Consultation Meeting on New Foreign Aid Policy Held

Ministry of Finance organized a high-level consultation meeting to further revise the draft Foreign Aid Policy on 13 August 2013. The consultation meeting was given high priority as was chaired and moderated by Hon. Finance Minister Shankar Prasad Koirala himself.

Finance Secretary Mr. Shanta Raj Subedi welcomed the participants. He brought the participants back to the year 2009, when the first policy draft was prepared and put to the several rounds of discussions including with the donors community. Mr. Subedi urged the participants to provide sector-specific feedback on the basis of implementation experiences to enrich the policy document. Mr. Madhu Kumar Marasini, Joint Secretary, International Economic Cooperation Coordination Division presented the major highlights of the draft policy as a basis for discussion. Sketching policy framework followed by policy contents and strategies, he focused on major policy shifts. He further emphasized on development effectiveness that is what the policy wants to achieve.

India Agrees to Provide Support for Election in Nepal

The Government of India has agreed to provide 764 vehicles to Nepal for the purpose of the upcoming Constituent Assembly (CA) election. Two different agreements to provide the vehicles were signed at the Office of Prime Minister and Council of Ministers in the presence of Rt. Hon. Khil Raj Regmi, Chairman, Interim Government and Hon. Indian Minister of External Affairs Mr. Salman Khurshid on July 09, 2013.

Finance Secretary Mr. Shanta Raj Subedi and Indian Ambassador to Nepal Mr. Jayant Prasad after signing the Agreement in the presence of Rt. Hon. Chairman of Interim Government, Hon. Finance Minister, Hon. Indian External Affairs Minister and other officials of Ministers in the presence of Rt. Hon. Khil Raj Regmi, Chairman, Interim Government and Hon. Indian Minister of External Affairs Mr. Salman Khurshid.
Message from the Chief Editor

It is evident that Nepal is undergoing the process of all-out transformation of the society amid persistent gap of resources and knowledge. To fulfill this gap, Nepal needs to continue with the external resources mobilization for financing, sustaining and institutionalizing the development activities as well as their outcomes. Development effectiveness in line with home-grown development plan and policy is a must to cause impacts on lives of the people.

Obviously, policy formulation is a time-consuming task. We have long been working hard for a consensual Foreign Aid Policy document in hand. The existing Foreign Aid Policy, 2002 has definitely been providing insights not only for maintaining quality and consistency in aid related decision making but in revelation of the Government’s stances on priority, quality and modality of external resources mobilization, so far. Besides, it has supplemented the implementation of the then 10th and subsequent periodic plans.

Our deep-rooted desires for owning and leading our own development processes have further been surfaced after we have become signatory to the international resolves, started from Rome through Paris and Accra to Busan, for aid and development effectiveness. We have been noticing the similar concerns on part of our development partners. Findings of monitoring and evaluation of the aid effectiveness initiatives on both global and local levels have added new dynamics leaving the existing policy document far behind. Many more new and revolutionary principles are found standing on queue to be customized and internalized through appropriate policy instrument. The Approach Paper for 13th plan and the Budget Speech 2013/14 have also made commitment to produce a revised and updated Foreign Aid Policy (FAP) by the end of this Fiscal Year.

At this backdrop, Ministry of Finance has been working on to bring a new Foreign Aid Policy that reflects the emerging aid dynamics in it and also caters the need for country led effective aid mobilization. An outline of the same has been already shared with the development partners in the local donors meeting held in April 30, 2013. The IECCD team has recently organized high-level interaction in the Ministry of Finance on August 29, 2013, with the team of National Planning Commission and with all the secretaries of the Government of Nepal. The feedbacks received from the participants have been incorporated in the new FAP as far as they are meritorious. Now we are aiming to circulate a complete draft of the new FAP, most likely in a new nomenclature, in the next local donors meeting. Despite the Country being election-focused, Ministry of Finance is confident on the fact that the reform and development is a continuous process and cannot wait until politics gets stabilized.

We expect that all the stakeholders in the country will provide strong back-up for promulgation of new aid policy. We are thankful to the respected Government Secretaries and high level officials for their valued inputs. As we are still in the consultation process, we will be more than happy to receive more suggestions on the draft from our respected readers.

Thank you!
World Bank Extends Support to Various Projects/Programs

The International Development Association (IDA) of the World Bank Group has agreed to provide US$ 207.26 million (Equivalent to NRs. 19922 million) assistance to the Government of Nepal. The total assistance comprises of US$ 125 million as grant assistance and US$ 82.26 million as loan assistance. Out of the total assistance, US$ 100 million (equivalent to NRs. 9612 million) will be used for the ongoing implementation of School Sector Reform Program (SSRP); US$ 80 million (equivalent to NRs. 7690 million) grant for Poverty Alleviation Fund II and US$ 27.26 million (equivalent to NRs. 2620 million) loan for Kali Gandaki A Hydropower Plant Rehabilitation Project.

Three separate agreements in this regard were signed by Mr. Shanta Raj Subedi, Finance Secretary of the Ministry of Finance on behalf of the Government of Nepal and by Ms. Tahseen Sayed, Country Manager for Nepal on behalf of the World Bank, on July 8, 2013.

SSRP, a seven-year (2010-2016) strategic program of the Government of Nepal has been financed by development partners under the concept of SWAPs. The SSRP aims at enabling all children to complete a high quality school education up to 12 grades by focusing on strategic interventions and new reform initiatives to

Adb Qcprm Meeting

The Country Portfolio Review Meeting for the second quarter of 2013 was organized in the Ministry of Finance on 1 July 2013. The meeting particularly reviewed and discussed the overall performance and implementation status of ADB supported projects in Nepal. The meeting was chaired by Mr. Shanta Raj Subedi, Finance Secretary and co-chaired by Mr. Kenichi Yokoyama, Country Director of Asian Development Bank.

While delivering their opening remarks Mr. Subedi and Mr. Yokoyama focused on the need and importance to continue the review process. Special concern was given on the slow contract award and disbursement performance in 2013. Finance Secretary, Mr. Subedi requested all project teams to develop concrete time-bound action plan to resolve problems and expedite project implementation in a systematic and more assertive manner.

During the meeting presentation about the summary on portfolio performance and key project issues was made by Mr. Priyantha Wijayatunga, Head, Portfolio Management Unit, NRM, ADB. The comprehensive discussion and the way forward for seven actual problem projects and eight potential problem projects under ADB funded projects was proceeded during the meeting. ADB also requested MOF’s concurrence on cancellation of additional $17.2 million loan/grant savings from six projects in 2013. IEECD Chief Mr. Madhu Kumar Marasini concluded the meeting emphasizing the need of optimum efforts to expedite the project implementation so as to improve the overall ADB Country Performance Assessment (CPA) rating.
The GoN and the WB Hold First Trimester Portfolio Review Meeting

The Government of Nepal and the World Bank held a joint portfolio review to assess the performance of development projects assisted by the World Bank in Nepal on 22 July 2013. The meeting was co-chaired by Finance Secretary Mr. Shanta Raj Subedi and the World Bank Country Manager for Nepal Ms. Tahseen Sayed.

The review meeting took stock of the implementation and results of thirteen projects including the status of disbursements and implementation challenges arising from weak fiduciary and safeguards compliance, frequent staff transfers, and delays in decision-making.

In her opening remarks, Ms. Sayed congratulated the Government for presenting a full, regular budget for FY13-14 as well as for achieving a remarkable turnaround in portfolio performance during the last quarter of FY12-13, once the full budget was put in place. With nearly half a billion dollars in new commitments, she noted that the additional resources from the World Bank also call for greater mutual accountability for results. She highlighted financial management, procurement practices and transparency as key areas where governance oversight could be improved.

In his closing remarks, Mr. Subedi noted that spending authority was delegated to the line ministries on the same day the budget was approved. He said the line ministries have been instructed to approve annual work programs and budgets for Priority 1 (P1) projects within 15 days of the start of the new fiscal year and within 30 days for Priority 2 and 3 (P2, P3) projects. Mr. Subedi said plans are afoot to strengthen the monitoring of budget execution at the Ministry of Finance.

Mr. Madhu Kumar Marasini, Chief of IECCD of the Ministry of Finance said fiscal year 2013 will be the “Year of Implementation”.

Senior officials from the Government of Nepal and project implementing agencies attended the review meeting. Ms. Idah Z. Pswarayi-Riddihough, Director for Operations and Quality Services, South Asia Region, the World Bank and Ms. Jyoti Shukla, Manager, Sustainable Development, South Asia Region, the World Bank, also addressed the meeting.

Follow up discussions have been scheduled on key outstanding implementation hurdles such as Right-Of-Way corridors for transmission line projects and forest permits for infrastructure projects.

NPPR Second Review Meeting Concluded

The second review meeting of Nepal Portfolio Performance Review (NPPR), 2012 was concluded on July 30, 2013 in the Ministry of Finance. The meeting was chaired by Finance Secretary Mr. Shanta Raj Subedi. All the core members of NPPR including other development partners were invited in the meeting together with senior officials of the Government of Nepal (GON). IECCD Chief Mr. Madhu Kumar Marasini welcomed the participants where as NPPR Coordinator Mr. Kailash Raj Pokharel facilitated the meeting. Champions of NPPR representing from different thematic & sectoral areas of NPPR joined the meeting. The meeting was organized for the review of the progress of implementation of NPPR Action Plan 2012, where 9 different line ministries are implementing the actions mentioned in the action plan.

At the meeting, different Champions presented status and progress of NPPR action plan 2012 of their own thematic/sectoral areas. The Representatives of DPs expressed their satisfaction over the progress achieved so far. DPs raised some queries about the overall effectiveness of the performance including decreasing capital expenditure and other contemporary issues and provided some important suggestions to GON for the effective implementation of their suggestions regarding overall portfolio management in Nepal.

Finance Secretary Mr. Subedi expressed his happiness for being able to carry out the budget of this current fiscal year in time and also expected to achieve good results effectively in the days to come. He informed that the GON has already implemented Single Treasury Account (TSA) system to all the 75 districts. He also shared the positive note on appointment of chief and members of oversight agencies including the Commission for Investigation of Abuse of Authority (CIAA) and the Auditor General of Nepal.

The third review meeting is scheduled to be held in September, 2013.
Consultation Meeting …..

who substantially contributed to the draft.

Many participants sensed alien flavor in the word “Foreign Aid” used in the title of policy document, it was suggested to replace it with new names such as Development Finance Policy, Development Cooperation Policy etc or some other similar terms. Some of them wanted to have a page of background text in the policy document while others wanted to see it in form of a concise and succinct policy contents without much background and descriptions. In spite of some varied sector-specific concerns, all the participants were in favor of greater compliance with the aid effectiveness principles; identifying areas as well as thresholds for grants and loans mobilization; prioritizing infrastructure sectors for aid-funded projects, ensuring transparency in NGO/INGO operation and so on.

Majority of the participants were keen to identify some long-term vision statement for the policy instead of the proposed vision as to graduate from LDC to developing country status by 2022. It was almost agreed that aid should gradually be reduced in the long-run through linking it with strengthening of revenue mobilization capacity, trade and investment. At the same time participants accepted that total exit from aid is not possible in this globally interdependent society. To achieve development effectiveness, efficient and transparent aid management with massive use of IT is a must. Participants went for emphasizing on-treasury aid, donor’s division of labor on basis of comparative advantage, south-south cooperation among relevant developing countries, use of sector-wide or sub sector-wide approach of financing, staff retention strategy and identifying some concrete measures for mutual accountability, where capacity of both the Government and donors can be evaluated.

Hon. Finance Minister Shankar Prasad Koirala wrapped up the consultation with his valued remarks. Hon. Minister told the participants that the aid policy, being an umbrella policy, should give directions at least for 10 to 20 years. This level of active participation for such a long hour, per se, is kind of endorsement of the policy. As next steps, Hon. Minister instructed to produce the revised draft accommodating the valid concerns and get back to the participants, soon. Concluding the meeting, Hon. Minister said, - “You are the main actors of development, we are just facilitator, we will seek political consent on policy document and turn towards the donors for their concerns, if any”.

ADB Extends Support to SDP

The Asian Development Bank has agreed to provide US$ 20.00 million (Equivalent to NRs. 1924 million) grant assistance to the Government of Nepal for the implementation of Skill Development Project. The Grant Agreement to this effect was signed between Mr. Shanta Raj Subedi, Secretary, Ministry of Finance and Mr. Kenichi Yokoyama, ADB Country Director for Nepal on 12 July 2013.

This project will support the Government to develop a market responsive and social and gender approachable technical vocational education and training (TVET) system. The major priority of this project is to match the skills by TVET trainees with needs of both the domestic and international labor market.

The Ministry of Education is the executing agency and Council for Technical Education and Vocational Training (CTEVT) is the key implementing agency of this project.

GoN Secretaries and Officials
Agreement with Asian Development Bank

The Asian Development Bank has agreed to provide a loan assistance of USD 80 million (equivalent NRs 7.57 billion) to the Government of Nepal for the implementation of the Kathmandu Valley Waste Water Management Project.

The main objective of the project is to improve the wastewater services in Kathmandu Valley. The project will invest to maximize the efficiency and effectiveness of existing wastewater sector infrastructure and service provision provided or planned, to restore, establish, and extend wastewater services in Kathmandu Upatyaka Khanepani Limited (KUKL) service areas in order to improve the water quality in urban rivers, tributaries and ecosystems.

The Ministry of Urban Development is the executing agency while, Kathmandu Upatyaka Khanepani Limited (KUKL) and Kathmandu Valley Water Supply Management Board (KVWSMB) are implementing agencies of the Project.

Mr. Madhu Kumar Marasini, Joint Secretary, Ministry of Finance and Mr. Kenichi Yokoyama, Country Director of the Asian Development Bank, Nepal Resident Mission signed the agreement on July 3, 2013.

Agreements with the World Bank

The World Bank Group has agreed to provide US$ 99 million (equivalent to NRs. 8672.4 million) grant and loan assistance to the Government of Nepal for the implementation of Nepal-India Regional Trade and Transport Project (NIRTTP). Out of the total assistance, US$ 30 million (equivalent to NRs 2365.2 million) is grant assistance and US$ 69 million (equivalent to NRs. 6307.2 million) is loan assistance. The agreement was signed and exchanged between Mr. Madhu Kumar Marasini, Joint Secretary, Ministry of Finance and Ms. Tahseen Sayed, Country Manager of the World Bank for Nepal on July 11, 2013, on behalf of the Government of Nepal and the World Bank, respectively.

The objective of the project is to decrease transport time and logistics costs for bilateral trade between Nepal and India and facilitate for transit trade along the Kathmandu Kolkata corridor for the benefit of traders by reducing key infrastructure bottlenecks in Nepal and by supporting the adoption of modern approaches to border management.

The project components consist of upgrading and expanding the Narayanghat-Mugling road section to Asian Highway Standard, and corridor improvement along the Birgunj Kathmandu Corridor, construction of a CFS (Container Freight Station) or an ICD (Inland Clearance/Container Depot) in the Kathmandu Valley, improvement of the capability of trade related laboratories, and facilitation of arrangements for mutual recognition of certificates.

Similarly, the International Development Association (IDA) of the World Bank Group has agreed to provide US$ 30 million (Equivalent to NRs. 2.90 billion) credit assistance to the Government of Nepal. The Financing Agreement to this effect was signed between Finance Secretary Mr. Shanta Raj Subedi and the WB Country Manager for Nepal Ms. Tahseen Sayed in the Ministry of Finance, Kathmandu, on 31 July 2013.

The main objective of this loan assistance is to avail budgetary support to the Government of Nepal to help carry out the already initiated reform activities especially in areas of financial sector development. The financing amount US $ 30 million will be allocated in a single tranche and the closing date of the financing is 31 December 2013.

Nepal has already embarked on the broader reform program to address financial sector vulnerabilities during the mid 2011. In this course, Nepal Rastra Bank has initiated financial inclusion and financial literacy program in consultation and cooperation with stakeholders. The restructuring task of two major state-controlled banks - Nepal Bank Limited and Rastriya Banijya Bank, is under way. Likewise, the Acts against money laundering and terrorist financing already initiated by the Government are the important tasks under the financial sector.
Agreement with Switzerland

The Government of Switzerland has agreed to provide Swiss Franc 13.89 million grant assistance (equivalent to NRs 1.39 billion) to the Government of Nepal. Out of the total assistance, Swiss Franc 4.9 million (equivalent to NRs. 440 million) will be used for the implementation of Strengthening the Accountability of Local Governments (SALG) project and Swiss Franc 8.99 million (equivalent to NRs. 800.46 million) for Safer Migration Project (SaMi)-Phase II. Two separate Agreements to this effect were signed and exchanged between the Government of Nepal and the Government of Switzerland in the Ministry of Finance, Kathmandu, on 5 July 2013.

The objective of the Strengthening the Accountability of Local Governments project is to help people get benefit from a state that is responsive to the demands of disadvantaged groups, and provide more effective and inclusive public services at the local level in the project districts.

Similarly, the objective of the Safer Migration Project (Phase II) is to contribute to safer and more beneficial migration for men and women of Nepal. It supports to reduce the social and economic costs of foreign employment and increase its benefit and enhance effective implementation of the Foreign Employment Policy 2012.

Mr. Madhu Kumar Marasini, Joint Secretary and Chief of IECCD, Ministry of Finance and H.E. Mr. Thomas Gass, the then Ambassador, Embassy of Switzerland in Nepal, signed the agreements on behalf of their respective Governments.

Japan ....

The main objective of this project is to support the Election Commission of Nepal to conduct the Constituent Assembly Election, 2013. Japan has been supporting the Election Commission of Nepal for long time. Japanese support has been instrumental in peace building and overall development of Nepal.

GEF Workshop on Biodiversity and Land Degradation Conducted

Two different workshops related to Global Environment Facility (GEF) activities in Nepal were organized by IECCD, Ministry of Finance, under GEF Operation Focal Point Support Program. The first workshop entitled “GEF Stakeholders’ Workshop on Biodiversity” was held on August 8, 20103 and the second entitled “GEF Workshop on Land Degradation and POPs and Chemical” was held on 26 August, 2013.

During the first workshop, Finance Secretary Mr. Shanta Raj Subedi launched GEF Nepal website which can be viewed in the link: http://www.gefnepal.gov.np/ . Speaking in the program, Mr. Subedi expressed that organizing the workshop was an innovative idea and felt need of the hour. He said that proper working strategy is also required for effective implementation of the project activities. He further said that, there is a need for environment projects to adjoin hands with various sectors such as agriculture, water, forestry, local governments and CSOs for a holistic approach of rural development. Speaking about the website he said that the GEF website is definitely a milestone for the concerned agencies working in the field of environment which will help disseminate the overall status of GEF funding in Nepal, technical assistance, GEF projects and their outcomes, best practices and lessons learnt etc. He emphasized that the future projects should be designed based on the best practice and lessons learnt from the implementation of the past projects.

Various presentations and discussions held in both the workshops explored the issues related to GEF funded projects in Nepal and provided further recommendations to make GEF portfolio more meaningful in Nepal. The representatives from different ministries where GEF support has been utilized and the representatives from different GEF implementing agencies were present at the workshop.
**AMP Training for INGO**

IECCD provided training related to Aid Management Platform to 25 focal points of various INGOs on 30 August 2013. The objective of the training was to teach how to make data entry related to INGO project information into the AMP system established in the MoF. Key features of the public portal of AMP website were also shared during the training. This was the third batch of INGO trainees. About 60 INGOs have been trained so far and they have been given access to AMP. This is an effort of the Government to bring INGO aid money into the AMP system to make aid information transparent.

**Uganda AMP Team Visits Nepal**

A three member team led by Mr. Fred Twesiime, Senior Economist from the Ministry of Finance, Uganda, came to Nepal to see overall implementation of Aid Management Platform (AMP) in Nepal. The visiting team took stock of how AMP was established, how data is managed, how coordination is maintained with development partners and how INGOs have been tracked. The team was equally concerned on the matter of AMP roll out to DPs, data management and the data use being practiced in Nepal. The visit of Uganda team was coordinated by IECCD/MoF Nepal beginning 5-7 August 2013.

**Foreign Aid Commitment**

The total foreign aid commitment for the Fiscal Year 2012/13 (2069/70 BS) has reached the total of Rs. 115156.78 million (Rs. 53900.98 million as grant and Rs. 61255.80 million as loan) for the implementation of various development projects/programs. Similarly, at the end of August, 2013, the new foreign aid commitment for fiscal year 2013/14 has reached the total of Rs. 3049 million (Rs. 149 million as grant and Rs. 2900 million as loan).

**World Bank ....**

improve access, efficiency, effectiveness and institutional aspects of the educational system. The IDA has already provided US$ 130 million grant and loan assistance for this program.

Similarly, the objective of the Poverty Alleviation Fund Project II is to improve living conditions, livelihoods and empowerment of the rural poor, with particular focus to groups that have traditionally been excluded by reasons of gender, ethnicity, caste and location.

Likewise, the objective of the Kali Gandaki-A Hydropower Plant (144MW) Rehabilitation Project is to improve the reliability of the power supply of the Kali Gandaki A Hydropower Plant through rehabilitation and safety measures, and to improve the responsive capacity of the recipient in case of possible emergencies. Originally, this project was constructed from the loan assistance of the Asian Development Bank and has been generating hydropower since 2002.

**Result Based Management Training in Biratnagar**

A three day training course on “Result-Based Management, Monitoring and Evaluation” was conducted from August 18-20, 2013 in Biratnagar which was attended by 22 participants representing various Government officials from 13 districts of Eastern Development Region. The training was facilitated by IECCD through Developing Capacities for Effective Aid Management and Coordination Project with the support from UNDP, Denmark, USAID and DFID. The main objective of the course was to make Governmental officials familiar with the aid effectiveness agenda and to encourage them for the effective implementation of foreign aided projects in Nepal.

**India Agrees ....**

As per the agreement, the Indian government would provide 48 vehicles to the Election Commission and remaining 716 vehicles to the Ministry of Home Affairs (MoHA). On the occasion, Finance Secretary Mr. Shanta Raj Subedi, and Indian Ambassador to Nepal Mr. Jayant Prasad signed and exchanged the letters of agreement on behalf of their respective governments.