



Annual Meeting of IMF & WB Group

Hon. Finance Minister Dr. Yuba Raj Khatiwada, during the joint annual meeting of the World Bank Group and International Monetary Fund, said that the situation of world trade has challenged micro- economic management in small countries like Nepal and that this situation is not beneficial to any countries. Similarly, he requested that the world community pay attention to this situation which is challenging the effectiveness of monetary policy and its instruments.



the latest technology “fintech” in the financial sector, he cautioned against financial disorder that will emerge without multi-regulating agency coordination.

Dr. Khatiwada called for attention to “Global Governance” based on agreements between large nations which will not represent the voices of small nations and referenced the deteriorating role of multilateral organizations. He expressed the view

In the meeting, he pointed out that South Asia’s economic growth rate is the highest in the world and urged the Chair to fairly reflect the role of this region in creating opportunities and contributing to the world economy. Pointing to the need for capacity enhancement of regulating agencies to manage the opportunities and threats presented by

that Nepal is in favor of multilateral institutionalism as it is effective for raising the voices of small nations to the global community. In this situation, he stressed the need for the World Bank’s leading and inspiring role for multilateral institutions. The Governor of the Central Bank of Nepal, Dr. Chiranjivi Nepal, was also a member of the [Contd P8](#)

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Minister Attends the Executive Board Meeting of WFP



On behalf of the Government of Nepal, Honorable Finance Minister Dr. Yuba Raj Khatiwada participated in the Executive Board Meeting of the World Food Program (WFP), held on 26-29 November 2018 at the WFP headquarters in Rome, Italy. In his statement delivered at the Board Meeting, Hon. Minister highlighted that the Government of Nepal is highly committed to ensuring food security and achieving zero hunger. He also [Contd P7](#)



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Message from the Chief Editor



The Development Cooperation Report FY 2017/18 (DCR) was published by the Ministry of Finance in December and is the eighth annual report in this series. Publication of the DCR each year signals the Government of Nepal's continued commitment to aid transparency, which is considered among the critical pillars of aid effectiveness by national and global actors alike. Nepal is among the few countries which invest in publishing regular analytical reports of aid data through the annual DCR.

The DCR allows us to glean insights on trends in aid inflows to Nepal, not only on aspect of the volume of aid disbursement, but also of aid modalities, allocation status across the sectors, alignment with national priorities, and many other aspects for which we collect data in the AMP. The DCR for FY 2017/18 indeed revealed a number of interesting trends. Total ODA disbursement was more than USD 1.6 billion, 16% higher than that of FY 2016/17. FY 2017/18 was also the first year, over the past eight years, when the disbursement through loans exceeded that through grants. Another milestone reflected in the report is related to the share of ODA disbursement through the national budget, with 78% - the highest percentage over the eight years. Bringing more aid "on-budget" is an important priority of the Government, so these latest figures, as well as the rate of increase of the on-budget share in recent years, are welcome news. Just two years ago, for FY 2015/16, the on-budget share of disbursement was recorded at 63%.

Publication of the annual DCR is eagerly awaited each year by all stakeholders in Nepal who have an interest in international development cooperation, and the report is appreciated as a useful source of information and insights. The primary source of data for the DCR – the AMP data- must be entered not only by MoF officials but also by DPs and INGOs. I therefore take this opportunity to thank you again for your efforts in this regard, but also to encourage you to continue regularly updating your data in the AMP. For our part, the Ministry of Finance is committed to improving and simplifying this process. Our new Aid Management Information System (AMIS), which will be coming online very shortly, is being designed to be more user-friendly and to reduce the data entry burden on all parties. For this, we are actively exploring the feasibility of importing relevant and compatible data on cooperation projects in Nepal from the International Aid Transparency Initiative. I look forward to sharing with our development partners the new AMIS and to seeking your views on how we can customize the system to achieve our shared goals of promoting aid transparency and improving the comprehensiveness and accuracy of aid data in the AMIS. Through our collective efforts in this regard, we can anticipate many more annual iterations – with incrementally more granular data and high-quality analysis - of the Development Cooperation Report.

Thank you!

Nepal-WB Portfolio Review Meeting Held

A Portfolio Review Meeting took place on 4 October 2018 in the Ministry of Finance with the aim of discussing the implementation status, problems and challenges faced by the sectoral projects financed by the World Bank. The meeting was chaired by Finance Minister Dr. Yuba Raj Khatiwada with the presence of Regional Country Director of the World Bank Mr. Qimiao Fan, Country Manager Mr. Faris H. Hadad and other members of the World Bank team. Officials of the Ministry of Finance and implementing and executing agencies were present at the meeting. Mr. Shreekrishna Nepal, Joint Secretary of the International Economic Cooperation Coordination Division delivered a welcome speech highlighting the significance and relevance of the meeting.

In his concluding remarks, Hon. Finance Minister Dr. Khatiwada stated that the World Bank uses country system and aligns with the priorities of the Government of Nepal. He emphasized the need for timely decisions on procurement, and timely procedures for reimbursement for effective project implementation. He also emphasized the need for development assistance for Nepal's economic growth and prosperity. He further stated that safeguard measures are being implemented; however, they should be flexible as per the country context. He also briefly referred to

the financial management system and organizational structure in the federal setup. He further stressed the need for additional financing for the National Reconstruction Authority.

Sectoral ministries presented highlights of the review meetings held during the previous three days in respective ministries. The presentation of World Bank financed projects by representatives of different implementing agencies focused on the issues that needed the attention of the Ministry of Finance. The ongoing status of projects related to energy, infrastructure, agriculture and livestock, climate resilience, disaster management, rural water, social protection, education and health were highlighted in the meeting. Key issues, sector priorities, implementation challenges and corrective actions to be taken were a focus of discussion.

In the meeting, Regional Country Director Mr. Qimiao Fan expressed his views and ideas regarding cooperation between the Government of Nepal and the World Bank. He emphasized the importance of effective utilization of development finance and productive results of sectoral projects. Mr. Faris H. Hadad also reflected on the sectoral projects and their importance to the socio-economic development of Nepal.

Agreement with ADB

The Asian Development Bank has agreed to provide USD 150 million, equivalent to approximately NRs. 16.92 billion, as development assistance for two projects. One of these projects consists of a concessional loan for USD 130 million for the Urban Water Supply and Sanitation (Sector) Project and the other consists of additional loan financing of USD 20 million for the SASEC Power System Expansion Project.

The loan proceeds available under the Urban Water Supply and Sanitation (Sector) Project will support expanded access to community-managed water supply and sanitation in 20 municipalities by improving water supply and sanitation infrastructure and strengthening the capacity of relevant institutions and communities. The additional loan financing for the SASEC Power System Expansion Project will increase power transmission capacity, improve the distribution network, increase mini grid-based renewable energy systems in off-grid areas, develop the capacity of Nepal Electricity Authority and Alternative Energy Promotion Centre and develop a utility-scale solar photovoltaic project.



From Right: Finance Secretary, Dr. Khanal and ADB Country Director, Mr. Khamudkhanov

The financing agreements for both projects were jointly signed on 26 October 2018 by Dr. Rajan Khanal, Secretary, Ministry of Finance on behalf of the Government of Nepal and by Mr. Mukhtor Khamudkhanov, Country Director, Nepal Resident Mission, on behalf of ADB. The project agreements for the Urban Water Supply and Sanitation (Sector) Project and SASEC Power System Expansion Project were signed by Mr. Maniram Singh Mahat, [Contd P8](#)

Loan Agreement signed with ADB

The Asian Development Bank has agreed to provide USD 343.9 million, equivalent to NRs. 39.32 billion, as development assistance for two projects. One project is a concessional loan of USD 180 million for the SASEC Highway Improvement Project; the other project consists of USD 163.9 million (USD 148.9 million concessional loan and USD 15 million grant) for the Disaster Resilience of School Project.

The loan proceeds available under the SASEC Highway Improvement

Project will support rehabilitation and widening of about 87 kilometers of the East West Highway between Kanchanpur and Kamala in eastern Nepal; improvement of road safety as well as Gender Equality and Social Inclusion (GESI); and strengthening of the road safety and GESI capacity of road sector agencies. The completion of this project will contribute to improving the competitiveness of Nepal's exporting

industries by enhancing the efficiency of the transport system, strengthening national and regional connectivity and improving the safety of the road network and will eventually promote economic growth.

The loan and grant agreement for the Disaster Resilience of School Project supports disaster resilience of school infrastructure by reconstructing heavily damaged schools, retrofitting of unsafe schools and strengthening institutional capacity for disaster resilience.



The agreement was jointly signed on 20 November 2018 by Dr. Rajan Khanal, Secretary, Ministry of Finance on behalf of the Government of Nepal and by Mr. Mukhtor Khamudkhanov, Country Director, Nepal Resident Mission, on behalf of ADB.

US Ambassador paid Courtesy Call to Minister

United States Ambassador HE Randy Berry paid a courtesy call to Hon. Finance Minister Dr. Yuba Raj Khatiwada on 20 November 2018. Ambassador Berry was accompanied by Ms. Amy Tohill-Stull, Mission Director, USAID; Mr. Clinton S. "Tad" Brown, Head of the Political and Economic Section, Embassy of the United States of America in Kathmandu; and Mr. Troy E. Kofroth, Country Director (Nepal) for the Millennium Challenge Corporation. Similarly, Hon. Finance Minister was accompanied by Finance Secretary Dr. Rajan Khanal, Joint Secretary Shreekrishna Nepal, representatives from the Ministry of Foreign Affairs and the Under Secretary of the US desk.

Ambassador Berry recalled his first stay in Nepal 10 years ago and expressed his happiness to have another opportunity to work in Nepal in a different capacity. Ambassador Berry was curious to know about the Government of Nepal's priorities so that his country can continue to support socio-economic development. He also raised some bilateral issues that USAID has been facing on the ground, particularly with regard to timely refund of VAT paid during implementation of US funded projects in Nepal. The Ambassador also expressed concern for expediting procedural formalities to kickstart the MCC compact

at the soonest possible time so that the MCC compact for Nepal becomes exemplary and can move beyond the transportation and transmission line sectors in future. The Ambassador also expressed his intention to mobilize English teachers through the Peace Corp volunteer scheme.

Hon. Finance Minister Dr. Khatiwada expressed his sincere thanks to Ambassador Berry and his team for visiting his office. He explained Nepal's priority areas and progress made so far on the political and economic fronts. He further noted that, by aligning with the directive principles stipulated in the Constitution, Nepal has momentum for moving out of absolute poverty and reaching the goal of graduating to developing country status by 2022 and to a middle-income country by 2030. Hon. Minister also mentioned that Nepal is one of the countries in South Asia which is open to foreign direct investment, given its favorable taxation policy. He stated that Nepal relies on the private sector, in general, except for some essential supplies and some infrastructure projects where state engagement is crucial. He also highlighted Nepal's good performance in financial sector stability. While encouraging domestic investment, Nepal has been mobilizing World Bank policy credits in the [Contd P7](#)

Agreement with the World Bank

The Government of Nepal and the World Bank signed two agreements totalling USD 155.7 million (equivalent to NRs. 18 billion) to be invested in the construction and maintenance of safe, resilient and cost-effective bridges in Nepal, and in improving food security of vulnerable households and communities in the country.

“With these two projects, the Government of Nepal and World Bank will come together to ensure better livelihoods, access, trade and life opportunities

for thousands of Nepalese people,” said Hon. Finance Minister Dr. Yuba Raj Khatriwada. “The first credit of USD 133 million will be instrumental in ensuring the well-being of the country’s Strategic Roads Network, comprised of roughly 12,142 kilometers of national highways, feeder roads and other roads of national importance. The second project, which will be in the form of a grant of USD 22.7 million, contributes to the Government’s capacity to deliver agriculture extension services at the decentralized levels, and to diversify income opportunities for the rural poor,” he added.



The first credit will finance the USD 133 million Second Bridges Improvement and Maintenance Program targeting approximately 477 bridges along Nepal’s Strategic Roads Network. This includes maintenance support for approximately 90 bridges and upgrading road safety measures on approximately 180 existing

bridges to help reduce accidents, injuries, and fatalities. The program will also support construction, rehabilitation or replacement of approximately 80 new two-lane

bridges and 35 four-lane bridges. In addition, it will help the Department of Roads complete construction of 92 bridges that are vital to improving connectivity and access throughout Nepal.

“We are deepening our collaboration with the Government of Nepal through the development and sustainability of key strategic bridges, and through enhancement of food security and nutrition. These contribute greatly to Nepal’s development storyline by addressing the need for connectivity, human **Contd P8**

Agreement with the Government of Japan

The Government of Japan has agreed to provide grant assistance of Japanese Yen 1,047 million, equivalent to NRs. 1,085 million, for the Rehabilitation of Sindhuli Road Affected by Earthquake project. The project aims to reinforce the vulnerable parts of Sindhuli Road that are affected by earthquake. This will ensure safe and smooth traffic of Sindhuli Road, which is one of the vital roads linking Kathmandu and Terai plain area. Construction work will commence in March 2019 and will be completed by July 2020.



The Exchange of Notes, Grant Agreement and Memorandum of Understanding to this effect were signed and exchanged between the Government of Nepal and the Government of Japan at the Ministry of Finance on 25 October 2018.

The Government of Nepal is committed to the goal

of developing a safe, sustainable and resilient transportation network that is helpful for the socio-economic development of the country. To achieve this goal, road maintenance is crucial for smooth and safe traffic. This project will help not only to maintain the road condition, it will also contribute to building resilience against disaster, improving the safety of road

users and overall socio-economic development.

The Exchange of Notes was signed by Dr. Rajan Khanal, Secretary, Ministry

of Finance and HE Mr. Masamichi Saigo, Ambassador of Japan to Nepal, on behalf of their respective Governments. Similarly, Mr. Shreekrishna Nepal, Joint Secretary, International Economic Cooperation Coordination Division of Ministry of Finance and Mr. Jun Sakuma, Chief Representative, JICA Nepal, signed the Grant Agreement and Memorandum of Understanding.

Grant Agreement with the Government of Japan

Government of Japan has agreed to provide grant assistance of Japanese Yen 300 million, equivalent to NRs. 308 million, for the School Sector Development Program (SSDP) of Nepal for FY 2018/19. The Exchange of Notes, Grant Agreement and Memorandum of Understanding to this effect were signed and exchanged between the Government of Nepal and the Government of Japan at the Ministry of Finance on 5 October 2018.

The SSDP is a continuation of the School Sector Reform Program under the Ministry of Education, Science and Technology. The objective of the program is to improve the quality, equitable access and efficiency of basic and secondary education in Nepal. This program, in particular, focuses on improved teaching-learning and student learning outcomes, improved equitable access to basic and secondary education and strengthened education system, sector planning, management and governance. Further, this program is being implemented in a more harmonized and coordinated way through a Joint Financing Arrangement in a sector wide approach with other Development Partners as well. The seven-year program started in FY 2016/17.

The Exchange of Notes was signed by Mr. Shreekrishna Nepal, Joint Secretary, Ministry of Finance and H.E. Mr.



From Right: IECCD, Joint Secretary, Mr. Nepal and Japanese Ambassador, HE Mr. Saigo

Masamichi Saigo, Ambassador of Japan to Nepal, on behalf of their respective Governments. Similarly, Mr. Nepal and Mr. Jun Sakuma, Chief Representative, JICA Nepal, signed the Grant Agreement and Memorandum of Understanding.

The Government of Nepal has expressed its appreciation to the Government of Japan for this assistance and for its continued support to the socio-economic development of Nepal.

IATI/TAG Meeting Held in Kathmandu

On 13 November 2018, Hon. Finance Minister Dr. Yuba Raj Khatiwada formally opened the annual meeting of the International Aid Transparency Initiative's (IATI) Technical Advisory Group (TAG) at the Crowne Plaza Soaltee Hotel in Kathmandu. More than 150 participants - representing governments from all the regions of the world, development partners, civil society organizations, and the media- travelled to Nepal for the three-day meeting. This meeting holds special importance for Nepal as it marks the first time the annual meeting was held in an Asian country. The Minister expressed his appreciation to the organizers for choosing Nepal as the venue for the important meeting.

In his opening address, the Hon. Minister stressed that foreign aid resources must complement, rather than crowd out, domestic resources mobilization. He expressed his view that the ultimate objective of any aid program should be to build domestic resource capacity so that recipient countries such as Nepal

can reduce, rather than prolong, their dependency on aid. The Hon. Minister also spoke to the importance of improving the transparency of aid resources, noting that transparency is the basis for accountability, which in turn ensures that development cooperation resources are better managed for results. "Development cooperation must support efforts to avoid conflict, protect harmonious social fabric, build peace, and improve global governance", he stated.

The Hon. Minister also recalled the aid effectiveness principles set out in the Paris Declaration and the Accra Agenda for Action, suggesting that initiatives like IATI have an important role to play in monitoring the implementation of such principles. With reference to the Sustainable Development Goals, he asked the audience to consider whether there should be a specific indicator in SDG 17 focusing on ensuring aid transparency. While appreciating the role of global aid transparency initiatives such as IATI, the Minister also recognized the enabling role that [Contd P8](#)

Parliamentarians from Japan met Minister

A delegation of four members of the House of Councillors of Japan, led by Hon. Katsumi Ogawa, paid a courtesy call to Hon. Finance Minister Dr. Yuba Raj Khatriwada on 13 October 2018. The delegation was comprised of Hon. Mr. Noburiko Miura, Hon. Mr. Shinkun Haku, Hon. Mr. Makoto Hamaguchi, all Members of Councillors, and HE Mr. Masamichi Saigo, Ambassador of Japan to Nepal. The purpose of the visit was to look into the status of Japanese Official Development Assistance (ODA) to Nepal and its effectiveness.

The Japanese delegation expressed their happiness with the long and cordial bilateral relationship (since 1956) and development cooperation relationship (since 1969) between Nepal and Japan.

Hon. Finance Minister Dr. Yuba Raj Khatriwada shed light on Nepal's policy of ODA utilization through the country's national budgetary system. Communicating Nepal's primary intention of utilizing ODA as a stimulator to help Nepal's progress, he stressed the need for other areas of cooperation, including through FDI, enhanced access to international trade, tourism and technology transfer. Hon. Finance Minister made reference to the huge financial gap in Nepal in the path to meet fundamental civil rights as enshrined in the Constitution, graduate from LDC status by 2022, achieve the SDGs by 2030 and manage the transition to federalism smoothly. In this context, Hon. Finance

Minister mentioned four areas where Nepal will have to look for higher ODA for some years to come. He informed the delegation of the public financial management reform agenda initiated by Nepal for optimization of taxpayers' money. First, Nepal has developed a robust system of output-linked resource and budget allocation monitored continuously by the National Planning Commission, the Prime Minister's Office and sectoral ministries. Second, Nepal has a rigorous reporting and auditing system in place. Third, strict scrutiny is being conducted by oversight agencies, including Parliamentary committees and other surveillance agencies including anti-corruption bodies. Fourth, there is system of continuous vigilance of ODA funded projects by the Ministry of Finance. He stressed the importance of ensuring sustainability of ODA funded projects so their results do not wither away after ODA is phased out.

Against this backdrop, Hon. Finance Minister urged the delegation to scale-up Japanese cooperation for post-earthquake rehabilitation and reconstruction, for education and health, and for infrastructure development. He also mentioned that the people-to-people relationship should be enhanced through improved air connectivity between the two countries. In this context, he praised Japan's initiatives for opening up destinations for Nepal Airlines in major Japanese cities.

Minister Attends

shared key priorities of the government for the next five years.

On this occasion, the new five-year Country Strategy Plan of WFP Nepal was approved by the Executive Board in the presence of Hon. Minister. The five-year Country Strategy Plan prioritizes food security,

emergency food relief management and child nutrition.

Hon. Minister also held several consultation meetings with senior delegates of WFP along with government delegates of the People's Republic of China, the United States of America and other countries on bilateral support for food security programs.

US Ambassador paid

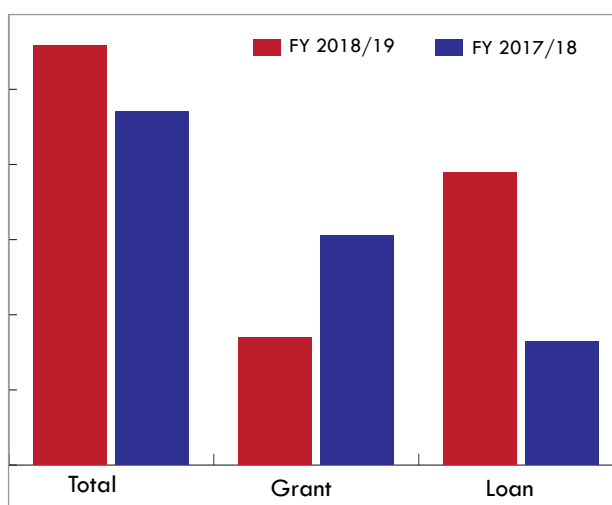
financial and energy sectors and working for MFD and fiscal sectors as well. He stated that the MCC is about more than money and its success in Nepal would increase private sector confidence. Hon. Minister also emphasized the complementarity among public-private and cooperative sectors for speedy economic development of the country. Hon. Minister assured that

all the pending issues, including VAT refund issues, will be resolved in an amicable way within a week.

Both the US Ambassador and Hon. Finance Minister agreed to strengthen bilateral economic cooperation in coming days.

Foreign Aid Commitment

As of December 2018 of the current FY 2018/19, new foreign aid commitments received by the GoN from DPs have reached a total of NRs. 111.63 billion (NRs. 33.85 billion as grants and NRs. 77.78 billion as loans) for the implementation of various development projects and programs. The total commitment received by the GoN from various DPs reached a total of NRs. 94.18 billion (NRs. 61.19 billion as grants and NRs. 32.99 billion as loans) in the same period of the previous fiscal year.



IATI/TAG Meeting

partner countries such as Nepal must play, including in the design of credible programs, strategies and policies which allow for cooperation resources to produce intended results. In order for data to be put to good use, there must be robust systems in place at country level, including for planning, monitoring and public financial management, he said.

Started in 2008, IATI is a global, multi-stakeholder initiative that seeks to improve the transparency of development and humanitarian resources for addressing poverty and crisis. It's technical advisory group is an expert community that informs IATI's approach to data publication and use.

ADB

Executive Director, Town Development Fund and Mr. Monoj Silwal, Officiating Deputy Executive Director, Nepal Electricity Authority, respectively. On behalf of ADB, both project agreements were signed by Mr. Mukhtor Khamudkhanov, Country Director, Nepal Resident Mission.

World Bank

capital development and shared prosperity," said Mr. Hartwig Schafer, Vice President of the World Bank for the South Asia region.

Under the second agreement, the multi-donor Global Agriculture and Food Security Program (GAFSP) will provide a USD 22.7 million grant to support the Food and Nutrition Enhancement Project. The project aims to improve the health and livelihoods of approximately 65,000 direct beneficiaries, of which 65 percent will target women. It will work with smallholder and marginal farmers to improve nutritional behavior by linking it with agriculture-related and income-enhancing activities. In addition, farmers from adjacent communities are expected to indirectly benefit through knowledge exchanges and other engagement with project-supported farmers.

The agreements were signed by Finance Secretary Dr. Rajan Khanal and World Bank Country Director for Bangladesh, Nepal and Bhutan, Mr. Qimiao Fan, in the presence of Finance Minister Dr. Yuba Raj Khatriwada and World Bank Vice President for South Asia Mr. Hartwig Schafer. Senior government officials were present at the occasion.

Annual Meeting

Nepalese delegation.

In a meeting between the Multilateral Investment Guarantee Agency (MIGA) and Nepal delegations, a commitment was made for an investment guarantee to promote foreign investment in Nepal. In addition, members of the delegation for MIGA expressed their appreciation for Nepal's current efforts to create an appropriate environment for private investment in Nepal.

Mr. Shreekrishna Nepal, Joint Secretary IECCD, Ministry of Finance, led the Nepalese delegation.