



AMIS officially launched Amid a Meeting with Local Development Partners

Newly developed Aid Management Information system (AMIS) software has been launched officially by Hon. Finance Minister Dr. Yuba Raj Khatiwada amid a meeting with local development partners at the ministry on 5 September 2019. Head and representatives of local development partners including HE Ambassadors of various countries were present on the occasion. Addressing the program, Hon. Finance Minister Dr. Khatiwada highlighted on current economic situation of Nepal; the reforms undertaken during last two years and termed the AMIS as one of the reforms in area of aid data transparency as well as effective aid management. Minister Dr. Khatiwada also opined about the gradual implementation of fiscal federalism through legal provision by promulgating new laws and amendment in the existing laws. Joint Secretary Mr. Shreekrishna Nepal welcomed



the dignitaries and participants and highlighted features of newly launched software. Dr. Narayan Dhakal, Under Secretary conducted this event and also presented brief rationale for switching from AMP to AMIS.

AMIS is a web-based online data repository of the Government of Nepal that allows users to enter aid data and generate customized report. It has become live from today replacing previous Aid Management **Contd P8**

Inside this issue:

Message from the Chief Editor	2
Nepal Japan Policy Dialogue Conducted	3
Joint Financing Agreement between GoN & DPs	3
USAID Assistant Administrator of the Bureau of Asia Pays courtesy call to the Minister	5
World Bank supports employment and education programs	5
Loan Agreement Signed with Saudi Fund for Development	6
GoN and ADB Tripartite Portfolio Review Meeting Held	7
Foreign Aid Commitment	8

Joint World Bank - IMF annual Meeting



Hon'ble Finance Minister Dr. Yuba Raj Khatiwada participated in 2019 joint annual meetings of the world Bank and IMF in October 2019 leading the Nepalese delegation. Dr. Khatiwada also participate in several other sideline meetings. In the context of synchronized slowdown in the World Economy, most of the discussion were focused on evolving global tension and uncertainties **Contd P4**



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Message from the Chief Editor



The NPC report, *“Needs Assessment, Costing and Financing Strategy for Sustainable Development Goals”* estimates the SDG financing gap to be Rs. 218 billion and notes that mobilizing private sector capital and innovation are vital to meeting the 2030 Agenda in Nepal. At the same time, there are several perceptual as well as behavioral challenges in mobilizing private investment in the country. Taking these realities into consideration, the Ministry of Finance has been looking towards blended finance as a way to increase private sector engagement in development as well as a tool to reduce cost of capital while mobilizing loans from Development Partners.

As such, there is no common definition of blended finance. Sometimes it is described as a mechanism, approach, instrument, or tools by the various development practitioners. However, from the 3rd International Conference on Financing for Development organized by the United Nations in July 2015 in Ethiopia, also known as Addis Ababa Action Agenda (AAAA), blended finance started to be understood as a combination of concessional public finance with non-concessional private finance, often with the aim of reducing risk for private entities as they engage in development initiatives and also of reducing cost of fund for the government mobilizing financing for development. Blended finance can take the form cost-sharing, co-financing, loan guarantees, equity investments, structured finance or technical assistance. It can be a strong instrument under Integrated National Financing Frameworks for Sustainable Development Goals.

As in other low income countries, Nepal clearly needs to mobilize additional development finance to achieve SDGs. However, little of the private finance is found to be used for development interventions worldwide. As per an OECD/UNDCF study conducted in 2019, only approximately 6% of private finance for development was allocated to LDCs during the period from 2012 to 2017. Nepal, during the same period could mobilize only approximately 28 million USD in private finance for development. However, Nepal has adopted policy to use this mechanism through its International Development Cooperation Policy 2019 and introduced various legal footings to back up and incentivize this mechanism. Development Partners, through their ODA may come forward to leverage additional sources of financing in form of blended finance for development of Nepal.

Wish you all a very happy year 2020 ahead!

Nepal Japan Policy Dialogue Conducted

Representatives of the Government of Nepal (GON), the Government of Japan (GOJ) and the Japan International Cooperation Agency (JICA) met for a Policy Dialogue on 6th August, 2019 at the Ministry of Finance (MOF), Kathmandu. A Policy Dialogue meeting takes place every year, in leadership of the Ministry of Finance, coordinating with the concerned line ministries and authorities of the Government of Nepal. There was no separate Policy Dialogue Meeting in the year 2018.



The Nepali Delegation was led by Mr. Shreekrishna Nepal, Joint Secretary of the International Economic Cooperation Coordination Division (IECCD), MOF. The Japanese Delegation was led by Mr. Yuzo Yoshioka, Counsellor, Embassy of Japan (EOJ).

The meeting started with opening remarks by heads of delegation highlighting on the long lasting and cordial relationship and development partnership between the two nations. Delivering his opening remarks Mr. Nepal, co-chair and the head of the Nepali delegation stressed on the importance of the Policy Dialogue Meeting. He mentioned that this kind of gathering is very useful and productive in terms of taking stock of ongoing projects, sharing information and issues and finding ways forward. There are many undergoing development projects with the support of the GOJ. Through this meeting outstanding issues would be discussed and appropriate measures would be taken to ensure the effective implementation of the projects. Responding to the Nepali delegation, Mr. Yoshioka, in his opening remarks, stated that the Policy **Contd P6**

Joint Financing Agreement between GoN & DPs

The European Union (EU), Governments of Switzerland, Norway and the United Kingdom, collectively referred to as the Joint Financing Agreement (JFA) Development Partners, have agreed to provide a grant assistance of One Hundred Million US Dollar, equivalent to NPR 11.4 billion. The project aims strengthen the capacity of provincial and local governments to deliver public service in a more effective and efficient way.

This project will ensure to attain functional, sustainable, inclusive and accountable provincial and local governance by maximizing benefits of cooperative federalism for Nepali citizenry. The project will conclude in four fiscal years commencing from July 2019/20 and wrapping up in July 2022/23. The Joint Financing Arrangement to this effect was signed and exchanged between the Government of Nepal and JFA Development Partners at the Ministry of Finance, Kathmandu on 4 September 2019.



Important activities listed under the project are Innovation and Partnership Fund, Local Policy, Strategy, Guidelines, Framework & Institutional Development, Capacity Development Programme (Province and Local Level), and Public Financial Management (PMF) for the implementation of SUTRA and Local PFM. The project is expected to be a landmark project in incapacitating the sub-national governments by bridging the existing gap among three level of governance system.

The JFA was signed by Dr. Rajan Khanal, Secretary, Ministry of Finance and H.E. Mr. Matthew John Rycroft, Permanent Secretary, Department for International Development (DFID), H.E. Lasse Bjorn Johannessen, Ambassador, Norwegian Embassy in Nepal and H.E. Elisabeth Von Capeller, Ambassador, Swiss Embassy in Nepal, on behalf of their respective Governments. The European **Contd P8**

Joint World Bank - IMF

created from the declining trend in the global trade and investment particularly protectionism in trade and geo-political tension, Brexit, weak market sensitiveness and climate change. Hon'ble Finance Minister covered regional and local context, achievements and possible area of engagement in Nepal and the region, long term vision and target including reforms initiatives in a statement delivered in the annual meetings.

During the annual meetings, 14th Finance Ministerial informal meeting of South Asian Association for Regional Cooperation (SAARC) was also convened in the HQ of the World Bank. Chairing the informal meeting, Finance Minister Dr. Khatiwada outlined the importance of trade facilitation for economic integration of the South Asia region and focused on adequate development of road connectivity including train and airways network.

Participating in the joint World Bank- IMF South East Asia Voting Group (SEAVG) meeting, Hon'ble Finance Minister raised concerns over economic slackness in the region, increasing debt and its transparency including emerging challenges likely to occur in area of the digital economy and called for attention on global collaboration and collective efforts.

A special Nepal-Focusing program was organized by the World Bank to share the experience of Nepal on fiscal federalism. Co-chairing the program, Hon'ble Finance Minister shared the experience of the implementation of the federal in Nepal. In this occasion, Hon'ble Finance Minister stated that implementation of fiscal federalism had shown positive impact within a short span of time particularly on economic growth, employment, inclusive development and income distribution.

Delivering the speech as a key speaker on Road Safety program, Hon'ble Finance Minister suggested for special attention to designing and engineering aspect, geological condition, load bearing capacity of vehicle and its inspection, information flow mechanism on road safety, treatment capacity after accident, level of knowledge of drivers, regulation and implementation of transport sector prior to the construction of road for

the safety of the people. Vice President of the World Bank, Finance Ministers of South Asia region and high level officials of the World Bank and other member countries participated the program.

During the participation of the Asian Growth Outlook meeting, organized by Asia Pacific Department of the IMF, Hon'ble Finance Minister appreciated the positive trend of high economic growth in the region despite uncertainty of global growth and underscored the importance of developing healthy manpower, creating additional employment and enhancement of productivity of labour to reap the population dividend by the Asian countries.

During the visit, Hon'ble Finance Minister held bilateral meeting with the top level officials of Millennium Challenge Corporation. The progress and implementation status were also reviewed by the meeting.

A special event was organized to commemorate the 50th anniversary of using IDA concessional loan window by Nepal. Addressing the program, Hon'ble Finance Minister expressed Nepal's perspective in foreign assistance reviewing some strategy and priorities adopted in the past while mobilizing foreign assistance. Highlighting the long term goal adopted by Nepal, Hon'ble Minister urged the Bank to continue assistance from concessional window to Nepal until its graduation to developing countries.

During the visit, Hon'ble Finance Minister also discussed with some Executive Directors and high level officials of the World Bank, IFC, ADB, DFID and some investors of private sectors. During the discussion, possibility of further investment and support was discussed along with issues of mutual interest.

Dr. Arjun Kumar Karki, H.E. Ambassador of Nepal to the USA, Mr. Shreekrishna Nepal, Joint Secretary, Ministry of Finance, Mr. Homkant Bhandari, Economic Counselor of Nepal to the USA, also participate the program as members of delegation.

USAID Assistant Administrator of the Bureau of Asia Pays courtesy call to the Minister

USAID Assistant Administrator of the Bureau of Asia, Ms. Gloria D. Steele paid a courtesy call to the Hon. Finance Minister Dr. Yuba Raj Khatriwada on 7 November 2019.

Hon. Finance Minister welcomed, and thanked for decades long USAID support in various areas of Nepal's socio economic development. He also expected continuation of USAID as a long standing partner of Nepal.

Ms. Steele assured Hon. Minister for USAID's continued support to Nepal's socio-economic transformation along with implementation of federalism. She also mentioned USAID's readiness to support capacity building efforts of the Government particularly at the provincial and local levels together with other development partners. Hon. Finance Minister recalled USAID's transformative assistance in policy reform right from 1990's.

Hon. Minister also highlighted that Nepal has focused on credible budget system along with accountability,



transparency in Public Financial Management (PFM) at all levels of the government. In addition, He pointed out that importance of effective revenue mobilization avoiding multiple and double taxation so as to reduce the cost of doing business as components of PFM. Ms. Steele appreciated the Nepal's success in implementing fiscal federalism and expected further steps to consolidate the reforms taken so far.

During the meeting, H.E Ambassador of United State of America to Nepal, Randy Berry highlighted the importance of partnership in the development efforts of Nepal. Ms. Steele also wished that Nepal's transition would move faster to get optimum development results.

World Bank supports employment and education programs

The Government of Nepal and the World Bank signed two separate agreements on 27 November 2019. One to improve employment services and labor market outcomes for Nepali youth and another to continue support for the government's flagship School Sector Development Program. The agreements were signed at the Ministry of Finance by Finance Secretary Dr. Rajan Khanal and the World Bank Country Manager for Nepal, Mr. Faris H. Hadad-Zervos.

Human capital development and creation of jobs within the country for young people, especially women, is a top priority of the government," stated Dr. Rajan Khanal, Secretary, Ministry of Finance. "This support for promoting social security and quality education is an important contributor for achieving effective service delivery under Nepal's new federal structure and our goal of a Prosperous Nepal and Happy Nepali." Dr. Khanal appreciated the World Bank for its continuous support for the socio-economic development of Nepal.

The Youth Employment Transformation Initiative (YETI) is a new project of US\$ 120 million (approximately NRs 13.73 Billion) that aims to strengthen the systems and services for employability including programs such as the Prime Minister Employment Program (PMEP). The project will benefit 100,000 young people, especially women, and will be implemented by the Ministry of Labor, Employment and Social Security over a period of five years.

YETI will support 753 Employment Service Centers (ESCs) at the local level to increase access to employment opportunities by providing employment promotion and employment support services for registered job seekers. It will also support a holistic National Employment Management Information System (NEMIS) for effective and efficient management and monitoring of the services provided by the project and PMEP, management of data on job seekers and job-related opportunities, and evidence-based employment policy formulation.

Contd P8

Loan Agreement Signed with Saudi Fund for Development

The financing agreement between Government of Nepal and Saudi Fund for Development (SDF) concluded on 11 October 2019 in Ministry of Finance with objective to support the reconstruction of individual houses, health and education facilities that were devastated by the earthquake. The concessional loan of 112.5 million Saudi Riyal will support the “Program for Reconstruction of Houses, Health and Education Facilities in Earthquake Affected Areas”.

At the special presence of Hon’ Finance Minister, Secretary Dr. Rajan Khanal and His Excellency the Vice-Chairman and Managing Director Dr. Khaled Bin Sulaiman Alkhudairy signed the financing agreement on behalf of Government of Nepal and the Saudi Fund for Development, respectively.

In the concluding remarks, respected secretary Dr. Rajan Khanal expressed his gratitude to the Fund, its leadership and the Government of the Kingdom of Saudi Arabia for this generous support in humanitarian sector. He also expressed sincere gratitude to His Excellency the Vice-Chairman and Managing Director of the Fund for realizing the urgency of resources for reconstruction activities and for travelling to Kathmandu to sign on the agreement despite his very tight



schedule. During the event, he recalled the relation between the two countries that are marked as bonds of friendship, goodwill, mutual understanding and cooperation since the diplomatic relation established in 1977 AD. Dr. Khanal deeply appreciated the continued development assistance from the Kingdom of Saudi Arabia through Saudi Fund for Development and also for providing employment opportunities for Nepali youths in Saudi Arabia.

Dr. Khanal assured that the support will be mobilized in the socio-economic development of Government of Nepal. Finally, he expected that the Fund support for Nepal will continue in the days to come.

Nepal Japan Policy

Dialogue Meeting is a good opportunity for Japan and Nepal to exchange views on each other’s development policy and to discuss the smooth implementation of development projects. In the context of Federalism. He wanted to know more about operation of International and National Non-Governmental Organization in the context of new policy.

Throwing lights on the Japanese ODA to Nepal since the last Policy Dialogue Meeting, he mentioned that Japan has concluded several Exchange of Notes such as for the Economic and Social Sector Development Project, JDS-Japan’s Human Resource Development Scholarship, SSDP, Rehabilitation of Sindhuli Road and KR-Food Assistance Program. Likewise, GOJ is looking forward to implement ongoing projects, namely, the Nagdunga

Tunnel, Tanahu Hydropower, Pokhara Water Supply, Emergency School Sector Reconstruction, Emergency Housing Sector Reconstruction, Rehabilitation after Earthquake, and Improvement of Airport Safety in major airports.

In the meeting, Japanese side showed concerns about proper implementation of Japanese ODA projects in expeditious manner so that FDIs from Japan can be attracted to Nepal. Nepal delegation stressed on implementation of International Development Cooperation Policy and committed to find out amicable solution to the problems appeared in the implementation and use of Japanese ODA. The meeting raised various outstanding issues pending on both sides and jointly committed to resolve at the earliest.

GoN and ADB Tripartite Portfolio Review Meeting Held

The Asian Development Bank (ADB) and the Government of Nepal conducted a Tripartite Portfolio Review Meeting of ADB-supported projects on 20 November 2019 to improve project implementation, which will help deliver timely and effective development results on the ground.

“We appreciate the active participation of all stakeholders in the portfolio review,” said ADB Country Director for Nepal Mukhtar Khamudkhanov. “ADB values its partnership with the government and the leadership shown by the Ministry of Finance to improve project implementation for successful and timely development outcomes.”



The Gautam Buddha

International Airport under the South Asia Tourism Infrastructure Development Project is a good example of how leadership and improved implementation arrangement can positively impact on the progress of a project. It is one of the projects that has met both its contract awards and disbursement targets for this year.

ADB disbursed \$227.3 million in the first ten months (January to October) of 2019 which is higher as compared to the same period last year. Of the net available funding amount of \$2.96 billion spread over 31 investment projects and 2 program loans, 54% has been contracted out and 55% has been disbursed as of 31 October 2019.

Challenges remain in ensuring speed and efficiency in project delivery, and such review meetings provide an excellent platform to highlight key issues of project implementation and agree on critical actions,” said Secretary (Revenue) Mr. Sishir Kumar Dhungana. He

further added, “The executing and implementing agencies should be more sensitive for timely completion of the projects so as to get the expected results on the ground.

ADB has recently approved its latest country partnership strategy for Nepal, 2020–2024, which focuses on three priority areas: improved infrastructure for private sector-led growth, improved access to devolved services, and environmental sustainability and resilience. Under the new strategy, ADB expects to lend an estimated

\$500 million to \$600 million on an average during 2020–2022.

As the volume of lending increases and the portfolio grows in the future, it is even

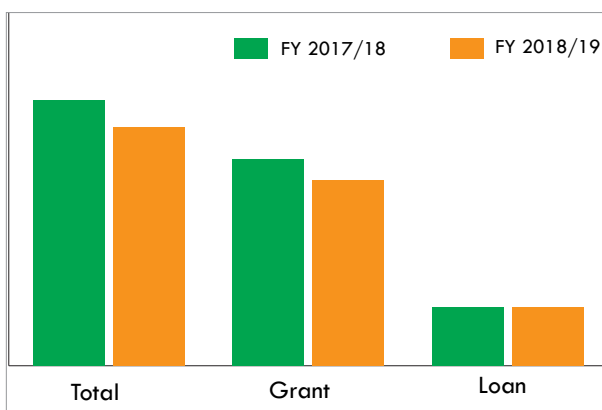
more important that we pay attention to timely contract awards and disbursements. Successful project implementation is key to bringing results on the ground and improving the lives of Nepali people,” said Mr. Khamudkhanov. “ADB will continue to help executing and implementing agencies strengthen their capacity to plan, design, and implement ADB projects.

Since its establishment in 1966, ADB has provided almost \$6 billion in financial and technical assistance to Nepal. The assistance was provided in energy, transport, water supply and urban infrastructure services, agriculture and irrigation, and education.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. In 2018, it made commitments of new loans and grants amounting to \$21.6 billion. Established in 1966, it is owned by 68 members - 49 from the region.

Foreign Aid Commitments

As of November 2019 of the current FY 2019/20, new foreign aid commitments received by the GoN from DPs have reached a total of NRs. 15.67 billion (NRs. 12.34 billion as grants and NRs. 3.33 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. 107.18 billion (NRs. 13.49 billion as grants and NRs. 93.69 billion as loans) in the same period of the previous fiscal year.



Joint Financing

Union will sign the JFA in the later days.

The Government of Nepal has expressed its appreciation to the European Union, Governments of the United Kingdom, Norway and Switzerland for providing such generous financial support for this program and for the trusted partnership in strengthening Sub-national Governance, system.

AMIS officially

Platform (AMP). The new system is more user-friendly and comprehensive. Being developed locally, it will be easy to maintain, fix and update locally.

Development partners expressed curiosity on various aspects of the system and thanked the Ministry of Finance for coming up with such useful software.

World Bank supports

The project will create temporary employment opportunities while improving infrastructure projects and provision of services to engage up to 35,000 vulnerable individuals and yield about 3.5 million work-days annually. The temporary employment opportunities will be complemented by on-the-job and life skills trainings of up to 50 days per individual to improve the employability of young people in the long run following the updated PMEP guideline. The project will also support capacity building initiatives to facilitate effective service delivery and coordination in the new federal structure while creating synergies with the private sector and existing projects to promote employment and employment-related services.

Likewise, Additional Financing (AF) of US\$ 23.958 million (approximately NRs 2.74 billion) was made available through the Global Partnership for Education (GPE) Grant to support Nepal's School Sector Development Program (SSDP). The SSDP annually benefits over 7 million students and over 180,000 teachers and early childhood education development (ECED) facilitators in more than 30,000 community schools and ECED centers across the country.

The additional financing will maintain support for the government's SSDP to improve quality, equity and efficiency within the school education sector. It will also safeguard and maximize SSDP's development impact during the ongoing federal transition. The additional financing will explicitly focus on education service delivery, especially for the most disadvantaged and setting strong foundations for the decentralized education systems. It will help mitigate risks to education quality and access given heterogeneity in capacity and quality of governance at the local level.