breakthrough in Constitution Implementation. With this shift, local bodies will not have to rely on the Ministry of Federal Affairs and Local Development to receive block grants. The funds transferred to the local governments as per supplementary budget book (dedicated to sub national governments) should be deposited in the local treasury account which may be in a commercial bank.

The local level governments will also have ample opportunities to generate their own resources, and plan and implement various development activities themselves in response to local needs. In addition, the local people will not have to travel to the centre for everything. From this fiscal year, each village council will receive a fiscal equalization grant based on population, development status, cost of service delivery and geographical area. In addition to these grants, each local level government will be entitled to a conditional grant ranging from Rs 12 million to Rs 783.9 million. It is truly said that the power of Singh Durbar is being delivered to the local level, which helps in enhanced service delivery.

However, in the context of foreign aid mobilization, the Constitution of Nepal has vested the responsibilities with the centre and not the local levels. Local level governments are not mandated to deal directly with development partners to request or accept foreign assistance. Based on current legislation, the Ministry of Finance will continue to act as a focal point for all aid mobilization matters. The development partners will have to channel their assistance through this Ministry and not entertain direct requests from the local level governments. The Ministry of Finance has yet to frame further guidelines about aid mobilization at the local level. In this context, the current Development Cooperation Policy is being reviewed and a study on Aid Mobilization in the Federal Context is being carried out by the Ministry. Moreover, the long awaited Fiscal Commission is yet to be formed. From the perspective of planning and implementation of development activities through the local level governments, the centre may be in a position to be selective in managing development cooperation only for the mega projects in the days to come. We are hopeful that all development partners do comply with the existing practice of aid mobilization in the country and that the line ministries and the local levels also duly follow this practice in the coming days. Thank You !

# Asian Development Bank's 50th Annual Meeting of the Board of Governors

Asian Development Bank's (ADB) 50th Annual Meeting of the Board of Governors was held from 4 to 7 May 2017 in Yokohama, Japan. The theme of the meeting was "Building Together the Prosperity of Asia". Nepali delegation led by the then Hon. Deputy Prime Minister and Finance Minister Krishna Bahadur Mahara including Finance Secretary, Joint Secretary and Under Secretary of the Ministry of Finance attended

the meeting. The ADB Annual Meetings provided opportunities for member governments to interact with ADB staff, non-government organizations (NGOs), media, and representatives of observer countries, international organizations, academia and the private sector.

Governor for Nepal in the ADB, the then Hon. Deputy

Prime Minister and Finance Minister Mahara, noted ADB's five-decade long contribution in the socio-economic development of Asia and the Pacific Region. ADB's support has been instrumental in combatting

poverty, enhancing inclusive economic growth and overall socio-economic development of Asia and the Pacific. He highlighted the current economic situation of Nepal. He stated that Nepalese economy

has shown positive trends. The growth rate has been estimated to be 6.9 percent, which is the highest in the past two and half decades. The post earthquake reconstruction activities have gained momentum and all construction works will be completed on time. He highlighted the enormous potential for development in Nepal. He stated that Nepal has huge hydropower potential yet to be harvested. He urged **Contd P8**



## Agreement with the World Bank

International Development Association (IDA) has agreed to provide USD 185 million loan equivalent to approx. NRs 19.05 billion for the implementation of the School Sector Development Program (SSDP). A Financing Agreement to this effect was signed and exchanged at the Ministry of Finance.

The SSDP is a continuation of the School Sector Reform Program (SSRP). The objective of the program is to improve the quality, equitable access and efficiency of basic and secondary education in Nepal. The program focuses on specific SSDP outcomes during FY 2016/17-FY2020/21 in main result areas; Improved Teaching-Learning and Student Learning Outcomes, Improved Equitable Access to Basic and Secondary Education and Strengthened Education System, Sector Planning, Management and Governance. Further, building on SSRP experiences, this program will be implemented in a more harmonized and coordinated way through Joint Financing Arrangement with other Development Partners as well. The SSDP will be implemented by the Department of Education.



From Right: Finance Secretary Dr. Subedi and World Bank Country Manager Mr. Kamata

Dr. Shanta Raj Subedi, Secretary, Ministry of Finance and Mr. Takuya Kamata, Country Manager, the World Bank, signed the Loan Agreement on behalf of the Government of Nepal and World Bank, respectively.

# Government of Germany has Agreed to Provide Grant Assistance

Secretary Dr. Shanta Raj Subedi at the Ministry of Finance and German Ambassador H.E Mr. Matthias Meyer signed a financial cooperation agreement of Euro 16 million (equivalent NRs. 1.85 billion) on behalf of their respective Governments.

The grant assistance committed by the German Federal Government last year will be used for the implementation of the project “Promotion of Energy Efficiency and Renewable Energy in Nepal, [Contd P8](#)



From Right: Finance Secretary Dr. Subedi and H.E. German Ambassador Mr. Meyer

## Nepal Delegates participated ....

market integration for common prosperity. The then Hon. DPM and Finance Minister stated that Nepal firmly adheres to the One China Policy and is unequivocally committed not to allow any activities within the territory of Nepal that are inimical to the interests of China. He stressed the importance of “Trans-Himalayan Railways” and requested China to initiate the work of Kerung-Kathmandu Railways within the earliest possible time. H.E. Wang expressed his happiness and congratulated Nepal for signing the MoU on B&R Initiative and further informed that the preparation of Detailed Project Report (DPR) for the railway project will be started soon.



Nepalese Delegates

While delivering his welcoming remarks H.E.

President Xi Jinping informed that China will scale up financing support for the B & R Initiative by contributing an additional RMB 100 billion to the Silk Road Fund, and encourage financial institutions to conduct overseas RMB fund business with an estimated amount of about RMB 300 billion, will launch 100 “happy home” projects, 100 poverty alleviation projects and 100 health care and rehabilitation projects in countries along the B & R. He also conveyed that the China Development Bank and the Export-Import Bank of China will set up special lending schemes respectively worth RMB 250 billion equivalent and RMB 130 billion equivalent to support B & R cooperation on infrastructure, industrial capacity and financing and will provide assistance worth RMB 60 billion to developing countries and international organizations participating in the B & R Initiative to launch more projects to improve people’s well-being. He confirmed that China will make an additional contribution of USD1 billion to the Assistance Fund

for South-South Cooperation. The then Hon. DPM and Finance Minister Mahara also attended the welcome reception hosted by H.E. President Xi Jinping.

The then Hon. Minister for Information and Communication participated and addressed the thematic session on Connectivity of Development Policies and Strategies. While delivering his speech, he highlighted that Nepal’s geographical location, as a part of B & R Initiative, provides unique opportunity to synergize the benefit of connectivity with Central Asia, Europe, North and East Asia to South Asia. the then Hon. Minister for Physical Infrastructure and Transport met with H.E. Li Xiaopeng, Minister of Transport of the People’s Republic of China. During the meeting, issues including capacity development of Nepalese Human Resources involved in infrastructure sector, construction of East-West railway, Trans-Himalayan railway, Kathmandu metro-rail etc. were discussed.

During the visit, Exchange Notes on Syaphrubesi - Rasuwagadi Highway Repair and Improvement Project and a MoU on Construction of Nepal-China Cross Border Economic Cooperation Zones were also signed and exchanged. The Nepali delegates also attended the welcome reception hosted by Mr. Leela Mani Paudyal, H.E. Ambassador of Nepal to China at the Embassy of Nepal in Beijing. While addressing the program, the then Hon. DPM and Finance Minister Mahara told that Nepal now has a conducive environment for foreign investors and requested Chinese investors to increase their investment in Nepal.

## UK Provides Grant Assistance of 91.5 Million Pound

The Government of the United Kingdom of the Great Britain has agreed to provide grant assistance of 91.5 million Pound (approximately NRs 12.19 billion) to the Government of Nepal for the implementation of two programs: “Strengthening Disaster Resilience and Responding to Humanitarian Emergencies in Nepal (Pound 46 million)” and “Climate Smart Development Programme (Pound 45.5 million)”. A Memorandum of Understanding, (MoU) between the two Governments was signed and exchanged at the Ministry of Finance on 24 May 2017.

The main objective of “Strengthening Disaster Resilience and Responding to Humanitarian Emergencies in Nepal” is to reduce risk and build resilience to natural hazards, particularly of earthquakes. The program is expected to strengthen systems, policies, and mechanisms for disaster resilience, capacity building of institutions and communities for disaster resilience in Nepal and support for building disaster resilient community infrastructure. The duration of this program will be until 31 March 2023.

Similarly, the main objective of “Climate Smart Development Programme” is to accelerate climate resilient and low carbon development in Nepal. The program is expected to increase investment and improve planning for climate smart development



From Right: IECCD Joint Secretary Mr. Aryal and the then DFID Head Ms. Marzetti

via support to people, businesses, national policies and learning mechanisms related to climate change resilience. The duration of this program will be until 31 July 2021.

These grant agreements were signed and exchanged by Mr. Baikuntha Aryal, Chief and Joint Secretary, International Economic Cooperation Coordination Division (IECCD), Ministry of Finance and Ms. Gail Marzetti, the then Head of the Department for International Development, DFID Nepal on behalf of their respective Governments.

## Tripartite Portfolio Review Meeting (TPRM)

The Ministry of Finance and Asian Development Bank, Nepal Resident Mission jointly organized the second Tripartite Portfolio Review Meeting (TPRM) on 21 June 2017 at Hotel Yak and Yeti. The meeting was jointly chaired by Dr. Shanta Raj Subedi, Secretary Ministry of Finance and Mr. Diwesh Sharan, Deputy Director General SARD/ADB.

The objectives of the TPRM were to review the progress of agreed actions at the last portfolio review, and discuss major issues of selected projects and the sector requiring high level attention, and agree on the actions to address those issues for

the next period. The TPRM was attended by 147 participants. TPRM discussed 17 projects with 76 issues and 121 time-bound actions agreed.



Finance Secretary Dr. Subedi Addressing the Meeting

budget and program for FY 2018 and contribute to increased capital expenditure. [Contd P6](#)

## Negotiation Skills Training Held

A Negotiation Skills Training was held in Lalitpur on June 27-29, 2017 for Government officials representing various ministries. While welcoming the participants, Mr. Kewal Prasad Bhandari, Joint Secretary of the Ministry of Finance stressed the significance of negotiation skills not only in the area of development cooperation, but also in our daily lives.

The training was tailored to the needs of concerned GoN officials to improve national capacity to negotiate and manage external resources in a more efficient way.

The main objectives of this 2.5 days training were to improve participants' understanding of negotiation skills/techniques through imparting theoretical and practical knowledge on negotiation skills and sharing experience from the experienced resource persons involved in various negotiations, and also from each other. Resource persons from the Ministry of Law, Justice and Parliamentary Affairs, Ministry of Foreign Affairs

and Ministry of Education shared their experience and knowledge during the sessions. Manners, etiquette and skills for negotiators and types of negotiation among others were shared and discussed in various sessions. Simulated negotiation exercise supported by video recording and display was also conducted



Glimpse of Negotiation Skill Training Participants

to provide a real sense of negotiation to the participants. Altogether 20 participants attended the training from various government agencies including NPC, Prime Minister's Office, OAG, FCGO, Ministry

of Finance, Ministry of Law, Justice and Parliamentary Affairs, Ministry of Education, Ministry of Health, Ministry of Forest, Ministry of Peace and Reconstruction, Ministry of Home Affairs, Ministry of Energy, Ministry of Urban Development and Ministry of Irrigation among others. The training was organized by IECCD/MoF through the Effective Development Financing and Coordination Project supported by UNDP and DFID.

## Ministry of Finance Attends the GCF's Structured Dialogue with Asia

The Ministry of Finance participated in the Green Climate Fund's first Structured Dialogue with Asia held in Bali from 26-29 April 2017. The purpose of the meeting was to develop a roadmap for regional priorities and opportunities for engagement with the GCF. National Designated Authorities (NDA) and National Accredited Entities representing 24 Asian countries participated in the meeting. The Nepali delegation was led by the then Chief Economic Advisor for Ministry of Finance, Prof. Dr. Punya Prasad Regmi while other members of the delegation included Mr. Tulasi Prasad Gautam, Joint Secretary of National

Planning Commission, Mr. Lal Bahadur Khatri, Under Secretary of IECCD/MoF and Mr Pragyajan Yalamber Rai, National Project Coordinator. In the High-Level Segment, Prof. Dr. Punya Prasad Regmi shared that despite the challenges of increasing climate change induced disasters, Nepal continues to integrate climate considerations into all levels of policy and plans as Nepal aims for graduating to 'Middle Income Country' by 2030.

During the meeting, on behalf of the NDA, Mr. Lal Bahadur Khatri, shared the Country [Contd P8](#)

## Tripartite Portfolio ....

Deputy Director General, Mr. Sharan noted the slow implementation progress in 2017. He highlighted the systemic issues such as budget shortfall, transfer of key project staffs and weak contract management, ensuring effective implementation of safeguards and good international practice and standards. ADB, Officer-in-Charge Mr. Sharad Bhandari highlighted Nepal's economic growth estimated at 6.9% for FY 2016/17.

Joint Secretary and Chief of IECCD Mr. Baikuntha Aryal thanked ADB for its long-lasting partnership in Nepal, noted concerns on the slow progress of critical projects and reiterated the Ministry's full commitment to ADB and EAs/IAs to resolve any impending issues to expedite implementation progress.

## Negotiation with Millennium Challenge Corporation Held

The Government of Nepal (GoN) concluded negotiation on the Compact Program with Millennium Challenge Corporation held in Washington DC, USA dated 26-30 June, 2017. The negotiators from Nepalese side were led by Mr. Baikuntha Aryal, Joint Secretary of International Economic Cooperation Coordination Division of Ministry of Finance. As scheduled earlier, the negotiation was conducted with the aim of having compact agreement in September, 2017.

GoN has negotiated with MCC for 500 Million US Dollar grant in order to implement the power and road sector projects. The Government of Nepal will manage additional 130 million USD for the country ownership.

Since MCC funding has fixed timeframe of five years, the Government of Nepal will have to prepare and complete certain preconditions before the five years clock starts. The timeframe will enforce the GoN to have timely completion of the Projects since MCC funding has no time and cost extension provision.



Nepali Delegates

MCC Compact program has main objective of increasing electricity consumption by improving the availability and reliability of electricity supply in Nepal's electricity grid and by facilitating power trade;

and maintaining road quality across the strategic road network.

## Second Annual ....

Karki, Dr. Shanta Raj Subedi, Finance Secretary, Arjun Janga Bahadur Singh, HE Ambassador of Nepal to the Republic of Korea, Mr. Baikuntha Aryal, Joint Secretary and Mr. Yug Raj Pandey, Under Secretary of the Ministry of Finance.

The meeting was inaugurated by H.E. President of South Korea, Moon Jae-in and was chaired by Deputy Prime Minister and Finance Minister Yoo Il-Ho. On the occasion, while delivering his speech, Hon. Minister Karki highlighted on the necessity of investment in the infrastructure development of Nepal. He highlighted about the resource constraint and requested the Bank to contribute in reducing the resource gap. He opined that Nepal is heading towards political stability and all political parties have accorded priority to economic development. He further stated that the economic condition is gradually improving and Nepal is committed to seeing this trend continue.

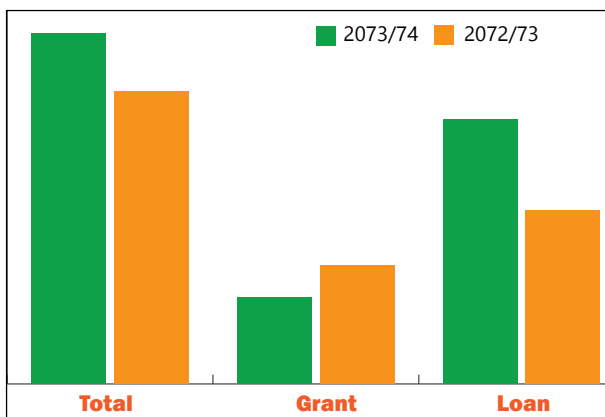
Hon. Minister Karki encouraged the Bank to lead investment in the area of transportation, electricity generation and transmission, urban development,

drinking water, aviation and information technology. Similarly, he expressed the view that Nepal needs the investment of 9 to 10 percent of GDP in infrastructure, while only 4 percent of GDP is invested now. In this connection, he requested the Bank to reduce this gap. Similarly, he expressed his firm belief that the Bank will be ready to assist the Government of Nepal and private sector in project implementation through the concept of public-private partnership.

The Nepali delegates discussed with Jin Liqun, the President of the AIIB regarding the investments the Bank could make in Nepal. On that occasion, Hon. Minister requested the President to finalize 6 projects Nepal forwarded to the Bank. In response, Mr. Liqun informed that 2 projects are in the pipeline for this year and remaining will be forwarded soon. Nepali delegates discussed in detail with the Vice-President and other officials regarding the projects forwarded to the Bank for approval. In the course of the meeting, Nepali delegates were informed that the Bank was ready to support Nepal solely and also in cooperation with other multilateral development partners.

## Foreign Aid Commitment

As of June 2017 of the current FY 2016/17, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 234.94 billion (Rs. 57.8 billion as grant and Rs. 177.13 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. 195.59 billion (Rs. 79.2 billion as grant and Rs. 116.39 billion as loan).



## Asian Development ....

ADB to scale up support in making Nepal prosperous. He also expressed profound thanks and appreciation to the people and the Government of Japan and the Japanese people for their warm hospitality extended to the Nepalese delegates and commended ADB for the excellent arrangement.

At the sideline of the ADB Annual Meeting, Eleventh Informal Meeting of SAARC Finance Ministers was held on 5 May 2017. The then Hon. DPM and Finance Minister Mahara was present in the informal South Asia Sub-Regional Economic Cooperation (SASEC) Finance Ministers Meeting.

Similarly, SASEC Program Nodal Officials Meeting was also held on 6 May 2017. This meeting was mainly to take stock of the SASEC program and provide overall guidance to future activities.

Likewise, Nepali delegates paid a courtesy call to ADB President Mr. Takehiko Nakao on 7 May 2017. Nepali delegates also met with JICA, MCC, OFID, MIGA and other development partners.

## AMP Refresher Training for DPs focal points

IECCD/MoF provided Refresher Training on Aid Management Platform to the DPs focal points on 20 June 2017. The training was attended by 20 focal points representing various development partners. Baikuntha Aryal, Joint Secretary of MoF while welcoming the participants highlighted the purpose and expectations of the training. He explained why the AMP data is useful in decision making. He also urged the participants to complete updating of disbursement of this fiscal year not later than the second week of August 2017. IECCD IT team provided step by step training on how to successfully enter the data in the AMP and generate various output tables. Likewise, there was open discussion on various issues of data management and sharing of experiences in updating project information. The training was funded by UNDP / DFID under the Effective Development Financing and Coordination Project.

## Government of ....

Phase II". The cooperation will be comprised of financial assistance for the construction of the Lekhnath-Damauli 220 KV double circuit transmission line. This transmission line is a crucial element of strengthening Nepal's national grid, as it will evacuate power from various hydropower plants being constructed both by the public and private sectors.

The total cost estimate for the project amounts to €32.5 million (equivalent approx. NRs. 3.82 billion). Almost 50% of the project cost will be covered by German Financial Cooperation (through KfW), while the Government of Nepal has committed to complementing the total cost of the project through NEA's own funds.

## MoF attends the ....

Programme for GCF. The event also provided an opportunity for the MoF to have separate bilateral meetings with Mr Howard Bamsey, Executive Director and Mr Clifford Polycarp, GCF Country Operations Dialogue Manager of GCF. Similarly, several bilateral meetings were held with GCF Board Members representing developing countries and LDCs, GCF Secretariat, NDA of Philippines i.e. Department of Environment and Natural Resources, FMO, FAO and IUCN.