



## Message

### Hon. Finance Minister Mr. Barsha Man Pun



I am delighted to know that International Economic Cooperation Coordination Division is bringing out IECCD Newsletter beginning from the New Year 2013. Taking a new initiative in the advent of New Year is a happy moment too. I believe that this type of publication would increase our outreach to the wider section of the public and the stakeholders.

It is a well known fact that foreign aid plays a significant role in our economic development endeavor. There is however, a need to communicate to the larger section of the society so as to make our aid activities more transparent, efficient and effective. We still need to improve our capacity to utilize aid, bring out clear and consistent foreign aid policy.

In this context, it is necessary to communicate to our development partners and stakeholders what we are doing and what is our approach towards aid mobilization and utilization.

I hope this Newsletter would help in enhancing communication between the Ministry of Finance, Nepal's development partners and concerned stakeholders. Finally, I congratulate IECCD chief and his team for bringing out this Newsletter and wish for its continuation.

### Finance Secretary Mr. Shanta Raj Subedi



I am pleased to see that IECCD is bringing a bi-monthly Newsletter. This Newsletter also reconfirms that we have been the advocates of aid transparency and heading towards making aid information more and more

public. This kind of periodic publication will be instrumental to provide up-to-date information on aid management and coordination activities being carried out through IECCD.

This publication will help the relevant stakeholders as well as the general public to understand and update their knowledge on aid related matters leading to raise awareness on aid effectiveness. Though, this is a very small initiative, I am sure, the Newsletter will help narrow down the information gap on aid activities. I hope, this will be very useful piece of information for all those interested in aid mobilization, transparency and effectiveness.

I thank IECCD colleagues for bringing this publication in the beginning of New Year 2013 and hope to make it more informative in the days to come.

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## Local Donors' Meeting

Local Donors Meeting was held in Kathmandu on 10 December 2012. Hon. Finance Minister Mr. Barsha Man Pun chaired the meeting which was attended by almost all Development Partners together with high level GoN officials.

In the meeting, Hon. Finance Minister spoke about the difficulties encountered to bring a full fledged budget for the FY 2012/13, along with the current macroeconomic situation and Government's commitment [contd... on page 3](#)

## Message from IECCD Chief



The New Year 2013, brings the spirit of Change in our Division. We have renamed the Division as International Economic Cooperation Coordination Division (IECCD) from that of Foreign Aid Coordination Division (FACD) which existed for last three decades. The name change has been coincided with the change of Division chief,

myself, joining as the new Chief of the Division. This Newsletter is also one of the reflections of change in the Division. As you may imagine this Newsletter is a modest attempt in the way of enhancing transparency and accountability in the management of international economic cooperation or the foreign aid, by the Ministry of Finance.

Over 60 years' history of foreign aid in Nepal has taught us sufficient lessons on effective utilization of aid. Nepal's active participation in Aid Effectiveness agenda based on Paris Principles, Accra Action Agenda and Busan outcome, are the examples of our concern and keen interest in enhancing aid effectiveness.

Nepal participated in Monitoring Survey I (2008) as a follow up of Paris High Level Forum. Similarly, Nepal is a Steering Committee member in International Aid Transparency Initiative (IATI). Launched at the Accra High Level Forum, this multi stakeholder initiative brings together donors, developing countries and civil society organizations to meet the commitment on aid transparency. While at the country level, Nepal established Aid Management Platform (AMP) in 2010 as a country level initiative on aid transparency. Until now, AMP has been rolled out to all Development Partners at country level and major line ministries and INGOs.

Additionally, Nepal has also participated in Joint Evaluation of the Implementation of the Paris Declaration Phase II in 2010 and Monitoring Survey on Paris Declaration II in 2011. As a follow up of post Busan, Nepal has developed action plan for improving mutual accountability in collaboration with Development Partners, which is monitored on timely basis as one of the key areas of NPPR meetings. The next NPPR meeting is planned for the last week of January. We encourage all the Development Partners to maximize this platform for the better results of the portfolios.

Through this Newsletter, we will provide and update you different activities performed by the Division on bi-monthly basis. This is our commitment to be more open and accountable towards our stakeholders and counterparts. The new effort most have errors, we readily accept them. Your feed-backs and suggestions will be assets for us to further refine the Newsletter. We would want to institutionalize and ensure for its continuity. We highly count on your cooperation.

Happy New Year 2013 to all the Readers !

*M. Marasini*



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Mr. Shanta Raj Subedi - Patron

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## Local...

to continue with its economic development plans.

He also assured to the Development Partners that despite the absence of full fledged budget there will not be any shortfall in counter part fund and new budget headings could be provided to foreign aid funded project programs.

At the meeting, NPC VC Mr. Deependra Bahadur Kshetry talked on the progress made so far on the preparations of upcoming Three Years Development Plan. Similarly, Governor of Nepal Rastra Bank Dr. Yuba Raj Khatiwada spoke on Nepal's monetary policy and present financial situation. Finance Secretary Mr. Shanta Raj Subedi made a presentation on current macro economic situation and budget implementation.

The Development Partners suggested the Government of Nepal to focus on maintaining and strengthening DP's confidence. They highlighted the need to focus on maximizing development results



From left: Governor NRB, Hon.VC NPC, Hon. Finance Minister, Finance Secretary, Joint Secretary (IECCD)

for the remainder of the fiscal year and ensure a full budget for next year; strengthen accountability; and accelerate progress of key reforms at the technical level especially Public Financial Management (PFM) and investment climate reform.

Development Partners also noted that the forthcoming Nepal Portfolio Performance Review Meeting (NPPR) should define meaningful actions to address development results, accountability, and PFM and other reform agendas.

## The UN Assistant Secretary General meets with Hon. Finance Minister

Mr. Ajay Chibber, UN Assistant Secretary-General and UNDP Director for the Regional Bureau for Asia and the Pacific met with Hon. Finance Minister, Mr. Barsha Man Pun at the Ministry of Finance on December 6, 2012. The meeting was attended by Mr. Madhu Kumar Marasini, Joint Secretary, IECCD, Ministry of Finance, Mr. Robert Piper UN Resident and Humanitarian Coordinator and UNDP Resident Representative and Ms. Shoko Nada, Country Director, UNDP, Nepal. During the meeting, Hon. Finance Minister briefed about the latest political and macro-economic situation of the country. Hon. Minister, Mr. Pun also mentioned

about the special Budget arrangement made for the Fiscal Year 2012-13 and priority sectors accorded by it. He further mentioned that the development programs/projects supported by development partners will be provided with adequate counter-part budget.

Mr. Chibber expressed satisfaction over the economic management of the country even at this transitional situation. He noted that Nepal can utilize the environmental financing as new opportunity for financing its development activities.

## Agreement with Denmark

The Government of Denmark has agreed to provide a grant assistance of Danish Kroner 205 million (equivalent to Rs. 3.13 billion) for the implementation of National Rural and Renewable Energy Program (NRREP).

The objective of the program is to improve the living standard of rural women and men, increase employment of women and men as well as productivity, reduce dependency on traditional energy and attain sustainable [contd... on page 5](#)



From Left: Mr. Morten Jespersen, Ambassador of Denmark and Finance Secretary, Mr. Shanta Raj Subedi

## Agreement with Asian Development Bank (ADB)

Asian Development Bank has agreed to provide a grant assistance of US \$ 28.0 million (approximately NRs 2450 million) to the Government of Nepal for the implementation of the Strengthening Public Management Program. Of the total cost (US \$ 28 m), the contribution of ADB and the Government of United Kingdom, DFID will be US \$ 21.5 million (21m - program support and 0.5m - Technical Assistance [TA]) and US \$ 6.5 million (4m - program support and 2.5m - TA), respectively.



From left: Kenichi Yokoyama, Country Director, Nepal Resident Mission, ADB and Mr. Madhu Kumar Marasini, Chief / Joint Secretary, IECCD

The main objective of this program is to enhance the efficiency, transparency and integrity of the public expenditures at the national and sub-national levels. The expected outputs of the programme include; (i) improved local budget and fiscal management (ii) strengthened sub-

national fiduciary risk management (iii) enhanced public procurement system, and (iv) strengthened institutions of oversight and accountability.

The Grant Agreement was signed by Mr. Madhu Kumar Marasini, Joint Secretary of the IECCD, MoF and Mr. Kenichi Yokoyama, Country Director, Nepal Resident Mission, ADB on behalf of the Government of Nepal and ADB, respectively.

## IFAD Annual Portfolio Review Meeting

International Fund for Agricultural Development (IFAD) annual portfolio review meeting was held in Ministry of Finance on 3 DEC 2012. The meeting was chaired by Mr. Madhu Kumar Marasini Chief / Joint Secretary, IECCD & Co-chaired by Mr. Benoit Thierry, CPM, IFAD. The meeting was focused on the review of Country Strategic Opportunity Program (COSOP).

COSOP is an agreed document between the Government of Nepal and the IFAD which guides the future financing from IFAD in Nepal. COSOP aligns with the national priorities of the government contributing to the overall development goal of the country.

The first COSOP was formulated in 2002 for a period of six years covering from 2001 to 2006. The second COSOP was formulated in 2006 covering a period of 2007-2012.

During the meeting, review on currently ongoing four projects were made by corresponding project managers.

## Negotiation with the World Bank

A negotiation was concluded between the Government of Nepal and the World Bank for Pilot Program for Climate Resilience: Building Resilience to Climate Related Hazards Project on 28-29 November 2012 in Kathmandu. World Bank will provide assistance of 31 million USD (\$ 16 million grant and \$ 15 million loan) for this project.

## Negotiation with Global Partnership on Output-Based Aid (GPOBA)

A negotiation was held between the Government of Nepal and the Global Partnership on Output-Based Aid, GPOBA- a multi donor trust fund administered by the World Bank for Output-Based Aid for Municipal Solid Waste Management Project on 4 December 2012 in Kathmandu. GPOBA will provide grant assistance of 4.2 million USD for this project.

## Agreement with IFAD

The International Fund for Agriculture Development (IFAD) has agreed to provide a grant assistance of SDR 12.85 million (equivalent to approximately US\$ 19.7 million or NRs. 1712 million) and loan assistance of SDR 12.85 million (equivalent to approximately US\$ 19.7 million or NRs. 1712 million) total of SDR 25.7 million (equivalent to approximately US\$ 39.4 million or NRs. 3424 million) for the implementation of the "Kisankalagi Unnat Biu-Bijan Karyakram-Improved Seeds for Farmers Programme" to the Government of Nepal (GoN).

The Agreement to this effect was signed and exchanged on 2 December 2012 between Mr. Madhu Kumar Marasini, Joint Secretary, Ministry of Finance and Mr. Benoit Thierry, Country Program Manager, Asia and Pacific Division, IFAD on behalf of the Government of Nepal and Mr. Kanayo F. Nwanze, President, the IFAD, respectively.



Mr. Benoit Thierry, Country Program Manager [IFAD] and Mr. Madhu Kumar Marasini, Chief / Joint Secretary IECCD

## Agreement with European Union (EU)

The European Union (EU) has agreed to provide a grant assistance of EURO 8.5 million (approximately Rs. 971.5 million) to the Government of Nepal for the implementation of the Project entitled: "Support to the Electoral Cycle in Nepal".

The agreement to this effect was signed between the Government of Nepal and the European Union (EU) and it was preceded by the signing of the Project Document between the Election Commission, Nepal and United Nations Development Program (UNDP). Both

the agreements were signed at the Ministry of Finance.

The financing agreement was signed by Mr. Madhu Kumar Marasini, Joint Secretary, Ministry of Finance and Mr. Dirk Meganck, Director, European Commission, on behalf of the Government of Nepal and the European Commission, respectively.

The Project Document was signed between Mr. Maheshwor Neupane, Joint Secretary, the Election Commission, Nepal and Ms. Shoko Noda, Country Director, UNDP.

## ADB CPRM meeting

A Country Portfolio Review Meeting was organized in Kathmandu (26-27 November, 2012) to review the status and performance of projects implemented under ADB support. Kenichi Yokoyama, Country Director of Asian Development Bank highlighted the objectives of the meeting. Mr. Shanta Raj Subedi, Finance Secretary while delivering his opening remarks, stressed on agreed actions for strengthening portfolio performance. On the same occasion, Best Project Management Team Award ceremony was also conducted.

During the meeting, the projects namely Rural Reconstruction and Rehabilitation Sector Project, Subregional Transport Enhancement Project, Second Town Integrated Urban Environment Imp. Project were awarded as the Best Projects of the year 2011.

## Agreement with Denmark ...

development through integrating the alternative energy with the socio-economic

activities of women and men in rural communities. The NRREP is designed in a single modality approach with three main components: (a) Central Renewable Energy Fund (CREF), (b) Technical Support and (c) Business Development for Renewable Energy and Productive Energy Use.

Mr. Shanta Raj Subedi, Secretary, Ministry of Finance and His Excellency Mr. Morten Jespersen Ambassador of Denmark to Nepal signed the agreement on behalf of their respective Governments.

## UNDP - CPAP Workshop Conducted

The United Nation Development Assistance Framework (UNDAF) for 2013 - 2017 has already been endorsed by the Government of Nepal. In response to UNDAF, Ministry of Finance together with UNDP, line ministries and implementing partners prepared a draft country program strategic plan 2013 - 2017. A workshop for surveying this Plan was organized on 11 December in Kathmandu which was chaired by IECCD chief Mr. Madhu Kumar Marasini.

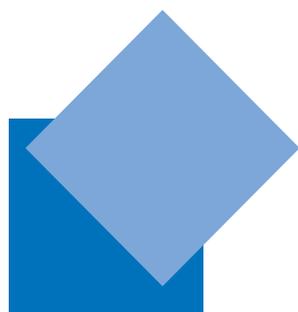
## Negotiation with Asian Development Bank

A negotiation was held between the Government of Nepal and the Asian Development Bank for Pilot Program for SASEC Sub-Regional Trade Facilitation Program in Kathmandu recently. Asian Development Bank will provide grant assistance of 15 million USD for this project.

## New Foreign Aid Commitment

At the end of December 2012, the new commitment received by the Government of Nepal from development partners has reached the total of Rs. 15761 million (Rs. 14049 million as grant and Rs. 1712 million as loan) for the implementation of various development projects/ programs.

Energy sector has received Rs. 5470 million, Agriculture Rs. 3424 million, Home Affairs Rs. 2500 million, Local Development Rs. 2450 million, Governance Rs. 971 million and Water Supply Rs. 946 million.



## Malawi Team Visited MoF/Nepal

A five member delegation from Ministry of Finance, Malawi visited Ministry of Finance, IECCD in December 2012 to share experience on aid management and overall implementation of Aid Management Platform (AMP) in Nepal.

Malawian team was led by Mr. Peter K. Simbani, Director, Ministry of Finance.



Finance Secretary, Mr. Shanta Raj Subedi with Malawi team

## Nepal is Eligible for MCC Threshold Program

Millennium Challenge Corporation (MCC), a US Government Foreign Assistance Agency in the fight against global poverty, has selected Nepal as eligible country for MCC Threshold Program assistance for fiscal year 2012. MCC's Threshold Program aims at assisting the countries that are committed to good governance toward compact eligibility by supporting efforts to identify and implement policy and institutional reforms that promote sustainable growth, and to address other issues potentially affecting compact eligibility.

Presently, Nepal is in Program Diagnostics - Constraints Analysis Phase of Threshold Development. Nepali Economic Team, MCC Economic Team and USAID Nepal officials are making every effort to come out with a final report on Nepal's Constraints Analysis shortly. Meanwhile, it is informed that the MCC Board has consented Nepal to continue developing Threshold Programs in Fiscal Year 2013.