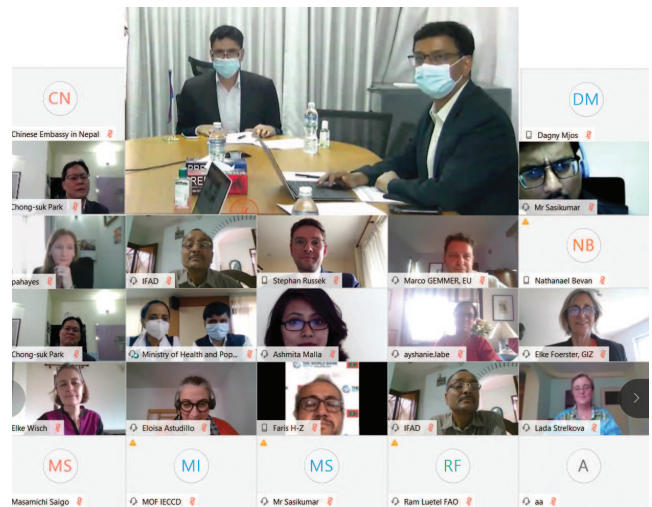




MoF conducted virtual meeting with DPs to Discuss COVID-19 Financing gaps and strategy

Ministry of Finance conducted a virtual meeting with local development partners on 3 September 2020. Mr. Shreekrishna Nepal, Joint Secretary, International Economic Cooperation Coordination Division of Ministry of Finance (MoF) chaired the meeting. All together 50 participants, including HE ambassadors, Mission Heads, Resident Representatives, Chief Representatives, Mission Director, Resident Coordinator and other representatives from development partners actively participated in the meeting. Despite being a part of regular dialogue between the Government of Nepal and its Development Partners, this meeting revolved around the theme of financing for combating COVID-19 in Nepal.

From MoF, Mr. Narayan Dhakal, Under Secretary, Ministry of Finance presented a snapshot of resources management from the Government of Nepal on top of regular budget allocation and from development partners as captured in the COVID-19 portal of Aid Management Information



System (AMIS). From Ministry of Health and Contd P6

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53rd ADB Annual Meeting of the Board of Governors



The Fifty-Third Annual Meeting of the Board of Governors of the Asian Development Bank was held virtually in two stages due to the COVID-19 pandemic. The first stage was on 22 May 2020 and the second stage was from 17 to 18 September 2020.

In the context of unprecedented COVID-19, ADB president Masatsuga Asakawa addressed the Board Contd P5

Message from the Chief Editor



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The Government of Nepal is committed to continue with the reforms to improve the performance of the Financial Sector. The latest of such efforts has been reflected in the budget of Fiscal Year 2077/78 in the form of programmatic Finance for Growth Development Policy Credit with support from World Bank.

Nepal's financial sector continues to face significant challenges in its role as an efficient intermediary for private investment and equitable growth, which has been further intensified by the COVID-19 pandemic. The major challenges identified in this sector are: the gap in transitioning to a risk-based approach that enables the supervisory authority to accurately monitor risks and undertake timely action, the gap in fully complying with the global anti-money laundering and combating the financing of terrorism standards, lack of an adequate framework and infrastructure for sharing credit information and use of movable assets as collateral, short supply of long-term source of finance required for development of physical infrastructure, Infant state of the domestic capital market, lack of capacity and sophistication of the insurance sector, lack of diversified instruments to better manage the financial demands of disaster, inadequate investment in financial literacy programs to help people, especially females, to select financial services of their needs.

Realizing the need for further improvements towards a more inclusive access to financial services and the importance of digital financial solutions in enabling the population to access financial services, significant actions have already been taken with an increasing emphasis on deepening and broadening financial access while continuing to address emerging vulnerabilities that could create a potential risk to the financial sector stability.

To undertake additional measures to counter the impact of COVID-19, GoN has outlined the reform actions that encompass both the relief and recovery efforts as well as the next steps of reforms. These involve key policy and institutional activities under three pillars, viz; **Strengthening Financial Sector Stability** that incorporates reforms in supervision of the banking system by the central bank, strengthening the capacity of national authorities in assessing risks from money laundering and terrorist financing, **Diversifying Financial Solutions** that includes developing the Disaster Risk Financing Strategy, policy and institutional mechanism to strengthen government and non-government securities and developing insurance sector as a fair, inclusive, safe and stable instrument for the benefit of policy holders/beneficiaries and **Increasing Access to Financial Services** incorporating reforms in policies and procedures to attract inflows of international borrowing, developing an enabling framework for the development of digital payment, improving credit infrastructures and improving financial literacy.

The policy credit will not only help the cash flow management of the government but also contribute to the continuation of the reforms in the financial sector.

Bilateral Agreement Signed by GoN and the Switzerland

An agreement to implement Motorable Local Bridges Program (MLRBP) phase IV was signed and exchanged between Mr. Shreekrishna Nepal, Joint Secretary, Ministry of Finance and Ms. Elisabeth von Capeller, Ambassador, Embassy of Switzerland in Nepal, on behalf of their respective governments on 13 November 2020. The programme will start from January 2021 and end in December 2024.

Switzerland will contribute CHF 9,820,000 (approximately equivalent to NPR 1,266,780,000) for the four-year program in the form of technical assistance. The Federal and Provincial governments will finance the required funds for construction of around 200 new

motorable bridges on provincial roads in the next four years.

The programme will be implemented by the Provincial governments and will benefit around 1.5 million citizens through better access to economic opportunities and basic services using the provincial road network.

Over the last nine years, Swiss Agency for Development and Cooperation (SDC) provided technical assistance to build over

415 motorable bridges in the country. These bridges on average reduced the transportation costs to schools, health posts, markets etc by 20-25%.



Video Conference Meeting Held Between MoF and CIDCA

A video conference meeting was held between Ministry of Finance, Government of Nepal and China International Development Cooperation Agency (CIDCA) on 27 August 2020. During the meeting, comprehensive discussions were made regarding the implementation status of the China-funded development projects in Nepal and the upcoming initiations needed to be taken from both sides for expediting the implementation of the pipeline projects.

Addressing the meeting, Mr. Sishir Kumar Dhungana, Secretary, Ministry of Finance highlighted on the status of various cooperation between two countries saying "It is gratifying that the projects undergoing with the grant assistance and concessional loan from China are being smoothly implemented and we are committed to upscale the partnership to a new height with China". We need to jointly coordinate to resolve the existing issues related to the execution of different projects and facilitate the completion of the projects in the stipulated time, he added further.

On his concurrent remarks, Mr. Deng Boqing, Vice Chairman of CIDCA said, "We have already taken initiations to resolve the issues related to the execution of the ongoing projects and are committed to carry forward the important pipeline projects whose preparatory works has been already finalized by the Government of Nepal. He also elaborated on the plans related to the improvement of Araniko Highway and the Ring-Road Improvement Project(Phase II), which is going to be initiated soon.



In the meeting, the Nepali side briefed CIDCA about the progress of different on-going projects and subsequently requested for the earlier initiation from Chinese side for the implementation of most strategic pipeline projects including the Bir-Hospital Extension Project, Coordinated Border Management at Korala Customs Point, Madan Bhandari Science and Technology University Project, Livelihood Improvement Projects in the Northern Region of Nepal, Feasibility Study of Tunnel Construction in Tokha-Chhare and Betrabati-Syafrubesi and China-Nepal Cross-Border **Contd P7**

Meeting between Hon. Finance Minister and Vice President of the World Bank

Amid world-wide spread of Corona Virus, a video conference meeting was held between Hon. Finance Minister Dr. Yub Raj Khatriwada and Mr. Hartwig Schafer, Vice President, South Asia Region, World Bank on 21 August, 2020. The meeting concentrated on the current and further likely impact of world-wide COVID 19 on economy, health sector and livelihood of Nepal. Existing status of WB funded projects in Nepal along with the steps that were initiated from the Government of Nepal for the mitigation and control of COVID 19 was also discussed.

Hon. Finance Minister thanked the World Bank for providing quick support for the reduction of the impact of COVID-19 and expected further support for the mitigation of health risk and continuation of economic recovery programs. Hon. Minister shared that the Government of Nepal would prioritize for the health treatment, social security, and continuity of small and medium enterprises including the implementation of



employment generating large projects.

Hon'ble Finance Minister further shared that overall economic indicators excluding economic growth remained positive despite tourism, production industry and contractor sector had been badly hit by Covid-19 impact. Stressing on the continuation of health and economic recovery simultaneously, Hon. Finance

Minister appreciated the contribution of the World Bank on cash flow management through development policy credit.

Given that IDA resources wouldn't be sufficient for bridging the financing gap of the member countries, Hartwig updated that World Bank and IMF were jointly initiating for the suspension of debt service of low income countries including Nepal and increasing the envelope of IDA resources. He further ensured World Bank should support Nepal for its health and economic recovery.

GoN and World Bank Sign Financing Agreements to Boost COVID-19 Recovery

The Government of Nepal signed two separate financing agreements of \$350 million (Rs. 42 billion approximately) with the World Bank on 18 November, 2020 in Ministry of Finance that would help strengthen urban governance and the financial sector in Nepal in support of the country's COVID-19 resilience and recovery efforts.

The agreements for the Nepal Urban Governance and Infrastructure Project and the Finance for Growth Development Policy Credit were signed by Finance Secretary Mr. Sishir Kumar Dhungana on behalf of the Government of Nepal, and the World Bank Country Director for Maldives, Nepal, and Sri Lanka, Mr. Faris Hadad-Zervos.

The \$150 million (approximately Rs. 18 billion) Nepal Urban Governance and Infrastructure Project will support different 33 municipalities located in two urban clusters: Eastern-Terai region (Provinces 1 and 2) and Western region (Gandaki Province and Lumbini Province). Through the creation of Nepal's



first dedicated Urban Sector Grant, the project will finance strategic infrastructure in the targeted cities based on the priorities of the municipalities and their citizens. The project will also support capacity building for the municipalities for improved urban management and with strong focus on citizen engagement, enabling targeted municipalities to better plan, manage and execute service delivery and urban **Contd P7**

ADB and Norway Provides Loan and Grant to Strengthening Power Transmission

Asian Development Bank (ADB) agreed to provide concessional loan equivalent to USD 200 million (About Rs. 23.88 billion) to the Government of Nepal for the implementation of South Asia Subregional Economic Cooperation (SASEC) Power Transmission and Distribution System Strengthening Project. Similarly, the Government of Norway agreed to provide a grant co-financing equivalent to USD 35 million (About Rs. 4.18 billion) to be administered by ADB. Finance Secretary Mr. Sishir Kumar Dhungana and ADB Country Director Mr. Mukhtor Khamudkhanov signed loan and grant agreement on behalf of GON and ADB, respectively on 27 August 2020. Similarly, project agreement was signed by Managing Director of Nepal Electricity (NEA) Authority Mr. Kul Man Ghising and ADB Country Director Mr. Khamudkhanov at the Ministry of Finance.

At the occasion, Finance Secretary Mr. Dhungana remarked, "ADB is a major development partner supporting Nepal's energy sector." He further said, "The project connects to SASEC framework by upgrading substations to enable full-fledged operation of the transmission line at 400 kilovolts, and to facilitate cross-border power exchange with India. The project will also support Province 2, where the quality of electricity supply is poor and about 20% of households are still out of access to the national grid."



"Electricity supplies are expected to increase rapidly during the next several years. Given this, electricity network enhancement has been a priority," said Mr. Mukhtor Khamudkhanov, ADB's Country Director for Nepal.

This loan is concessional having a 32-year term, including a grace period of 8 years, an interest rate of 1.0 percent per year during the grace period and 1.5 percent per year thereafter. The grant will be utilized for financing expenditures related to power transmission capacity enhancement and improvement of distribution network and capacity of energy-based enterprises development in Province-2. The **Contd P8**

53rd ADB Annual Meeting

of Governors and committed to partnering with developing economies in Asia and the Pacific to achieve their recovery goals from the COVID-19 pandemic by promoting regional cooperation and integration and by strengthening investments in health, education, and social protection to decrease the income inequality and absolute poverty.

On the sideline of the Annual Meeting, the Fifteenth Informal Meeting of SAARC Finance Ministers was also held on 16 September 2020 in virtual mode. The Meeting was attended by the Hon'ble Finance Ministers/Heads of Delegations from all the SAARC Member States and was held under the Chairmanship of Hon'ble Foreign Minister of Nepal, H. E. Mr. Pradeep Kumar Gyawali. In his opening statement, the Chairman thanked ADB for its continuous support to SAARC. He also commended excellent arrangements made by SAARC Secretariat and ADB for the Meeting

in Virtual Mode for the first time. Indicating the huge challenges posed by the COVID 19 pandemic, he stated that solidarity and collective efforts should be the priority to fight the pandemic and its minimize negative impacts on important areas of the economy. Similarly, Mr Shixin Chen, Vice President of the Asian Development Bank, (Operations I) briefed the Meeting about the initiatives and financial commitments already made by ADB for the region along with the status of collaboration between ADB and SAARC.

Likewise, Constituency Senior Officials' Meeting (CSOM) was also held on the sideline of the same meeting on the 16th September. Mr. Shreekrishna Nepal, Joint Secretary and Chief of International Economic Cooperation Coordination Division, Ministry of Finance participated in the meeting on behalf of the Government of Nepal.

Swiss contribution for Trail Bridges and Provincial and Local Governance Support Programme

The Government of Switzerland has agreed to provide technical grant assistance of CHF 19.4 million (equivalent to Nepali Rupees 2.1 billion approx.) to the Government of Nepal to implement two programmes in the country. Out of the assistance, CHF 9.4 million will be spent for the implementation of Trail Bridge Sector Wide Approach Framework III, and CHF 10 million, to implement the Provincial and Local Governance Support Programme (PLGSP). Agreements to this effect were signed and exchanged by Mr. Rajan Khanal, Secretary, Ministry of Finance and Her Excellency, Ms. Elisabeth von Capeller, Ambassador of Switzerland to Nepal, on behalf of their respective governments on 6 November 2019.

More than 8000 trail bridges have been built in Nepal through the Swiss technical supports and funding from the Government of Nepal. As a result, over 18 million people have better access to services through safer river crossings. On an average, more than 1.4 million people use trail bridges every day.. In the areas that are close to trail bridges that were built, the school attendance increased by 16% and visits to health

centres increased by 26%) on average.

It is estimated that Nepal still needs additional 2400 bridges to facilitate isolated rural people in Nepal to access services and to avoid a detour of more than one hour. The trail bridge programme will assist the Government of Nepal to implement the Sector Wide Approach Framework III to achieve this target. The programme also sets precedence in the implementation of the Federal Constitution of Nepal, whereby most of the implementation will be championed by the local level, longer span bridges by Provinces, and bridges in international boundaries, signature bridges and international procurement by the Federal Government.

The PLGSP, a national flagship programme is designed jointly by the Government of Nepal and Development Partners to enhance the capacity of provincial and local governments in delivering effective and efficient service to citizens. The PLGSP will contribute towards strengthening provincial and local governance systems and procedures and **Contd P8**

MoF conducted virtual meeting

Population (MOHP), Ms. Yeshoda Aryal, Senior Public Health Administrator presented current COVID situation, details of support received by MOHP from development partners, key gaps in funding, human resources, logistics, infrastructure and risk communication behavior. MOHP also highlighted on its strategy and plan to combat COVID-19 in areas of human resource management, case management, logistic management, quality control and assurances, risk communication and serological study.

These two presentations were followed by interventions from the floor. HE Ambassador of Japan Mr. Masamichi Saigo, HE Ambassador of South Korea Mr. Park Chong-suk, Mr. Faris H. Hadad-Zervos, World Bank Country Director for Maldives, Nepal and Sri Lanka, Mr. Mukhtar Khamudkhanov, Country Director of Asian Development Bank for Nepal, Ms. Valerie Julliard, UN Resident Coordinator, newly joined USAID Mission Director Ms. Sepideh Keyvanshad, Mr. Nathanael Bevan, Deputy Country Director from DFID and Mr. Marco, head of cooperation of European Union made comments, informed about the supplemental supports and shared their thought on COVID-19 financing in

Nepal. They also shared their future strategy to support Nepal in this difficult time. Heads and representatives of many other development partners including from UNDP, India, China, Switzerland, Germany, KfW development bank, GIZ, JICA Nepal, WFP, UNICEF, SNV, Finland, ILO were also present in the virtual meeting.

Finally, during his closing remarks, Joint Secretary Mr. Nepal acknowledged the suggestions and expressed sincere thanks to all distinguished participants for their overwhelming participation. Responding to comments, Mr. Nepal also urged all development partners to provide more targeted and directed support in line with MOHP plan and strategy to help fill the gaps in areas of funding, human resources, logistics and infrastructure. He further said- "As pandemic is global public good support, it should be supplied collectively by all for the benefit not only of Nepal but of the world." "Current interventions should under no circumstances hamper the regular health services." Pool of human resources and effective and transparent communication strategy is the most powerful remedy to such pandemic, he added.

GoN and the Swiss Collaboration to Transform Agricultural Markets in Province 1

An agreement to implement the Nepal Agricultural Market Development Program (NAMDP) phase II was signed and exchanged between Mr. Shreekrishna Nepal, Joint Secretary, Ministry of Finance and Ms. Elisabeth von Capeller, Ambassador, Embassy of Switzerland in Nepal, on behalf of their respective governments.

Switzerland will contribute CHF 9.54 million for the

four-year program (December 2020 – November 2024) which focuses on stimulating job creation and increasing the incomes of farmers through successful transformation of agricultural markets in Province 1. The NAMDP phase II will particularly strengthen the provision of support services to Small and Medium Enterprises (SMEs) in the agricultural sector to increase trade value in selected value chains. The project will create 1,000 new jobs and benefit 20,000 farmers through increased farm-income.

Government of Nepal and World Bank sign

management activities.

The project will finance small scale labor intensive public works, thus supporting economic recovery and creating temporary jobs for at least 20,000 people across the country, including women and other vulnerable groups. The project also includes a contingency emergency response component to allow for reallocation of project funds to support response and recovery in case of a national emergency.

Similarly, the \$200 million (Rs. 24 billion) Finance for Growth operation will strengthen financial sector stability, diversify financial solutions, and increase access to financial services in Nepal. It will support enhanced supervision of risks confronting the banking and financial institutions, especially in the context of COVID-19 pandemic. The operation will also help build capital, insurance, venture capital and private equity and disaster risk financing markets through regulatory reforms. This will help open new investment opportunities for market actors and crowd-in private financing.

The project also focuses on expanding access to finance

for households, women and firms through regulatory and other reforms that will attract additional inflows of international finance and mobilize digital services, credit infrastructure and literacy programs.

“We are thankful to the World Bank for the support in strengthening urban development and improving financial sector stability in Nepal,” stated Sishir Kumar Dhungana, Secretary, Ministry of Finance. “I am confident that these projects will be milestone for boosting economic possibilities and support for speedy recovery consistent with our 3R - relief, recovery and resilience strategy.

“The World Bank is committed to support the government in implementing its relief, recovery, and resilience plan to meet urgent demand while focusing on long-term goals and opportunities to rebuild stronger and better from the pandemic,” stated Faris Hadad-Zervos, World Bank Country Director for Maldives, Nepal, and Sri Lanka. “Through the new projects, we look forward to working with the government to strengthen institutions for effective service delivery as part of the federalism implementation process and build a resilient financial sector to boost economic recovery.”

Video Conference Meeting

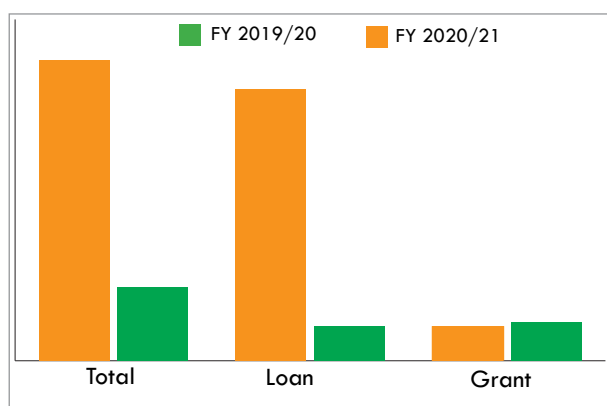
Railway and implementation of Exim-Bank concessional loan projects.

The Chinese side reaffirmed their commitment towards scaling up the initiations for promoting these projects and stressed on the need to work together to better plan and coordinate for accomplishing these projects. They further purposed to forward these projects in a stepwise manner once the effect of the COVID-19 begins to ease down.

Finally, the meeting concluded by Finance Secretary expressing gratitude to the Government of People's Republic of China for its valuable contribution in the socio-economic development of Nepal and the special support being provided for coping with the COVID-19 pandemic. Mr. Boqing, Vice Chairman of CIDCA in return vowed to provide more support to fight together with the pandemic and extend the cooperation between two countries in the upcoming days as well.

Foreign Aid Commitments

As of November 2020 of the current FY 2020/21, new foreign aid commitments received by the GoN from DPs have reached a total of NRs. 133.25 billion (NRs. 14.08 billion as grants and NRs. 119.16 billion as loans) for the implementation of various development projects and programs. The total commitments received by the GoN from various DPs amounted to a total of NRs. 32.15 billion (NRs. 15.09 billion as grants and NRs. 17.06 billion as loans) in the same period of the previous fiscal year.



Swiss contribution

inter-governmental relationships to maximise benefits of cooperative federalism for Nepali citizenry. Among others the Programme will help clarify the roles and responsibilities of different spheres of government and strengthen local and provincial governments to function and fulfill those roles and responsibilities.

The Government of Nepal has expressed its sincere appreciation to the Government of Switzerland for the technical grant assistance to the rural transport infrastructure sector and watershed management, as well as its continued support in the socio-economic development of Nepal.

GoN and UNDP Launched Project to Boost Climate-Resilient

The Government of Nepal, United Nations Development Programme (UNDP) and the Global Environment Facility Least Developed Countries Fund launched a new USD 42 million Climate Adaptation Project to help secure sustainable livelihoods and food security for vulnerable rural communities in east of the country.

Led by the Department of Forests and Soil Conservation, the project will introduce and scale-up integrated watershed management practices and climate-smart agriculture in four major watersheds (Dudhkoshi, Molung, Likhu and Sunkoshi Canyon within the lower Sunkoshi basin) covering 782,68 square kilometres and benefiting some 121,606 people directly.

The project supports Nepal's ambitions set out under its 15th five-year plan, the Climate Policy 2019 as well as under international frameworks including the Sustainable Development Goals and its Nationally Determined Contributions under the Paris Agreement. A grant of USD 7 million from the Global Environment Facility and USD 0.9 million from UNDP join a national investment of USD 34,893,000 as co-financing from federal and local government.

ADB and Norway ...

Ministry of Finance will relend these assistances to NEA through subsidiary loan and grant agreements for implementation of project activities. The project will accomplish the reinforcement and modernization of the power supply system in Kathmandu in Bagmati Province and will begin strengthening of distribution systems outside of Kathmandu starting with the Bharatpur metropolitan area in Bagmati Province and Pokhara in Gandaki Province, suffering from persisting power supply interruptions. The project will also support Province 2, where the quality of electricity supply is poor and about 20% of households are still without access to the national grid. Further, the project will strengthen transmission lines for evacuation of hydropower to the main load centers, while excess power is traded with neighboring countries.

Finance Secretary Mr. Dhungana appreciated ADB for its continued support to energy sector development and expressed sincere thanks to the Government of Norway for its grant co-financing with ADB, which will be crucial for socioeconomic development of Nepal.