



Local Development Partners Meeting held

Ministry of Finance organized Local Development Partners Meeting on 14 May 2019. The meeting was chaired by Hon. Finance Minister Dr. Yuba Raj Khatiwada. Ambassadors, Heads of Missions and Representatives of Development Partners were present on the occasion. The meeting started with opening remarks by the Chair followed by presentation of Joint Secretary Mr. Shreekrishna Nepal on current economic scenario and new budget path. The floor was given to development partners for their deliberation. The meeting adjourned with closing remarks along with respond to the floor by the Chair.



In his opening remarks, Hon. Finance Minister applauded the importance of regular dialogue with Development Partners and shed some lights on current economic and political scenario of the country. The Chair of the meeting

explained on how Nepal is taking steps towards mitigating transitional challenges in new federal system in terms of public finance management, fiduciary risk reduction, effective service delivery and good governance. Besides, Hon. Finance Minister also gave indication of major policies and program of the Government that were under consideration during budget formulation process.

Joint Secretary Shreekrishna Nepal made **Contd P8**

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Nepal Co-hosted Side Event in the Eve of Senior Level Meeting of GPEDC in New York



On 12 July 2019 the Ministry of Finance of Nepal, together with co-host Bangladesh, convened a consultative side event on the eve of the Senior Level **Contd P5**



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Message from the Chief Editor



The principles of effective development cooperation – country ownership, focus on results, inclusive partnerships, and transparency and mutual accountability – have been agreed at the global level and have formed a foundation for the relationship at country level between different partners with a stake in development cooperation. Progress on these commitments has been monitored over time. The Global Partnership for Effective Development Cooperation (GPEDC)

is where different actors hold each other accountable for commitments on effective development cooperation. It also provides a forum for dialogue and collective exploration of emerging priorities and effectiveness issues. The GPEDC's Senior-Level Meeting (SLM) took place on 13-14 July, ahead of the ministerial segment of the High Level Political Forum. The SLM considered the current situation of the global development effectiveness agenda and encouraged action and renewed commitment to effectiveness as core to accelerating progress on sustainable development.

In capacity of member of the Steering Committee of the GPEDC representing the constituency of Asian recipient countries, Nepal has volunteered to organize a side event in the eve of SLM of the GPEDC held in New York in July 13-14, 2019. After Nepal participated in the 17th Steering Committee Meeting, held in Kampala of Uganda in March 26-27, 2019, Nepal's willingness to organize this event has taken momentum. Upon Nepal's request, Bangladesh (Co-chair of GPEDC) agreed to co-host this event. Finally, Nepal and Bangladesh have successfully co-hosted the event "Taking Stock of Effectiveness Principles at Country Level" on July 12, 2019 in New York.

As the SLM sought to further commitments on the global effectiveness agenda, it was critical that the deliberations were anchored in country-level reality and reflected the priorities of partner countries. The side event provided a forum for consultation with countries in Asia-Pacific with respect to the effectiveness agenda. The primary objective of the side event was to capture the priorities of these countries on key issues being discussed at the SLM, thus advocating for their concerns to be reflected in the SLM dialogue. The side event was structured around a set of discussion questions, framed to meet this objective and promote dialogue. The outcome was a set of messages reflecting the priorities of countries in the region with respect to the effectiveness agenda. Key discussion questions were explored by inviting perspectives from several other speakers, senior representatives from governments of other countries in the region. Prepared remarks by the speakers were supplemented by open discussion and inputs from other participants, in order to ensure a representation of views from participants.

Finally, in the SLM, Nepal has strongly put five key messages for actions around use of country system for quality aid, it's rapidly changing landscape, validation of the relevance of GPEDC as knowledge sharing platform, relevance of its monitoring survey and engagement of all development actors, including private sector in development. Nepal, as other Asian recipient countries, has been invigorated to explore aid effectiveness principles on ground.

Wish you all a very Happy Dashain of this year !
Thank you !

Government of India Handover Cheque

A programme for cheque handover was held at the Ministry of Finance, Kathmandu today in the presence of the Honorable Finance Minister. During the event, the Government of India provided a cheque of NRs 160 crores as reimbursement of a part payment of the second installment for the private housing reconstruction support. This amount is a grant under the cooperation in post-earthquake reconstruction programme.

Dr. Rajan Khanal, Secretary, Ministry of Finance on behalf of the Government of Nepal received

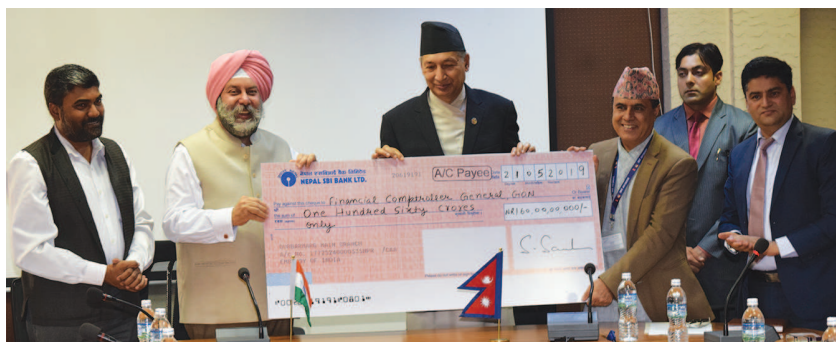
the cheque from His Excellency Mr. Manjeev Singh Puri, Indian Ambassador to Nepal.

The amount covers a part of the first and second tranche

for private housing reconstruction in Nuwakot and Gorkha Districts. In 2018, the Government of Nepal has already received NRs 210 crores as reimbursement of first tranche and NRs 80 crores as reimbursement of a part of the second tranche.

During the event, the Government of Nepal extended its

appreciation to the Government of India for the immediate and overwhelming support the government provided during the aftermath of the devastating



disaster in 2015 and the continued and generous humanitarian support it has extended to fulfil the post-disaster needs of the country under its post-earthquake reconstruction programme.

Japan Extends Grant Aid for the Scholarships and SSDP

His Excellency, Mr. Masamichi SAIGO, Ambassador of Japan to Nepal, and Mr. Rajan Khanal, Secretary of the Ministry of Finance of the Government of Nepal have signed and exchanged three sets of Notes today on behalf of their respective governments. These Notes are for extending Japan's Grant Assistance up to two hundred and fifty million Japanese Yen (¥250,000,000), or equivalent to 254.7 million Nepali Rupees and three hundred and seventy eight million Japanese Yen (¥378,000,000), or equivalent to 385.2 million Nepali Rupees for the implementation of JDS Phase I and Phase II respectively. The third note relates to assistance of three hundred million Japanese Yen (¥300,000,000), or equivalent to 305.7 million Nepali Rupees for the implementation of the School Sector Development Program (SSDP).

Ms. Yumiko ASAKUMA, Chief Representative of the Japan International Cooperation Agency (JICA Nepal), and Mr. Shreekrishna Nepal, Joint Secretary of the International Economic Cooperation and Coordination Division (IECCD) of the Ministry of Finance, have also

signed and exchanged a Grant Agreement for the implementation of this Scheme.

The JDS Project Grant is designed to support human resource development of friendly nations through accepting highly capable, energetic, and young government officials into Japanese universities and strengthening the partnership between recipient countries and Japan by utilizing human relation chains to address future global needs. Phase I of JDS is in the final completion stage under which sixty Nepali government officers have already been dispatched while twenty are in the process of pursuing their studies in Japanese universities. In the meantime, Phase II of JDS is in the implementation process with the addition of an infrastructure development component and doctoral degree program as per the request of the Government of Nepal.

Japan has also been assisting in the implementation of the School Sector Development Program (SSDP) from 2016. **Contd P5**

Agreement with Germany

The Government of the Federal Republic of Germany through its grant assistance (KfW) has agreed to provide a total grant assistance of Euro 24.3 million equivalents to NPRs 3 billion 2 crore to the Government of Nepal for the projects (a) promotion of solar energy in rural areas, (b) improvement of mother and child care in urban areas- Paropakar Maternity and Women's Hospital Kathmandu and (c) sustainable economic development in rural and semi-urban areas.

Of this assistance amount, 9 million Euros will be used for solar energy, 7.3 million will be used for mother and child care and 6 million will be used for sustainable economic development. Two million will be as technical assistance. To implement the projects, separate agreements will be concluded between KfW and GoN implementing agencies.

The Financial Cooperation Agreement was signed by Mr. Rajan Khanal, Secretary, Ministry of Finance and H.E. Mr Roland Schäfer, German Ambassador to



From Right: Finance Secretary Mr. Khanal and Ambassador HE Mr. Schäfer

Nepal on behalf of the Government of Nepal and the Government of the Federal Republic of Germany respectively.

Agreement with the World Bank

The Government of Nepal (GoN) and the world Bank signed an agreement on 22 April 2019 to scale up renewable energy options in selected regions of Nepal in partnership with private sector. The agreement was signed by Mr. Shreekrishna Nepal, Joint Secretary, Ministry of Finance on behalf of the Government of Nepal and Mr. Bigyan Pradhan, Acting Country Manager on behalf of the World Bank.



Total of USD 17.21 million will be spent during four-year period of the private sector-Led Mini-Grid Energy Access Project, of which the world Bank will finance total USD 7.61 million (Approx. NRs 84 Crore 23lakhs) through its Strategic Climate Fund (SCF) comprising of SCF Grant of USD 5.61 million and SCF soft loan of USD 2 million. Similarly, Government of Nepal will contribute subsidy of USD 6 million and remaining USD 3.60 million contributed by the private sector. The project will provide renewable energy to 126,000

rural people and support more than 80 businesses through micro/mini-hydro and solar subprojects in Nepal's rural areas. The project will be implemented by the Alternative Energy promotion Centre (AEPC), the government's nodal agency for renewable energy promotion in Nepal.

"we are thankful for the support of the world Bank in launching this milestone project to encourage

commercial financing of renewable and off-grid energy system in Nepal," said Joint secretary Mr. Shreekrishna Nepal". This project will demonstrate that the private sector led model is feasible in mini-grid development and GoN is committed to engage private sector in development.

Under the Project, private entities and cooperatives will be mobilized to provide electricity services to rural areas as "energy service companies" **Contd P7**

Nepal Co-hosted Side

Meeting (SLM) of the Global Partnership for Effective Development Cooperation (GPEDC) in New York, which took place on 13-14 July. As the GPEDC's Senior Level Meeting reaffirms global commitments on development effectiveness, the side event provided a forum for consultation with countries in the Asia-Pacific region to capture country-level perspectives, towards ensuring that the priorities of countries in the region are reflected in the deliberations of the SLM. Nepal, a member of the GPEDC Steering Committee representing recipient countries in Asia, organized the side event to ensure that the views of their constituency are well represented in the GPEDC global dialogue.

The side event, organized with the support of UNDP and DFID, brought together over 40 participants,



including government representatives from 10 countries in the Asia-Pacific region, as well as from civil society, private sector, parliaments, multilateral organizations, and cooperation provider countries. A panel of eight distinguished speakers featured government representatives from Nepal, Bangladesh, Cambodia, Indonesia, Myanmar, the Philippines, Japan, and UNDP.

In Nepal, there is a significant financing gap to achieve the Sustainable Development Goals (SDGs). The National Planning Commission has estimated that the average investment requirement is approximately Rs 2,025 billion per year, or about 48% of GDP on average, with Official Development Assistance (ODA) expected to shoulder about 18% of this financing

requirement.

In his remarks, Finance Secretary Mr. Rajan Khanal noted, "Representing an LDC, let me emphasize that the core commitments of aid effectiveness matter to us, in very concrete and practical ways. To partner countries like Nepal, the quality of aid still matters." He also appreciated the role of the GPEDC, stating, "the commitments and exchange of experiences on development effectiveness at global level underpins our efforts at national level to improve the effectiveness of development cooperation".

"Achieving the Sustainable Development Goals requires

financial resources on a very large scale, but financing alone is not enough", said Ms. Claire Van der Vaeren of UNDP's

Regional Bureau for Asia and the Pacific. "Effectiveness, the question of how we do development, is just as important. It is critical that resources are used within a framework of accountability; that there is strong ownership by partner countries and a focus on results; and that development is pursued through inclusive partnerships."

Mr. Shreekrishna Nepal, Joint Secretary of the International Economic Cooperation Coordination Division of Nepal's Ministry of Finance spoke in the closing session of the Senior Level Meeting on 14 July, and shared key messages and expressions of action which emerged from the side event discussions.

Japan Extends Grant Aid

H.E. Mr. Saigo said that education was an investment in human capital and the foundation for a nation's sustainable social and economic development. He also stressed that through education the cycle of poverty could be eradicated in the long term. SSDP is considered as an important vessel to enable Nepal to achieve the Sustainable Development Goals and

to become a middle-income country by 2030. H.E. Saigo hoped that the SSDP would improve the quality of education, school management and institutional capacity and the access to education for children in marginalized communities, based on SDGs policy "No one left behind".

Asian Infrastructure Investment Bank (AIIB) Annual Meeting 2019 concluded in Luxembourg

The fourth annual meeting, first ever outside Asia, of Asian Infrastructure Investment Bank (AIIB) concluded in Luxembourg 12-13 July 2019. The president of the Bank Jin Liqun addressed the opening ceremony and emphasized the Bank's mandated to improve connectivity among its members and among the regions.

Opening the 2019 Asian Infrastructure Investment Bank Annual Meeting in Luxembourg in the presence of HRH Grand Duke of Luxembourg and Luxembourg Prime Minister Xavier Bettel and Luxembourg Minister of Finance and Chairman of the Board of Governors for the 2019 Annual Meeting, Pierre Gramegna, AIIB President Jin Liqun, set out the Bank's commitment to drive the green economy through sustainable, adaptable and innovative infrastructure investment.

President Jin highlighted the importance of partnership and collaboration with European countries, including

Luxembourg, who can play a pivotal role in raising private capital to invest in green, transformative infrastructure. Using the occasion of the Annual Meeting, he announced AIIB's intention to list part of its future issues launched from its Euro Medium-Term Note program on the Luxembourg Stock Exchange.

In his keynote speech, Luxembourg's Minister of Finance, Pierre Gramegna underlined that the country's membership in the AIIB "is a testament to Luxembourg's long lasting commitment to multilateralism," stressing that, "only multilateralism and international cooperation can ensure reaching the Sustainable Development Goals by 2030 and tackle the challenge of climate change."

"AIIB members collectively account for 78 percent of the world's population and 63 percent of global GDP. With the backing of all of our members, we are building a lean, clean, and green institution that can help to support their sustainable development," said

AIIB President Jin Liqun.

Joint Secretary Mr. Dhani Ram Sharma and Advisor to Asian Infrastructure Investment Bank (AIIB) from Nepal Under Secretary Mr. Dil Bahadur Chhetry participated in this meeting. Mr. Sharma attended the various meetings during the event including Governor's Business Round Table, Governors seminar: Asia and Europe connectivity through cooperation and Governor's Official Session as a Temporary Alternative Governor from Nepal. Mr. Chhetry, attended in "Roundtable Discussion: Exploring Opportunities of Concessional Financing and Grant Cooperation with AIIB" as a lead speaker.

The Asian Infrastructure Investment Bank (AIIB) now has 100 approved members after its Board of Governors

supported the applications of three African countries. The milestone was reached with the addition of Benin, Djibouti and Rwanda

during the Bank's annual meeting in Luxembourg.

In the meeting, the Asian Infrastructure Investment Bank's (AIIB) Board of Directors has approved a USD75-million investment into the Asia Investment Fund (AIF), a closed-end private equity fund established in Hong Kong, China that focuses on telecommunication, transportation and energy. Additionally, AIIB latest project will increase the supply of renewable energy in India by mobilizing private capital. The project provides a USD100-million loan to L&T Infrastructure Finance Company Limited (LTIF), a subsidiary of L&T Finance Holdings Ltd and a leading non-bank financier of renewable energy in India. The financing marks AIIB's first loan to a non-banking finance company (NBFC).

The Board of Governors of the Asian Infrastructure Investment Bank (AIIB) announced that its fifth Annual Meeting will be held in Beijing, China in July 2020.



A new boost for fiscal federalism in Nepal

The World Bank has renewed support to the Government of Nepal to strengthen the country's efforts towards fiscal federalism and improving public financial management under the Second Programmatic Fiscal and Public Financial Management Development Policy Credit Project. The \$100 million project is geared towards the accomplishment of reform actions coordinated by the Ministry of Finance which was built on reforms supported under the first Development Policy Credit project. The agreement was signed today at the Ministry of Finance by Secretary, Mr. Lal Shanker Ghimire and the World Bank Country Manager for Nepal, Mr. Faris H. Hadad-Zervos.

"We are thankful for the support of the World Bank and development partners in the ongoing and dynamic process of federalism in Nepal," stated Secretary Mr. Lal Shanker Ghimire. "Coordination and capacity are one of the primary pillars for the success of Nepal's three-tier government and it is important we build accountability with responsibility in our pursuance of the country's development objectives."

This project supports reforms to advance Nepal's federalism agenda, under two pillars. The first pillar supports measures to establish fiscal federalism through various legislations, policies and regulations. An umbrella legislation, enacted at the federal level, will guide budget execution and improve the accounting and financial reporting framework, and will form the basis of model laws to be adopted by local governments, to govern their budget processes.

The second pillar supports reforms to strengthen the policy framework for public financial management at the subnational levels. This will be achieved through legislation and regulations that govern the budget cycle and promotes transparency and accountability to citizens, guides preparation of the Medium-Term Expenditure Framework, strengthens expenditure control, and supports the development of a revenue collection system. These reforms also include gender responsive budgeting, and measures to address Nepal's vulnerability to climatic shocks and improve disaster risk management.

"Nepal's transition to a federal state is an ambitious agenda and the World Bank Group is committed to support the government in fulfilling this goal," stated Faris H. Hadad-Zervos, World Bank Country Manager for Nepal. "The sustainability of the proposed reforms under this budget support is a critical aspect. The partnership between the government and development partners will further enable strengthening of public institutions, inclusion and resilience as Nepal progresses with the federalism agenda."

This project builds on the reforms supported by the first Development Policy Credit to establish the legal frameworks to govern resource allocation across the three tiers of government and guide operations of local governments. It also supported measures to strengthen budget execution and public financial management systems at the federal level.

Agreement with

(ESCOs). These specialized ESCOs will crowd-in financing capacity to develop, build, own and operate renewable mini-grid project. Commercial banks are a key partner who will assume credit risk of the subproject loans to ESCOs once they are eligible and selected to participate in the Project by AEPC. The credit facility component of the project is in turn supported by a technical assistance component for stronger project development support to the mini-grid sector, ESCOs and partner banks to ensure sustainable implementation beyond the life the project.

The Government of Nepal accords high priority on the renewable energy sector and the world Bank Group

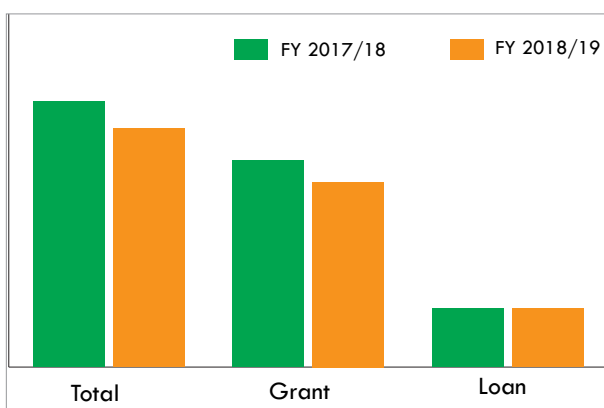
supports the government's energy sector through investments in both grid and off-grid energy.

This project aims to support more than 25 mini-grid subprojects. and. add new generation capacity of 3.g MW, while rehabilitating and restoring the capacity of existing mini-grids.

The improved policy environment through the government's Renewable Energy subsidy policy 2016 and the effective implementation of this Project are expected to create opportunities for this model to succeed in providing energy access to Nepal's rural areas.

Foreign Aid Commitments

As of July 2019 of the current FY 2018/19, new foreign aid commitments received by the GoN from DPs have reached a total of NRs. 138.2 billion (NRs. 33.4 billion as grants and NRs. 104.8 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. 150.4 billion (NRs. 33.4 billion as grants and NRs. 117 billion as loans) in the same period of the previous fiscal year.



Local Development

a brief presentation on current economic situation along with macroeconomic indicators across real, monetary, fiscal and external sectors. He has also flashed status of commitment and disbursement by individual development partners and by sectors. Major principles and priorities of the budget and major reform initiatives taken by the Government were covered by his presentation.

Finally, Hon. Finance Minister responded to the curiosities and observations of the development partners through his closing remarks.

Local Development Partners meeting is a mechanism that provides avenues for open dialogue between Government of Nepal and its development partners on policy issues. It takes place at least twice a year as provisioned in the International Development Cooperation Policy.