



Development Cooperation Report 2017/18 Unveiled

On 16 January 2019 Hon. Finance Minister Dr. Yuba Raj Khatriwada launched the Development Cooperation Report FY 2017/18. Published by the Ministry of Finance, it is the eighth annual report in the series. Publication of the DCR each year signals the Government of Nepal's continued commitment to aid transparency, which is considered among the critical pillars of aid effectiveness.



As with previous years' annual DCR reports, this most recent DCR provides insights on trends in aid inflows to Nepal, including related to the volume of aid disbursement, but also related to aid modalities, allocation among sectors, alignment with national priorities, and many other aspects for which data is collected in the Aid Management Platform (AMP). The DCR for FY 2017/18 showed a number of interesting trends. Total ODA disbursement was more than USD 1.6

billion, 16% higher than that of FY 2016/17. FY 2017/18 was also the first year, over the past eight years, when the disbursement through loans exceeded that through grants. Another trend reflected in the report is related to the share of ODA disbursement through the national budget, with 78% - the highest percentage **Contd P6**

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Agreement with the Government of Bangladesh

On 5 March 2019 the Government of Nepal and the Government of the People's Republic of Bangladesh have signed an Agreement on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income.

The agreement aims at providing settlement of the tax claims made by the Government of Nepal and the Government of the People's Republic of Bangladesh. It will also eliminate double taxation and promote bilateral trade and capital investment.

Mr. Lal Shanker Ghimire, Revenue Secretary of the Ministry of Finance of Nepal and Mr. Mosharraf Hossain Bhuiyan, Senior Secretary, Internal Resources Division, Ministry of Finance and Chairman of the National Board **Contd P4**



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Message from the Chief Editor



In our capacity as member of the Steering Committee of the Global Partnership for Effective Development Cooperation (GPEDC), officials from the Ministry of Finance participated in the 17th Steering Committee meeting, which was held in Kampala Uganda on 26-27 March 2019. The primary objective of this Steering Committee meeting was to prepare for the upcoming GPEDC Senior-Level Meeting (SLM), which will be held on the margins of the High-Level Political Forum on Sustainable Development in July in New York. Nepal was thus able to contribute to the shaping of the SLM agenda, which will include discussion on many key issues of the global development effectiveness agenda, through our participation in the Steering Committee meeting. These issues include private sector engagement in development cooperation, effectiveness of South-South modalities of cooperation, how adherence to the effectiveness principles helps accelerate implementation of the SDGs, and practical lessons on effectiveness based on evidence at the country level including as gleaned through the outcomes of the 3rd monitoring round.

The final results of the 3rd monitoring round will be released ahead of the SLM. Emerging early results reportedly show a mixed picture, with modest progress on the use of country systems by providers and positive alignment of providers' cooperation to country priorities at strategic level. On the other hand, there is apparently a decline in annual predictability and in tracking allocations for gender equality and women's empowerment.

More broadly, the SLM will provide an opportunity for dialogue and reflection around the future direction of how the effectiveness agenda is positioned at global level and implemented at country level. Since the earlier era of the Paris Declaration in 2005, there has been value to both providers and partner countries in articulating – and monitoring progress on- a common set of principles and commitments on aid effectiveness. However, progress on advancing these commitments at country level has been frustratingly slow and in some aspects there has been backsliding. For countries such as Nepal which continue to receive significant amounts of traditional aid, keeping attention on the 'unfinished business' of the original effectiveness commitments remains a high priority. At the same time, it is well recognized that the development cooperation landscape has changed, with new modalities, new providers, and a turning of attention to the role of private sector finance in the 'mix of money' that developing countries will need to mobilize in order to achieve the SDGs. As GPEDC Steering Committee member, Nepal will continue to advocate for holding providers accountable for commitments made in the past while also recognizing the need to ensure that the dialogue on development effectiveness – both at global level such as at the SLM as well as at country level here in Nepal- responds to the new reality of the dynamic development cooperation landscape.

Thank you!

Green Climate Fund Board Meeting Held

The 22nd Board Meeting of the Green Climate Fund, held from 26-28 February 2019, approved the accreditation application of Nepal's first national direct access entity, the Alternative Energy Promotion Centre (AEPC). With this accreditation, AEPC can access up to USD 50 million in GCF funds for low-carbon, climate resilient development projects and programs in Nepal.

This outstanding milestone for climate finance in Nepal was the result of the strong commitment of AEPC, the leadership of the Ministry of Finance, Nepal's National Designated Authority (NDA) to the Fund, and the technical support provided by the GCF Readiness program, funded by the Government of Germany (BMU) and jointly implemented by the United Nations Development Programme and United Nations Environment Programme.

Established in 1996, AEPC is the nodal agency of the Government of Nepal for the promotion and development of renewable energy and energy efficiency. AEPC focuses on both on-grid and off-grid technologies and promotes local private stakeholders for innovation, implementation and operation of projects.

"This is a landmark moment for Nepal whereby a federal government institution has become accredited

for direct access with the largest global fund on climate change" said Mr. Shreekrishna Nepal, Joint Secretary at Ministry of Finance and NDA contact point at the Ministry. "This will help access and mobilize resources steering the country towards low-emission and climate resilient pathways" added Mr. Nepal.

Mr. Madhusudan Adhikari, Executive Director of AEPC, said "Despite the rigorous and stringent process, we are able to gain accreditation status with GCF and we are committed to access resources in adaptation and mitigation priorities, aligned with our country's national development strategies and nationally determined contributions (NDC)".

The Government of Nepal, through the NDA, had nominated four national entities through an open competitive process by inviting applications to gain accreditation status. At the moment, National Trust for Nature Conservation, Nepal Investment Bank Limited and Town Development Fund are still in the pipeline for accreditation with GCF.

Mr. Renaud Meyer, Resident Representative a.i, UNDP Nepal, extended his congratulations to AEPC for its accreditation to the GCF, which will help Nepal access the necessary finance to address climate change issues in the country.

Bilateral Meeting with the Green Climate Fund Held

A high-level bilateral meeting with GCF Secretariat was organized between 20-21 March 2019. The bilateral meeting was led by Mr. Shreekrishna Nepal, Joint Secretary and Chief of the International Economic Cooperation Coordination Division, Ministry of Finance and the contact point for the National Designated Authority of GCF, with the aim to directly engage with the GCF Secretariat on sharing national priorities and engagement strategies of Nepal as well as funding support for proposal development and capacity building for the Alternative Energy Promotion Centre (AEPC). The member delegates included Mr. Ramesh Aryal, Under Secretary of IECCD and Head of the Climate Finance Unit at the Ministry of Finance; Dr. Keshab Raj Goutam, Under Secretary (Tech.) of Climate Change Management Division/Ministry of Forests and Environment; Mr. Madhusudhan Adhikari, Executive

Director of Alternative Energy Promotion Centre (AEPC) and Mr. Pragyajan Yalamber Rai, Project Manager of the GCFRPS Programme.

The meeting was chaired by Dr. Oyun Sanjaasuren, Director of External Affairs and Executive Director a.i. OIC of the GCF Secretariat; in her opening remarks she welcomed the Nepali delegation and said that the divisions at the Secretariat will look forward to working closely with the Nepali delegation to respond and share all concerned issues. In his opening remarks, Mr. Shreekrishna Nepal thanked the GCF Secretariat for their hospitality and highlighted Nepal's priorities for the mission i.e. status of accreditation and funding proposal, support for AEPC and priorities for private sector engagement. As an outcome of the meeting, both parties agreed to an action plan that [Contd P6](#)

Meeting of Director General of Swiss Agency for Development and Cooperation and Hon. Finance Minister

On 21 March 2019, the Director General of the Swiss Agency for Development and Cooperation (SDC) H.E. Manuel Sager paid a courtesy call to Hon. Finance Minister Dr. Yuba Raj Khatiwada. The Hon. Finance Minister expressed sincere appreciation for the contribution of Swiss cooperation to the socio-economic development of Nepal. The meeting also explored future areas of cooperation. Applauding Swiss experiences and technology for tunnel construction, Hon. Finance Minister Dr. Khatiwada



expressed his interest in using those experiences and technology in Nepal and requested the Swiss government to expedite completion of two proposed tunnel ways. Director General H.E. Sager expressed happiness that Nepal has achieved political stability with implementation of the new Constitution. He also expressed commitment to continue Swiss cooperation with Nepal, particularly to reap the benefits of Nepal's diversified topography. Swiss Ambassador to Nepal H.E. Elisabeth von Capeller was also present at the meeting.

Nepal-India East-West Railway Meeting Held

A meeting on the Nepal-India East-West Railway took place on 26 March 2019 at the Ministry of Finance. The aim of the meeting was to discuss the allocation of the remaining Line of Credit (LoC) amount of USD 650 million to the proposed East-West Railway project of Nepal. Mr. Shreekrishna Nepal, Joint Secretary, Ministry of Finance, led the Nepali delegation at the meeting. There were seven members of the Indian delegation. During the meeting, the Indian delegates



expressed their interest in various details of the East-West Railway project and shared their experience of Indian railways. They then committed to reallocate the unused LoC amount of USD 650 million from earthquake reconstruction to the railway project. The meeting concluded with delegates from both sides agreeing to sit for a subsequent meeting following discussion between the officials working in the railway departments of their respective countries.

Agreement with

of Revenue of Bangladesh signed the agreement on behalf of their respective governments.

Hon. Finance Minister Dr. Yuba Raj Khatiwada, and H.E. Ms. Mashfee Binte Shams, Ambassador of the People's Republic of Bangladesh to Nepal, were also present

during the signing ceremony.

During his visit to Nepal, Mr. Bhuiyan also paid a courtesy call to Hon. Finance Minister Dr. Khatiwada. Matters of mutual interest and cooperation were discussed during the meeting.

ODA Loan Portfolio Review Meeting with Japan Held

The Ministry of Finance organized an ODA loan portfolio review meeting with Japan on 6 March 2019. The meeting was chaired by Mr. Shreekrishna Nepal, Joint Secretary of the International Economic Cooperation Coordination Division. The main objective of the meeting was to review the progress of ongoing loan projects, identify issues and set out an action plan for the next six months in order to bring about better performance of the loan portfolio. There was focused discussion on the five projects currently being implemented with ODA loans



provided by Japan in the presence of the concerned project implementing agencies.

Joint Secretary Mr. Nepal, in his opening remarks, welcomed the participants and urged them to focus on the issues which have emerged during project implementation and identify amicable solutions. The meeting was concluded with closing remarks by Ms. Jun Asakuma, Chief Representative of JICA Nepal and co-chair of the meeting.

Vice Chairman of China International Development Cooperation Agency Visited Nepal

Vice Chairman of the China International Development Cooperation Agency (CIDCA), Mr. Deng Boqing, visited Nepal from 19-21 March 2019. During his visit he had separate meetings with Rt. Hon. Prime Minister Khadga Prasad Sharma Oli and Hon. Finance Minister Dr. Yuba Raj Khatiwada. Chinese Ambassador to Nepal H.E. Hou Yanqi was also present in these meetings. They exchanged their views on implementing the agreements signed by the leaders of the two countries and strengthening bilateral development cooperation.

Rt. Hon. Prime Minister Oli said that Nepal and China are long time and trusted friends and expressed appreciation for the long-standing support extended by the People's Republic of China for the socio-economic development of Nepal. The Rt. Hon. Prime Minister reaffirmed the commitment of the Government of Nepal to scale up the level of development of the country to new heights with support from and partnership with the People's Republic of China.



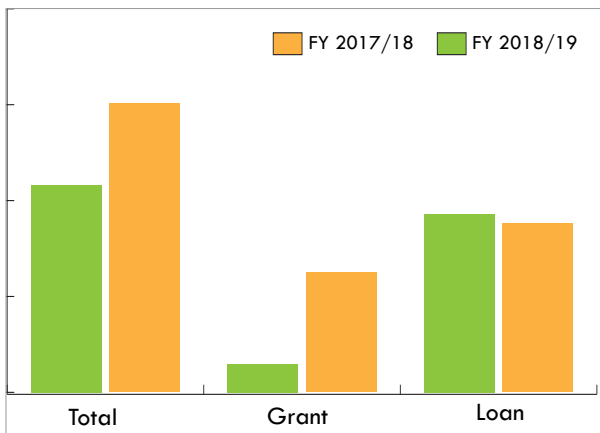
Finance Minister Dr. Khatiwada expressed sincere thanks to China for its long-term and selfless cooperation. He reiterated Nepal's willingness to work with China to plan development cooperation between the two countries. He expressed his appreciation for China's leadership on the initiation of the Belt and Road Initiative and establishment of the Asian Infrastructure Investment Bank.

Discussing China's assistance to Nepal, CIDCA Vice Chairman Mr. Deng also reaffirmed its commitment to post-disaster reconstruction assistance and scaled up aid to support the socio-economic development of Nepal as well as for mutually beneficial bilateral cooperation in the days ahead.

During the meeting, Finance Secretary Dr. Rajan Khanal highlighted the status of on-going and pipeline projects with the cooperation of China. Revenue Secretary Mr. Lal Shanker Ghimire was also present on the occasion.

Foreign Aid Commitments

As of March 2019 of the current FY 2018/19, new foreign aid commitments received by the GoN from DPs have reached a total of NRs. 108.02 billion (NRs. 14.87 billion as grants and NRs. 93.15 billion as loans) for the implementation of various development projects and programs. The total commitments received by the GoN from various DPs reached a total of NRs. 150.63 billion (NRs. 62.55 billion as grants and NRs. 88.08 billion as loans) in the same period of the previous fiscal year.



DCR Unveiling

during the eight-year period – disbursed through the on-budget mechanism. Bringing more aid “on-budget” is an important priority of the Government. Just two years ago, for FY 2015/16, the on-budget share of disbursement was recorded at just 63%.

Publication of the annual DCR is awaited each year by all stakeholders in Nepal who have an interest in international development cooperation, and the report is appreciated as a useful source of information and insights. The primary source of data for the DCR is the AMP. The Ministry of Finance is looking to improve and simplify this system and will shortly be launching a new Aid Management Information System (AMIS), which is designed to be more user-friendly and to reduce data entry burden. It is expected that future years’ Development Cooperation Reports will be produced using data generated from the new AMIS.

Bilateral Meeting

highlighted priorities for accreditation applications of Nepal, continued support for AEPC, preparation of the Country Programme and continued support and engagement with GCF.

The 22nd Board Meeting of the Green Climate Fund (GCF) held from 26 to 28 February, 2019 approved the accreditation application of Nepal’s first national direct access entity, the Alternative Energy Promotion Centre (AEPC). In his remarks, Mr Shreekrishna Nepal, Joint Secretary at Ministry of Finance and contact point for the National Designated Authority (NDA) for GCF at the Ministry hailed this landmark moment for Nepal where a federal government institution can now directly access resources upto USD 50 Million from the global fund on climate change. The Government of Nepal, through the NDA had nominated four national entities through open competitive process by inviting application to gain accreditation status. At the moment, National Trust for Nature Conservation, Nepal Investment Bank Limited and Town Development are still in pipeline for accreditation with GCF.