



Development Cooperation Report 2019/20 Launched

The Development Cooperation Report, 2020 has been launched by the International Economic Cooperation Coordination of the Ministry of Finance. DCR, 2020 is a detailed account of development cooperation both in the form of Official Development Assistance from various bilateral and multilateral development partners and cooperation received from International Non-Governmental Organizations (INGOs) in the Fiscal Year 2019/20, the period from 16 July 2019 to 15 July 2020.

This Report presents the composition and analysis of development cooperation received from various bilateral and multilateral development partners during the period and their engagement in various sectors, types and modalities of disbursement.

As per the report, an ODA of 2,003 million USD was disbursed in 2019/20 compared to 1,578 million USD in the previous year, an increase of 26.9%. On the other hand, there has been notable decline in the INGO contributions from 215.3 million USD in 2018/19 to 131.8 million USD in 2019/20. Of the total ODA disbursed in Nepal in 2019/20, 512.9 million USD (25.6%) was disbursed specifically for COVID-19 response and recovery.



DEVELOPMENT
COOPERATION
REPORT



The Report highlights that of the total ODA, 69.9% was provided as loans, 18.7% as grants and 11.3% as technical assistance in 2019/20. The increasing share of loans in ODA reflects the result of Nepal's eligibility in concessional loans from the Multilateral Development [Contd P5](#)

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4th 3R Advisory Committee Meeting



The 4th meeting of 3R Advisory Committee on COVID-19 Restructuring, Recovery and Resilience (3R) was held on March 19, 2021 at the Ministry of Finance. The development partners, officials of the government and representatives of the private sector participated in the meeting chaired by Finance secretary Mr. Sishir Kumar Dhungana.

Welcoming the participants, Finance Secretary Mr. Dhungana discussed the impacts of CoVID-19 pandemic on human health as well various sectors of the [Contd P7](#)

Message from the Chief Editor



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Nepal has huge investment gap to achieve the Sustainable Development Goals (SDGs). Significant financing is essential for attaining national targets of LDC graduation and reaching the Middle-Income Country Status by 2030. Additional resource mobilization has become even more relevant in the context of COVID-19 Pandemic that has not only a devastating impact on human health but also a severe impact on the economies worldwide.

Over the past few years, Nepal has witnessed significant improvements in the domestic revenue mobilization largely due to the reform initiatives taken by the government. Despite this, development cooperation still continues to be an important source of financing for socio economic development. As such, Government of Nepal has accorded high priority to effectiveness of development cooperation so as to maximize the gains that are crucial to achieving the national and global development objectives.

Government of Nepal has reflected its strong commitment and engagement in various aid effectiveness principles and also in the related mechanisms. The government firmly believes that the strengthened government systems and improved capacity coupled with the development partner's alignment to the national results framework and Public Financial Systems would help to promote the transparency and mutual accountability in effectively delivering the development results. Recent launch of Development Cooperation Report, 2020 is an important step in this regard.

The government puts high priority to mobilize all kinds of assistance through the national system. There is also a need to correct the fragmentation of development cooperation mainly to avoid duplication in the development activities. Results have shown considerable improvements in this regard with a need to continue further with maintaining the momentum gained.

The composition of the development assistance has been changing in the recent years. The increasing portion of ODA loan against the grants and technical assistance over the years reflects Nepal's eligibility in concessional loans from the Multilateral Development Banks and institutions as well as the increasing public investment in development projects. The contribution of ODA in the national budget has shown a decline reflecting the fact that the efforts towards strong domestic revenue base have shown positive impacts. More than a quarter of ODA disbursements in the fiscal year has been directed to COVID-19 response which shows the government's strong commitment towards saving people's life first.

The government has been emphasizing the need of channeling the assistance in the form of budgetary support. The increase of budgetary support in the last fiscal years is an important shift thereby providing the flexibility in allocation of development expenditure.

Continuing with all these significant reforms and improvements, there is a need of more integrated cooperation based on country results framework and use of national systems as well as to continue working on the possible areas of improvement to further enhance the effectiveness of development cooperation in Nepal so as to contribute to achieving the national and global development goals.

GoN and ADB Signed Loan Agreement

Asian Development Bank (ADB) has agreed to provide 156 million USD as concessional loan to finance Electricity Grid Modernization Project. An agreement to this effect was signed by Mr. Shreekrishna Nepal, Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance and Mr. RUDI LOUIS HENDRIKUS VAN DAEL, Officer-in-Charge, ADB Nepal Resident on behalf of GoN and ADB respectively on December 30, 2020.

At the same occasion, a project agreement was signed by Mr. RUDI LOUIS HENDRIKUS VAN DAEL and Mr. Hitendra Dev Shakya, Acting Managing Director, Nepal Electricity Authority, on behalf of ADB and NEA.

At the signing ceremony held in ministry of Finance Joint Secretary Mr. Nepal remarked, "ADB is a major development partner supporting Nepal's infrastructure

sector and its involvement has been focused in the high priority areas of the Government." He further said, "The concessional loan under this agreement will be utilized in strengthening and modernizing electricity transmission capacity and distribution system in the project areas as well as in strengthening capacity of NEA to implement its Corporate Development Plan." Joint Secretary Mr. Nepal appreciated ADB for its continued support for the socio-economic development of Nepal.



On the occasion, Mr. RUDI marked "The project that we signed today is another milestone in ADB's continued support to Nepal's high priority Energy Sector. He further remarked that

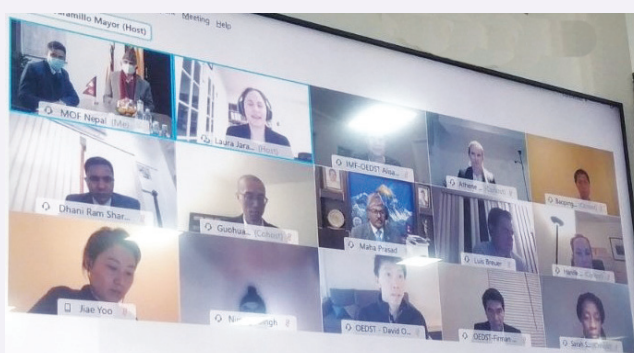
the project will contribute to Government's efforts of strengthening and modernizing transmission capacity and distribution system in project areas as well in strengthening the financial management capacity of NEA". [Contd P8](#)

Video Conference Meeting Held Between Hon. Finance Minister and IMF Representative

A virtual meeting was held between Hon. Finance Minister Mr. Bishnu Prasad Paudel and the IMF officials to discuss the preparation of Extended Credit Facility (ECF) programs and other various aspects of the economy.

During the meeting, Hon. Minister highlighted the government efforts to revitalize the economy impacted due to the global COVID-19 pandemic and appreciated IMF support through Rapid Credit Facility and the relaxation, in principal and interest, under Catastrophe Containment and Relief Trust for easing the resource management pressure during the pandemic situation.

The IMF officials, led by Laura Jaramillo Mayor, IMF Mission Chief for Nepal and Deputy Division



Chief, IMF South Asia, briefed about the progress in the preparation of ECF program and assured that IMF will continue to support the Government of Nepal in its endeavors for the socio-economic development of Nepal.

Virtual training on Blended Finance concluded

A virtual training on Blended Finance was organized by Effective Development Financing and Coordination Project (EDFC II), Ministry of Finance from 26-27 February, 2021. Officials from Ministry of Finance and relevant ministries of the Government of Nepal, Nepal Rastra Bank, Nepal Investment Board, Office of the Auditor General, Financial Comptroller General Office actively participated in the training.

Convergence Canada, a global network for blended finance, coordinated live interactive sessions on the concept of the blended finance, sharing of best practices in other countries and facilitated the

presentation of perspectives from various stakeholders including development partners, Non- Governmental Organizations and recipient countries.

Blended Financing is an important means of enhancing the effectiveness of development cooperation and leveraging resources for their optimum use through the blending of commercial, private, NGO Funds and Official Development Assistance. One of the key activities of EDFC II project is to formulate a Blended Finance Strategy for Nepal. In light of this, the training is expected to be a good starting point to internalize the concept and move forward towards formulating a Blended Financing Strategy for Nepal.

Agreement between GoN and World Bank

The Government of Nepal and the World Bank signed 80 million USD (approx. 9.3 billion NPR) project to bolster Nepal's agriculture sector by strengthening rural market linkages and promoting entrepreneurship while creating jobs to support post-COVID-19 recovery.

The Rural Enterprise and Economic Development Project (REED) was 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 at a ceremony held in the Ministry of Finance on December 21, 2020.

"We thank the World Bank Group for providing crucial support with this project which will enhance

the access of rural enterprises and small-hold producers to markets and institutional buyers," stated Mr. Sishir Kumar Dhungana, Secretary, Ministry of Finance. He further stated "Promoting agribusiness competitiveness with sustainable market linkages will be critical to boost Nepal's post-COVID recovery."

The project aims to facilitate productive partnerships between rural producer organizations and private sector buyers to add value, create jobs and foster sustainable inclusion into, and development of, higher value domestic and foreign value chains.

The project focuses on five economic corridors covering Province 1, Province 2, Bagmati, Gandaki, Lumbini and Sudurpashchim that offer opportunities for successful linkage activities of



the rural entrepreneurs to be supported by the project. REED will work with provincial and local governments, intermediary organizations and small and medium enterprises to build capacity in the agriculture sector

and strengthen the entrepreneurship ecosystem.

The project will also finance investments in municipal agriculture centers and value chain infrastructures to ensure the availability of inputs for farming as recovery actions from COVID-19. The project will use labor-intensive Cash for Work mechanism, to the extent possible, in short-term public works. **Contd P8**

GoN/ ADB Annual Country Portfolio Review Meeting, 2020 (CPRM) concluded

The ADB Annual Country Portfolio Review Meeting, 2020 was held virtually from 22-26 February, 2021. The meeting brought together participants from different ministries of the Government of Nepal and project staffs that were involved in the project execution and implementation of the bank assisted projects and ADB Staffs.

During the meeting Mr. Rudi Van Dael, Principal Portfolio Management Specialist, ADB Nepal Resident Mission presented an overview of ADB's portfolio performance in Nepal and highlighted the project specific issues. Participants reviewed the overall performance of the projects, discussed sector and project specific issues affecting project and portfolio performance, agreed

on following year's contract award and disbursement projections and prepared a comprehensive portfolio action plan for 2021.

The wrap-up session of the CPRM, 2020 was held on March 2, 2021. Finance Secretary, Mr. Sishir Kumar Dhungana and Mr. Sharad Bhandari, Officer- In charge, ADB NRM chaired the meeting. During the meeting, Mr. Bhandari highlighted the key issues observed in the implementation of ADB assisted projects and agreed action plan for the next year. Similarly, Finance Secretary Mr. Dhungana remarked that MoF will take necessary measures to resolve the issues to ensure the smooth implementation of the projects in the coming years.

GoN and GEF launched the Integrated Landscape Management

Government of Nepal and Global Environment Facility launched the Integrated Landscape Management to Secure Nepal's Protected Areas and Critical Corridors (ILaM) at an event in Kathmandu December 22, 2020. The 6.6 million USD (approx 72.6 million NPR) project will be implemented in the Terai Arc Landscape for a period of five years. With the aim to build national capacity and an enabling environment for cross-sectoral coordination to promote forest and landscape conservation, the project will

facilitate integrated planning for Protected Area Buffer Zones and Critical Corridors, and support sustainable management of forests in the Terai Arc Landscape. A key focus in this endeavor will be placed on human-wildlife conflict mitigation and the adoption of social safeguards for indigenous and marginalized communities. The project is financed by the Global Environment Facility (GEF) with WWF-US acting as the project implementation agency and WWF-Nepal as its local counterpart.

Development Cooperation Report

Banks and institutions.

There has been an important shift in the form of increase in the portion of budgetary support by the development partners. The portion of budgetary support has reached 36.9% of total ODA in 2019/20 from 15.2% in 2018/19.

The Report also highlights significant improvement in the on-budget channeling of assistance. Of total ODA, 1,672.9 million USD (83.5%) was channeled through on-budget in the review period compared to that of FY 2018/19 where 78.4% of ODA was channeled as on-budget funding.

The Report emphasizes the importance of more integrated cooperation based on country results framework and use of national systems as well as the possible areas of improvement to enhance the effectiveness of development cooperation in Nepal.

Ministry of Finance is thankful to all the development partners, including international Non-Governmental Organizations, for their continued cooperation in regularly reporting and validating their development cooperation information in the AMIS, without which the publication of the report would not have been a reality.

GoN and ADB signed Loan Agreement

The Government of Nepal and Asian Development Bank (ADB) signed 150 Million USD concessional loan agreement to finance South Asia Sub regional Cooperation (SASEC) Airport Capacity Enhancement Project. Mr. Shreekrishna Nepal, Joint Secretary, IECCD, Ministry of Finance and

Mr. Rudi Van Dael Officer-in-charge, Nepal Resident Mission, ADB signed the agreement on behalf of GoN and ADB respectively at a ceremony held in the Ministry of Finance on December 22, 2020.

As per the agreement, ADB will provide concessional loan worth 150 Million USD (approx. 18 billion NPR) for the Airport Capacity Enhancement

Project. This project will enhance the airport capacity by constructing Parallel Taxiway Extension, Hanger Apron, Next Phase work Design of TIA and Construction of second terminal building at Gautam Buddha Airport.



Addressing the signing program held in the Ministry of Finance, Mr. Nepal said "The implementation of this program will significantly contribute to the national economy by increasing the existing capacity of Nepal's airspace". He thanked ADB for the valuable support

in the socio-economic development of Nepal and wished the bank to continue its similar support in the upcoming days too.

Similarly, on his concurrent remarks on the same occasion, Mr. Rudi reflected on the necessity of this concessional loan saying, "The project will contribute to medium- to long-term economic development through the tourism sector

connectivity once the pandemic is stabilized".

The loan agreement is said to be effective after 90 days of the signing of this agreement. The project is expected to be completed by December 2026.

Grant Agreement Between GoN and Germany

Mr. Shreekrishna Nepal, Joint Secretary, IECCD Ministry of Finance and H.E. Mr. Roland Schaefer, German Ambassador to Nepal signed financial and technical cooperation agreements on behalf of their respective governments, worth 10 million Euros on March 24, 2021.

The agreements are part of the German Climate Technology Initiative (DKTI), an initiative that aims to disseminate climate and environment friendly technologies that can contribute to substantial reductions in greenhouse gas emissions in developing countries.

This new initiative will support the private and public sector to expand grid-connected solar farms, solar irrigation and industrial rooftop solar in semi-urban areas for an inclusive economic growth. In remote areas, the initiative aims at promoting isolated solar mini-grids providing reliable and clean electricity to the rural population. To do so, the technical cooperation component will improve the capacity of the public and private sectors to plan and implement such projects,

while the financial component will provide investment support.

"Germany shows solidarity with Nepal in these economically challenging times and also supports the worldwide efforts in tackling climate change. Energy is a key-factor enabling economies to grow but the sector is also one of the biggest emitters of greenhouse gas worldwide. All countries need to come together to rise to this global challenge. Germany joins Nepal's Development Partners in their joint commitment to support the Government of Nepal's Relief, Recovery and Resilience Plan to enable a green recovery and inclusive development, especially after the Covid-19 shock.", Ambassador H.E. Roland Schaefer remarked on the occasion.

On this occasion, Joint Secretary Mr. Nepal highlighted the importance of clean energy and the German assistance in this sector. Mr. Nepal expressed sincere appreciation to the Government of Germany for the continued support in the socio-economic development of Nepal.

Agreement Between GoN and World Bank

The Government of Nepal and the World Bank signed loan and grant agreements for the 24 million USD Forests for Prosperity Project (6.1 million USD as grant and 17.9 million USD as concessional loan) on March 19, 2021.

The agreements were signed by the Finance Secretary, Mr. Sishir Kumar

Dhungana on behalf of the Government of Nepal and by the World Bank Country Director for Maldives, Nepal, and Sri Lanka, Mr. Faris Hadad-Zervos. Additionally, a project agreement was signed by the Chief Executive Officer of the Agriculture Development Bank, Mr. Anil Kumar Upadhyaya

and the World Bank Country Director. The Agriculture Development Bank, as a project implementation entity will design and pilot a credit line for establishing and strengthening forest-based small and medium enterprises.

The project will contribute to transforming Nepal's forest sector by improving sustainable forest management and developing a strong forest-based private sector. These activities will result in multiple benefits for forest-dependent people in selected municipalities in Province 2 and Lumbini Province, including inclusive economic benefits, ecosystem

services, and greater climate resilience. It will help strengthen ongoing community-based conservation efforts while promoting inclusive sustainable use.

On this occasion Finance Secretary Mr. Dhungana



remarked “Strengthening local communities, for whom forests are a traditional safety net during times of crisis, is especially important in the COVID-19 era. In that same spirit, the project will facilitate Nepal’s forest-based private sector to invest in jobs and reduce dependence on timber imports,”

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economy. Secretary Dhungana highlighted steps taken by the government to mitigate the impacts of pandemic including the provision of health infrastructures, equipment and vaccination program to various groups and sectors as well as the economic recovery efforts initiated by the GoN. Mr. Dhungana hoped that the discussions in the meeting would provide insights to key policy arenas for greening of growth and use of key resources to steer the economy in the Post COVID scenario.

Mr. Faris Hadad-Zervos, World Bank Country Director for Nepal, Maldives and Sri Lanka and Mr. Simon Lucas, Foreign Commonwealth and Development Office jointly made a presentation on Nepal's post-COVID recovery and green resilient and inclusive approach to set out rationale and best practices of other countries.

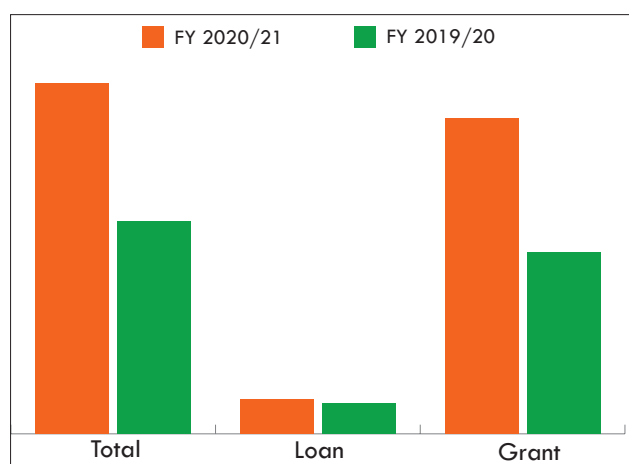
The Advisory Committee on COVID-19 Response, Relief and Recovery in Nepal was declared on 10 April, 2020 which was later coined as Advisory Committee

on Restructuring, Recovery and Resilience (3R) in Nepal.

During the meeting, the Committee agreed to explore possible areas for enhancing the Nepal Green, Resilient and Inclusive Development (GRID) approach aligning with the government’s 15th Development Plan, its climate goals and sector strategies at the local, provincial and federal government levels and Nepal’s International Development Cooperation Policy, 2019. As key next steps, a joint development partner taskforce led by the World Bank and FCDO, will support the Government to operationalize this plan and finalize the work on consolidating all externally funded projects that address climate change. In parallel, the task force will identify a GRID prior actions/triggers matrix around which the Government and development partners will try to pool resources through different financing windows including a possible Development Policy Credit (DPC) operation.

Foreign Aid Commitments

As of March 2021 of the current FY 2020/21, new foreign aid commitments received by the GoN from DPs have reached a total of 191.03 billion NPR (18.95 billion NPR as grants and 172.08 billion NPR 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 115.74 billion NPR (16.66 billion NPR as grants and 99.08 billion NPR as loans) in the same period of the previous fiscal year.



GoN and ADB

Speaking on behalf of the executing agency, NEA, Mr. Shakya said that the project will be instrumental for strengthening and modernizing the transmission and distribution capacity as well as in improving financial management and capacity of NEA.

The loan under the agreement is a concessional loan having a repayment period of 24 years, including a grace period of 8 years, with an interest rate of 1.0 percent per year during the grace period and 1.5 percent per year thereafter. The project is expected to be completed by March 2026.

GoN and World Bank ...

“The project will also provide timely support to the institutions at the provincial and local levels to strengthen natural resource governance.”

“The project will support 50 municipalities, which is a starting point for inclusive climate action and inclusive green economic growth based on Nepal’s comparative advantage. We are confident that if the project yields the expected outcomes, there will be opportunities to scale up the project and allow more people to benefit,” stated Mr. Faris Hadad-Zervos, World Bank Country Director for Maldives, Nepal, and Sri Lanka. “This project illustrates that the World Bank is honored to be a trusted partner of Nepal as it faces three challenges at once: COVID, climate, and community opportunities.”

The project is a key part of the government’s Relief, Recovery and Resilience (3R) plan and Nepal’s commitments to mitigate and adapt to climate change. Aligned with this 3R plan, development partners led by the World Bank and UK Foreign, Commonwealth and Development Office, coalesced around a “Green, Resilient, and Inclusive Development” framework to mobilize investments over the next three years to secure jobs and livelihoods, build resilience, strengthen social inclusion, enhance sustainability, and promote efficiency.

Agreement between ...

The project supports the Government of Nepal’s Agriculture Development Strategy 2015–2035 that aims to create a sustainable, competitive, inclusive and resilient agricultural sector that drives economic growth with private sector participation.

“The project brings a unique opportunity to transform Nepal’s agriculture sector and spur economic recovery from the pandemic’s fallout by bolstering rural enterprises and creating local jobs and opportunities,” said Mr. Faris Hadad-Zervos, World Bank Country Director for Maldives, Nepal and Sri Lanka. He further stated “By fostering meaningful collaboration among various actors, the project can promote Nepali agriculture products globally by stimulating many niche sectors such as coffee, tea, fruit and medicinal products, among others.”