



## Nepal Delegates participated the World Bank and IMF's 49th Joint Annual Meeting

Nepal delegates led by Hon. DPM and Finance Minister Mr. Krishna Bahadur Mahara attended the World Bank and IMF Joint Annual meeting from 06-09 October 2016 in Washington DC. The meeting was attended by representatives of 189 countries including Nepal. The delegates comprised of Hon. Deputy Prime Minister and Finance Minister, Mr. Krishna Bahadur Mahara, Mr. Chiranjeebi Nepal, Governor NRB, Mr. Shanta Raj Subedi, Finance Secretary, Mr. Baikuntha Aryal, Joint Secretary and Mr. Narayan Dhakal, Under Secretary of the Ministry of Finance. The joint plenary session was addressed by the President of the WB Jim Yong Kim and IMF Managing Director Madam Christian Legard. On the occasion, while delivering his speech, Hon. Minister Mr. Mahara expressed the hope that robust policy actions would help for successful normalization of economic, financial and monetary conditions in the years ahead. He also suggested the fact that addressing the poverty and minimizing the income inequality would surely help improve



Hon. Finance Minister Mr. Mahara Addressing at Annual Meeting as Governor of Nepal

other socio-economic indicators. Hon. Mahara encouraged the World Bank Group to lead investment in the area of hydropower, irrigation, renewable energy, climate change among others. He also expressed his confidence for IDA-18 to appear as more ambitious in size, [Contd P6](#)

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## ADB Tripartite Portfolio Review Meeting



From Right: Joint Secretary IECCD Mr. Aryal, Finance Secretary Mr. Subedi, Deputy Director General SARD/ADB Mr. Sharan and ADB Country Director Mr. Yokoyama

Nepal's third Tripartite Portfolio Review Meeting (TPRM) of 2016 was held on 20 October at the Ministry of Finance in Kathmandu jointly chaired by Secretary, MOF Mr. Shanta Raj Subedi, and Deputy Director General, SARD/ADB Mr. Diwesh Sharan. The objectives of the TPRM [Contd P5](#)



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Ministry of Finance

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Division (IECCD)**

**Singhadurbar, Kathmandu**

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## Message from the Chief Editor



Widespread poverty and income inequality are big problems in many countries. Worldwide different initiatives are going on to tackle these problems. During early 2000, many countries developed PRSP (Poverty Reduction Strategy Paper) to concentrate their focus on poverty reduction. Moreover, MDGs also aimed to halve the poverty by 2015. Although these initiatives were successful in reducing the poverty, still a large chunk of population lives in the extreme poverty and the inequality remains high in the countries. In order to address these problems, the World Bank Group adopted two goals in 2013 - (i) ending extreme poverty worldwide by 2030; and (ii) boosting shared prosperity by raising the incomes of the poorest 40 percent of people in every country. In recent decades, the world has witnessed development gains of unprecedented magnitude. From child survival to primary school enrollments to poverty reduction, human well-being and prosperity are advancing with a momentum that few could have imagined. However, these days, we face a powerful threat to progress in all these areas. That threat is inequality and tackling inequality is vital to end poverty by 2030. At the same time, it is constraining national economies and destabilizing global collaboration in ways that put humanity's most critical achievements and aspirations at risk. Countries that invest smartly in reducing inequality today are likely to see more sustained economic growth than those that do not invest. Even the high economic growth rates of the past two decades would have been insufficient to end extreme poverty by the 2030 target date. It shows that middle-income countries and some very poor countries like Nepal are already successfully implementing many of these policies, though usually on a small scale. And it argues that a vast, untapped potential exists to reduce inequality and bring down extreme poverty by expanding these interventions in the countries with the largest numbers of people living below the poverty line.

Nepal also being a member of the World Bank Group attended the Bank's annual meeting and shared its views through various forums and sideline meetings. These meetings were helpful in sorting out many issues regarding achieving the goals set. As Nepal is fully committed to achieve SDGs by 2030, the goals set for poverty reduction and shared prosperity are the priorities for Government of Nepal. This message was clearly conveyed to the Bank and the IMF. Further, Nepal delegates made a presentation on the progress on reconstruction tasks after the earthquake. This was an opportunity to clarify various issues and confusions among different development partners. It is believed that this meeting has been able to create a conducive environment for flexible, qualitative and scaled up support for the reconstruction activities. It also provided an opportunity to participate in the discussion/interaction on contemporary issues such as climate financing and enhancing trade among the countries.

As nearly a quarter population in Nepal lives below poverty line, the poverty reduction agendas are at the topmost priority. All efforts are needed to concentrate on these agendas. With its own resources and support from the development partners, Nepal should be able to achieve the SDGs thereby upgrading Nepal to a Middle Income Economies by 2030. The high level participation in the World Bank and the IMF from Nepal was a good opportunity to convey its present economic, political, social and geo-political situation of the country from single venue, which helps to increase the volume of development cooperation for this purpose. In line with the World Bank's theme on Poverty and Shared Prosperity, Nepal should continue its journey to minimize inequality and direct its investment to achieve this goal.

## Agreement with the Government of UK

The Government of United Kingdom of the Great Britain and Northern Ireland through Department for International development (DFID) has agreed to provide a grant assistance of Pound 71.5 million (approximately NRs 10.10 billion) to the Government of Nepal for the implementation of UK (DFID) Support to Post Earthquake Reconstruction in Nepal. This assistance is additional to £70m of humanitarian and early recovery funds pledged by the UK Government at the International Conference on Nepal's Reconstruction. A Memorandum of Understanding, (MoU) between these two Governments was signed and exchanged at the Ministry of Finance.

The aim of this program is to benefit all those in the earthquake affected districts and particularly 1,000,000 people living in the four program implemented districts Dhading, Gorkha, Nuwakot and Rasuwa. The program will include build over 400km of rural roads and trails enabling 300,000 people to better access markets and to improve tourism infrastructure in earthquake affected area; reach over 250,000 people with improved water and sanitation ; reach over 90,000 of the most vulnerable, including women and girls, with cash transfers to ensure that the poorest and most affected are not left behind in the



A Glimpse of Grant Agreement with the Government of UK

reconstruction endeavor; provide cash grants through Government of Nepal systems to support 3,000 houses to be reconstructed and improve planning processes, more resilient public infrastructure and a strengthened approach to social protection in Nepal.

The grant agreement was signed and exchanged in the gracious presence of Hon'ble Deputy Prime Minister and Finance Minister Mr. Krishna Bahadur Mahara and British Minister of State for the Department for the International Development (DFID) Hon'ble Mr. Roderick James Nugent Stewart. The agreement was signed by Mr. Baikuntha Aryal, Chief and Joint Secretary, International Economic Cooperation Coordination Division (IECCD), Ministry of Finance and Ms. Gail Marzetti, Head of the Department for International Development, DFID Nepal on behalf of their respective Governments.

## KOICA Provided a Grant Assistance

The Government of the Republic of Korea through Korea International Cooperation Agency (KOICA) has agreed to provide a grant assistance of US Dollar 8.4 million (approximately NRs 900million) to the Government of Nepal to support Post Earthquake Reconstruction in Nepal. This amount is out of pledged amount US Dollar 10 Million during the International Conference for the Nepal's Reconstruction, ICNR held on 25th June 2015 by the Government of Republic Korea. A Memorandum of Understanding, (MoU) between these two Governments was signed and exchanged at the Ministry of Finance.

The objective of this program is to recover the public health service in Nuwakot district by establishing health facilities and normalizing health services. The program consists of two phases. Phase I includes the reconstruction of 10 Health Posts in pre-fabricated structure and Phase II continues with the construction of District Hospital (Permanent). Both Phases entail the activities for strengthening Health Management Information System and improving capacity of health workers.



From Right: Finance Secretary Dr. Subedi and Ambassador of Korea HE Mr. Choe

The program will be directly implemented by KOICA in coordination with National Reconstruction Authority (NRA) and Ministry of Health (MoH) . The duration of this program will be until 31 December 2018.

The grant agreement was signed and exchanged by Mr. Shanta Raj Subedi, Finance Secretary, Ministry of Finance and HE Mr. Yong-Jin Choe, Ambassador of Korea on behalf of their respective Governments.



## The Government of the United Kingdom provides an additional grant assistance

The Government of the United Kingdom, Department for International Development (DFID) has agreed to provide an additional grant assistance of Pound Sterling 85 million (approximately NRs 11.98 billion) for the support of implementation of Nepal Health Sector Reform Program (NHSP III) for 4 and a half years. An amendment letter to the existing agreement was signed between Government of Nepal and the Government of the United Kingdom at the Ministry of Finance, Kathmandu.

This support will have an impact particularly on the health of women, children and the injured and disabled population of the earthquake affected districts. Support will include restoring essential health services in areas affected by the 2015 earthquake, building and improving the quality and governance of health services nationwide. Out of total support, Pound Sterling 57 million will be channeled from Red Book as financial aid to the Department of Health Services and Pound Sterling 28 million as technical assistance. Out of the total additional support, Pound Sterling 14 million will go to the retrofitting and health infrastructure building activities. Original agreement providing Pound Sterling 10 million for this project was signed between the Government of Nepal and



From Right: Joint Secretary IECCD Mr. Aryal and Deputy Head of DFID Mr. Smith

the Government of United Kingdom) on 02 September 2015 after the 2015 earthquake. This amendment will bring additional grant assistance into the project and extend the project period up to 31 December 2020.

Amendment letter to the original agreement was signed by Mr. Baikuntha Aryal, Joint Secretary, IECCD, Ministry of Finance and Mr. Mark Smith, Deputy Head of DFID Nepal on behalf of their respective Governments.

## Aid Management Information System Refresher Training for INGOs

MoF in coordination with AIN organized refresher trainings on 8, 13 and 16 September 2016 in Kathmandu. For the purpose of aid transparency and aid predictability, Aid Management Platform (AMP), an online web-based information system is set up in the Ministry of Finance. All development partners have been given access to this and they are reporting aid information into the system regularly. The AMP has currently been a very effective tool for the collection and dissemination of information related to foreign aid flows

AMP has set a milestone for INGOs contributions in the development sector. MoF is able to highlight an analytical view of INGOs

contribution in the overall development of the country through the publication of Development Cooperation



A Glimpse of Refresher Training

Report/DCR. MoF has encouraged all the INGOs to report to AMP and fill their disbursement in every six months accurately. As usual, MoF is in the process to publish Development Cooperation Report/DCR for the period of 2015/2016, all the AIN members were requested to fill their actual disbursement accordingly.

Altogether about 100 INGO AMP focal person received the training. This training was supported through EDFC project in MoF funded by UNDP/DFID.

## Phasing out of Danish Development Cooperation in Nepal

The Government of Nepal and the Government of Denmark officially signed a Supplementary Agreement to the Development Cooperation Agreement (1995) and Subsequent Thematic Programme Agreements in the context of phasing out the Danish Development Cooperation in Nepal. This Agreement was concluded at the Ministry of Finance on 14th of November 2016 following the request of the Embassy of Denmark in Kathmandu on 28 April 2016.

The Agreement was signed between the two parties honoring all ongoing commitments of Development Cooperation in Nepal. It has been agreed by both the parties to establish a temporary, administrative

and technical Danida Programme Support Unit (DPSU) in Kathmandu in order to manage, oversee the remaining implementation and completion to the three programmes namely-National Rural and Renewable Energy Programme (2012-1-17), Peace, Rights and Governance Programme (2014-2018) and UNNATI-Inclusive Growth Programme (2014-2018).

After closure the Danish Embassy in Nepal by the end of 2017, a diplomatically accredited officer to be deputed to Nepal from Copenhagen will serve as Head of the Development Programme. This Supplementary Agreement will remain valid until the end of 2019.

## ADB Tripartite Portfolio ....

were to (i) discuss major issues of selected individual projects and the sectors requiring high level attention, (ii) review of the compliance status of the agreed actions from last TPRM, and (iii) decide on the actions to address those issues to tackle the chronic portfolio problems. The TPRM was attended by more than 190 participants including ADB staff, representative from the government, EAs/IAs and media.

Finance Secretary Mr. Subedi noted, the low rate of contract award and disbursement by end of Q3/2016 (60% annual target for contract award and 59% against annual target for disbursement) are serious matters of concern. He advised project teams to focus on expediting the implementation by strengthening coordination among the stakeholders and noted unsatisfactory progress of key projects. Though in the last year, there were several implementation issues in project implementation, we cannot have any excuse in this year. Mr. Subedi also urged ADB team to expedite document processing period by delegating authority to NRM and increase project progress monitoring besides TPRM. He particularly committed for higher project readiness for all pipeline projects. Mr. Subedi also requested the line ministries for stability in the key project staff. Mr Subedi assured for all supports needed from his ministry.

Deputy Director General, Mr. Sharan stated, the TPRM is an avenue to review the implementation problems for timely resolving the issues. He noted Nepal's

portfolio of \$1.7B, 36% (753.1M) is still un-committed and 66% (\$1,145.9M) un-disbursement. This calls for higher attention. Though, he acknowledged good procurement progress in energy sector due to the authority delegation and sign of better project implementation due to the action initiated against the non performing contractors

ADB Country Director, Mr. Yokoyama appreciated the serious efforts made by EAs/IAs to achieve quarterly targets and achieving historical high achievement in Nepal in ADB-assisted projects, particularly achievement in energy and water/urban sector by end September 2016. ADB Country Director, Mr. Yokoyama also stressed for stronger discipline in procurement process (technical evaluation) and compliances of the agreed actions, so that the capital expenditure is enhanced for Nepal's accelerated economic growth. ADB Country Director also appreciated that the TPRM has assessed the 2017 indicative contract award and disbursement, for \$500M and \$335M, respectively, and achievement of these will bring Nepal's performance to historically highest.

Joint Secretary and Chief of IECCD Mr. Baikuntha Aryal thanked ADB for its long lasting partnership and supports in crucial socio-economic development of Nepal. He requested all project directors to fully comply with their own agreed actions and urged to further improve project design and implementation.

## Foreign Aid Commitment

As of October 2016 of the current FY (2016/17), the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 113,789.74 million (Rs. 34,289.74 million as grant and Rs. 79,500.00 million 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. 62,557.10 million (Rs. 1,897.10 million as grant and Rs. 57,660 million as loan).

## Nepal Delegates ....

quality and flexibility. There was also a separate meeting for Nepal's presentation on the progress on post earthquake reconstruction work attended by the officials of the WB Group and the development partners. During the meeting, Nepal delegates also exchanged their views through several sideline meetings with representatives of various multilateral and bilateral agencies. The meeting with Regional Deputy Vice President Ms. Fatema Sumar of MCC focused discussion on Nepal's road transportation and energy sector. She highlighted the progress to date and indicated to finalise the Compact before rainy season and initiate activities through Nepal Millennium Account. During another separate meeting, World Bank Vice President Mr. Tsitsiragos opined the importance of Upper Trisuli Hydro Power Project. Nepal delegates hoped the involvement of IFC also on tourism, infrastructure and energy sector. There was also a SAARC Finance Group meeting held with the discussion on SAARC Finance database. Nepal delegates also indicated its willingness to partner with MIGA while meeting with Ms. Honda. Nepal delegates also met with Permanent Secretary Mr. Mark Lowcock of DFID and thanked for the support provided for the post earthquake reconstruction and recent support for the health sector reform. Similarly, ADB Vice President Mr. Wencai Zhang indicated its willingness to support Nepal towards capacity building in the area of project management and public financial management. Discussion was also held with the Vice President Ms. Annette Dixon on how the capacity to spend could be increased and about 2018 IDA replenishment.

## Development Finance Assessment Inception Workshop held in Kathmandu

Development Finance Assessment Inception Workshop was held in Kathmandu on 30 September 2016. The workshop was jointly organized by Ministry of Finance and the UNDP. The workshop was attended by 35 participants representing various government offices, development partners, private sector and CSO. While chairing the workshop, Mr. Baikuntha Aryal, Joint Secretary and Chief of IECCD/MoF highlighted the purpose of DFA and the expectation from the participants. Mr. Aryal opined that the study will provide an overview of the evolution of the flows of financing for development and their allocation and contribution to national priorities and results, as expressed in plans and policies at national, sector and sub-national levels. In particular the overview will look to how systems can be strengthened to better align finance with Nepal's national development priorities and the Sustainable Development Goals (SDGs). The study will assess the role of the planning and budgeting process in linking both public and private finance with results, in the context of the SDGs. On the occasion, Mr. Renaud Meyer, Country Director of UNDP shared his key notes focusing on the significance of the study undertaken with the support from UNDP. Mr. Erlend Nordby, the team leader made a presentation followed by Mr. Jens Claussen and Pushpa Lal Shakya. There was discussion and feedback received from the participants at different level of presentation made. In order to facilitate the DFA study, Ministry of Finance has formed Oversight Team (OT) led by this Ministry including representatives from Nepal Rastra Bank, National Planning Commission, Ministries of Labor, Industry and others.



A Glimpse of Meeting