



Nepal- German Bilateral Negotiations Held

Negotiations on development cooperation between the Government of Nepal and the Government of the Federal Republic of Germany were held in Berlin on 19-20 September 2018. The delegation from Nepal was headed by Mr. Shreekrishna Nepal, Joint Secretary, Ministry of Finance, whereas the delegation from Germany was headed by Dr. Wolfram Klein, Head of Division, BMZ. The negotiations took place in an open atmosphere of constructive cooperation. Based on the results of the preparatory consultations held on 18 and 20 May 2018, the delegations reached an agreement on the allocation of the funds available.

The negotiations were centered on three priority areas; energy, health and sustainable economic development. During negotiations, the German side acknowledged the tremendous political achievements made by Nepal in the past years, including the adoption of a new constitution, the holding of elections for three tiers of government and the



formation of a stable government. Meanwhile, the Nepali side stated that Nepal's political process had come a long way over the last decade. The Nepali delegation further added that the successful conclusion of the elections has also paved way for a more focused pursuit of economic development.

The German side commended the Government [Contd P6](#)

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Japanese Ambassador Meets Honorable Finance Minister



The Ambassador of Japan to Nepal, His Excellency Mr. Masamichi Saigo, visited Honorable Finance Minister Dr. Yuba Raj Khatriwada at the Ministry of Finance. During the meeting, the Ambassador and the Minister discussed in detail the existing and potential Japanese assistance for the socio-economic development of Nepal.

Honorable Minister discussed with the [Contd P5](#)

Message from the Chief Editor



Government of Nepal
Ministry of Finance
International Economic
Cooperation Coordination
Division (IECCD)
Singhadurbar, Kathmandu

Patron:

Rajan Khanal

Chief Editor:

Shreekrishna Nepal

Contributors:

Tek Bahadur Khatri, Shiva Sharma, Khim Bahadur Kunwar, Yuga Raj Pandey & all members of IECCD Team

Editors:

Ram Prasad Mainali, Harischandra Dhakal

Facilitator:

Tilak Man Singh Bhandari

Layout & Design:

Shyam Mani Ghimire

<http://www.mof.gov.np>
<http://www.mof.gov.np/ieccd>

For Comments and Suggestions
Email: ieccd@mof.gov.np

For AMP Public Portal
<http://amis.mof.gov.np>



The Global Partnership for Effective Development Cooperation (GPEDC) was created at the Fourth High-Level Forum on Aid Effectiveness in Busan, South Korea in 2011. It offers a space to discuss policy reforms, share lessons learned and promote good practices to improve the quality and effectiveness of development cooperation in pursuit of the 2030 Agenda and the SDGs. The GPEDC is governed by a Steering Committee (SC), its main decision-making body, led by three

co-chairs: Germany, Bangladesh and Uganda. Nepal has been a member of the Steering Committee since 2017 and represents the constituency of development cooperation recipient countries in Asia. The 15th SC meeting was held in Washington DC in April 2018 and the 16th meeting will be held in New York in late November. An informal meeting of the SC also took place in Paris in September (see separate article on Nepal's participation in this meeting).

Through its seat on the Steering Committee, Nepal has committed to represent the interests of Asian countries which are recipients of development cooperation in this important global forum. In addition, as an LDC, Nepal has the de facto responsibility to advocate for the interests of LDCs in global development cooperation policy processes. Nepal represents a very important constituency in the Steering Committee and holds a big responsibility in this context, where ODA still remains an important source of development finance for aid recipient countries and LDCs, including Nepal. As the global development finance landscape becomes increasingly complex, the importance of continuing to focus on ODA in the global 'conversation' needs to be continuously advocated for, with LDCs needing to lead this advocacy in forums such as the GPEDC.

Only a handful of countries are meeting the commitment to provide 0.7% of GNI in aid. Although ODA is a critical source of finance in LDCs, the OECD has reported a declining trend of bilateral ODA to LDCs between 2011 and 2016, with preliminary 2017 figures showing just a modest increase. Key development effectiveness indicators which are important to LDCs and aid recipient countries are also not showing satisfactory improvement. Trends on the use of country systems have hardly increased, although in Nepal there have been some signs of improvement on disbursement through the national budget in recent years. Improvements in annual and medium-term predictability of ODA flows have been minimal. In Nepal, we also face challenges in maintaining a balance between meeting the increasing need for resources and enhancing the spending capacity of the public sector. These are serious constraints facing Ministries of Finance in LDCs and aid recipient countries, including Nepal. In the days to come, advocacy by LDCs and recipient countries therefore must focus not just on increasing the volume of ODA, but also on making progress on key indicators of the 'quality' of ODA.

Through my role as Nepal's representative on the GPEDC Steering Committee, these are the issues I will continue to advocate for on behalf of the constituency Nepal represents, while at the same time continuing to lead domestic efforts in Nepal to improve the effectiveness of the development cooperation we receive.

Thank you!

Agreement with the Government of Korea

The Government of Korea, Korea International Cooperation Agency (KOICA), has agreed to provide US\$ 5 million grant assistance equivalent to NRs. 550 million to the project Enhancing the Quality of Technical and Vocational Education and Training (TVET) through capacity building of TVET instructors in Nepal. A Memorandum of Understanding (MoU) to this effect was signed and exchanged at the Ministry of Finance.



The overall goal of this project is to improve the quality of the TVET system for better TVET education in Nepal by enhancing the competitiveness of TVET instructors and Technical Institute for Technical Instruction (TITI). It aims to strengthen the capacity of TVET instructors

as well as TITI trainers and establish an Information Technology Center at TITI for enhancing technological capacity of TVET human resources in Nepal.

The Ministry of Education, Science and Technology will be the executing agency of the project. KOICA and CTEVT/TITI

will be the implementing agency. The duration of the project will be from 2018 to 2020.

Dr. Rajan Khanal, Secretary, Ministry of Finance and His Excellency Park Young-sik, Ambassador of the Government of Korea, signed the MoU in the Ministry of Finance on behalf of the Government of Nepal and the Government of Korea, respectively.

Agreement with Switzerland

The Government of Nepal and the Government of Switzerland have agreed to continue their successful cooperation in the field of labour migration for a period of another four years. The Government of Switzerland will provide grant assistance in the amount of CHF 18.12 million (equivalent to approx. NRs. 2 billion) to the Government of Nepal to implement the SaMi III project from 16 September 2018 to 15 July 2022.

In view of the importance of foreign employment for Nepal's economy and for its people, Switzerland has been supporting the GoN/Ministry of Labour, Employment and Social Security (MoLESS) since 2011 through the SaMi III project.

Based on the successful past collaboration between the two governments and the recent changes in the governance structure, this phase will support the Government of Nepal at all levels to address the need of Nepali labour migrants leaving for foreign countries.

The project will focus its support on the local governments to deliver migration related services, as elaborated in the Local Government Operations Act



(LGOA). Such services include the provision of relevant and accurate information to aspiring migrants and their families, vocational skills training, legal support, financial literacy to migrants and their families as well as psychosocial counseling to families in distress.

At the federal level, the project will closely work with the Department of Foreign Employment (DoFE) for the continued upgrading of the Foreign Employment Information Management System (FEIMS) and its adaptation to the federal system. [Contd P6](#)

Public Policy Seminar on Aid Effectiveness

Ministry of Finance, IECCD organized a Public Policy Seminar on “Considering the Effectiveness of Foreign Aid: Global Trends, Challenges and Implications for Nepal” on 27th July in Kathmandu. A visiting lecture was delivered by Mr. Pierre Jacquet of the Global Development Network based in New Delhi. The seminar was attended by more than 50 participants representing various government agencies, academia, development partners and MoF officials. In his opening remarks, Dr. Ram Prasad Mainali, Under Secretary of the Ministry of Finance, thanked UNDP, DFID and Nepal Economic Forum for their support and collaboration on the seminar, and highlighted the fact that Nepal is at an important juncture in its history and journey towards development. He further emphasized that the path the country takes in the coming years and the pace at which development continues will depend a great deal on how the broad reform agenda is concretely translated into public policies, and how successful the country is in mobilizing and managing different forms of finance in support of the Government’s policy priorities.

Mr. Jacquet made a detailed presentation on global trends in aid effectiveness and implications for Nepal. The lecture began with an inspection of the origins of foreign aid, with an emphasis on its historically defined as opposed to intentionally designed features, which

has strong implications for its nature and measurement. He discussed that aid strategy has evolved over time by accumulating political, strategic and moral ideals and is now used to facilitate collective action and accomplish global objectives, such as climate change, by bringing together both donor and recipient countries. In this context, the lecture explored ways to better rationalize foreign aid policy and highlighted that well governed countries are in a better position to absorb foreign aid than poorly governed nations. The lecture also examined whether foreign aid is indeed ineffective as many proclaim it to be. It discussed the positive impact of project aid on local communities but also reflected on the sustainability of such projects.

Mr. Jacquet also considered the concept of development, which underscores the need to adopt a broad view of the development process, including but not limited to the reduction of extreme poverty. Particular emphasis was given to the importance of country ownership, one of the crucial principles of aid effectiveness identified in the 2005 Paris Declaration on Aid Effectiveness. The lecture explored how to recognize, define and build country ownership of development policies and the potential role of foreign aid in this process. It stressed the need to formulate strategies that leverage the benefits that aid brings to a recipient country and [Contd P5](#)

Financial Agreement with the World Bank

The Government of Nepal and the World Bank signed a financing agreement for US\$15 million (equivalent to approximately NRs. 1.64 billion) in Kathmandu for strengthening the country’s public financial management. The Integrated Public Financial Management (PFM) Reform Project is financed through the World Bank-administered Multi-Donor Trust Fund (MDTF) established in 2010 and currently funded by European Union (EU), UK Department for International Development (DFID), Government of the Swiss Confederation, Government of Norway, Australian Government Department of Foreign Affairs and Trade (DFAT), and United States Agency for International Development (USAID).

The agreement was signed by the Joint Secretary of International Economic Cooperation Coordination Division Mr. Shreekrishna Nepal and World Bank Country Manager for Nepal Mr. Faris H. Hadad-Zervos in the presence of senior government officials, World Bank officials and Development Partners of the MDTF.

The project supports the priorities of the government as expressed in the National PFM Reform Plan and aims to strengthen the effectiveness of selected PFM and procurement institutions, systems, and procedures at the federal and subnational levels. Accordingly, the project expects tangible results as follows: (a) improved aggregate capital budget out-turns at the federal level; (b) comprehensive accounting and reporting procedures in place in federal and subnational governments; (c) improved audit planning and quality management for audit of federal and subnational entities; and (d) improved timeliness of contract award in selected key sector agencies at federal level and selected subnational governments. The project is organized around four complementary components with a multitude of linkages: (1) strengthening public expenditure and revenue management in federal and local governments; (2) strengthening the Office of the Auditor General; (3) public procurement improvement; and (4) PFM reform management and coordination. [Contd P6](#)

GPEDC Event in Paris

A Global Partnership for Effective Development Cooperation (GPEDC) meeting entitled “Reinvigorating Effectiveness for the 2030 Agenda” was held in Paris on 11-12 September 2018. The meeting was attended by nearly 200 participants representing various partner countries, development partners and other stakeholders from around the world. Nepal, a member of the GPEDC Steering Committee, was represented by two delegates from the Ministry of Finance, Mr. Shreekrishna Nepal, Joint Secretary, IECCD, and Dr. Ram Prasad Mainali, Under Secretary.

The meeting focused on generating and sharing knowledge on how to ensure a successful monitoring round in order to inspire and encourage concrete actions on the part of participating governments as they lead the monitoring exercise. This included discussion on collecting robust and high-quality data; engaging all stakeholders through an inclusive process; and utilizing the monitoring process to inform cooperation policy and partnership frameworks. The need to regenerate international political momentum for the development cooperation effectiveness agenda was debated.

An informal gathering of Steering Committee members was also held on the margins of the Paris event. Steering Committee members reflected on the draft concept note

for the upcoming GPEDC Senior Level Meeting (SLM), expected to take place in July 2019 in conjunction with the High-Level Political Forum on Sustainable Development. Members highlighted the importance of the SLM providing a forum for discussing effectiveness in-depth and with a degree of granularity, informed by the findings of the 2018 monitoring round. There was broad consensus that the SLM should result in a Chairs’ summary, rather than a negotiated outcome document. To ensure good participation, all agreed that the SLM needs a political, newsworthy message situating the issue of effectiveness at the heart of the 2030 Agenda. The group also discussed the need to link the meeting in concrete ways to the follow-up and review of the SDGs, as agreed in Nairobi, while also focusing on delivering on Addis Ababa Action Agenda commitments.

As Nepal is a member of the GPEDC Steering Committee, this event in Paris was a welcome opportunity to contribute to the planning of the SLM and ensure that the priorities of Nepal and the constituency it represents are well reflected. The Nepal delegation also appreciated the chance to learn from other countries and exchange experiences of participating in the 2018 monitoring round, which is currently underway and being led by the Ministry of Finance in Nepal.

Public Policy Seminar

eliminate the dependency that it may create in the long run. Mr. Jacquet responded to various queries raised by participants during the discussion. The lecture was concluded by highlighting mutually beneficial policy designs for foreign aid.

In his concluding remarks, Joint Secretary Mr. Shreekrishna Nepal thanked Mr. Jacquet for bringing

in new dimensions of foreign aid and touching upon the aspects of social justice as an important instrument in effectively mobilizing foreign aid. Mr. Nepal also referenced potential synergies between aid and private finance, noting the potential to explore blended finance modalities and further leverage public-private partnerships in order to expedite development in Nepal.

Japanese Ambassador Meets

Ambassador the financial support from Japan for building infrastructure as part of the development efforts of Nepal. He reiterated the offer of potential support for building a section of the East-West Railway with a soft loan from the Japanese EXIM Bank.

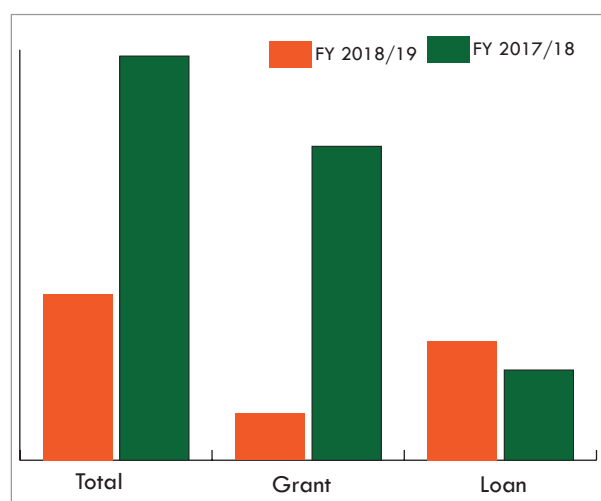
The Ambassador requested to expedite the process for an Exchange of Notes to repair, maintain and expand the Sindhuli Bardibas Road that was constructed with Japanese assistance. The road was damaged in some parts by the earthquake of 2015.

The Ambassador informed the Minister about the investment conference recently held in New Delhi to attract Japanese investment to Nepal and emphasised that the conference may help Japanese investors to invest in Nepal.

Hon. Minister thanked the Government of Japan for its continuous support to the socio-economic development of Nepal.

Foreign Aid Commitment

As of September 2018 of the current FY 2018/19, new foreign aid commitments received by the GoN from DPs have reached a total of NRs. 32.4 billion (NRs. 9.14 billion as grants and NRs. 23.26 billion as loans) for the implementation of various development projects and programs. The total commitment received by the GoN from various DPs was a total of NRs. 78.78 billion (NRs. 61.19 billion as grants and NRs. 17.59 billion as loans) in the same period of the previous fiscal year.



Nepal- German

of Nepal on the implementation of federalism and expressed clear commitment to support Nepal in the process of capacity development. The Nepali side also appreciated the support provided by the Government of Germany during difficult times. The negotiation concluded with a schedule for the next negotiations to be held in Nepal in September 2020.

During the same occasion, a grant agreement for an energy efficiency program was signed by Mr. Nepal and Ms. Yasmin Tawfik, South Asian Regional Manager, KFW Bank, respectively. The grant is for Euro 15 million that will be used for the implementation of the Lekhnath- Damauli 220 K. V. Transmission Line Project. It is an additional grant for the same project.

Agreement

It will also support DoFE for the strengthening of the complaint handling mechanism at the different levels.

Similarly, the project will cooperate with the Foreign Employment Promotion Board (FEPB) to develop a National Resource Centre for Migrant Resource Centres (MRC), with the aim to develop relevant information material and update municipalities about relevant developments in the destination countries as well as changing government rules regarding foreign employment.

The project will be implemented in 39 districts from all provinces, selected on the basis of criteria of more than 5,000 DoFE-approved migrants per year on average over the last three years. Helvetas Swiss Intercooperation will provide the technical assistance to the project.

Dr. Rajan Khanal, Secretary, Ministry of Finance and H.E. Elisabeth Von Capeller, Ambassador of Switzerland to Nepal have signed and exchanged agreements to this effect on behalf of their respective governments.

Financial Agreement ...

During the signing ceremony, Mr. Hadad-zervos congratulated the government for its thoughtful leadership during the entire preparation period, resulting in an integrated project that views PFM in a holistic and comprehensive manner.

The project has a unique strategic fit that rests at three levels – policy, institutions, and processes wherein technical assistance will be provided to implement the new policy framework, build the capacity of key PFM institutions, while maintaining a strong downstream focus and strengthening essential upstream PFM processes.

Joint Secretary Mr. Nepal appreciated the cooperation of the World Bank and MDTF Development Partners supporting the government's PFM agenda to strengthen the public financial management system to fit the federal transition. He added that the government will take the lead to drive the PFM agenda.