

**Statement by Hon. Surendra Prasad Pandey, Minister of Finance
at the Fourth SAARC Finance Ministers Meeting
Thimphu, 24 August 2010**

Mr. Chairman,
Honourable Ministers
Excellencies,
Secretary General of SAARC Dr. Sheel Kanta Sharma
Distinguished delegates
Ladies and Gentlemen,

Let me, at the outset, congratulate you for your election as the chairperson of our meeting. I am fully confident that with your deep insight and wisdom, we will have fruitful deliberations and successful outcome.

May I also take this opportunity to express heartfelt thanks for the warm reception and generous hospitality extended to me and my delegation since our arrival in the serene and picturesque capital city of Thimphu and for excellent arrangements made for the meeting. I would also like to express deep appreciation to SAARC Secretary-General Dr. Sheel Kanta Sharma and his team for preparatory works and for excellent background notes for the meeting.

Mr. Chairman,

We are distressed by the unprecedented miseries suffered by the people of Pakistan from devastating flood. On behalf of the Government of Nepal, my delegation and on my own, I offer deep support and sympathy to the Government and the people of Pakistan in this most difficult time caused by natural calamities. Also, our deep sympathy goes to the Government of India and the people for their suffering caused by recent floods in Leh and some other parts of India.

Mr. Chairman,

We are indeed privileged to have Right Honourable Lyonchhen Jigmi Y. Thinley as the Chief Guest for the inaugural session of our meeting this morning. His inspiring inaugural address has set the tone for our deliberations. My delegation would like to place on record our profound thanks for his thoughtful address.

This meeting has special significance as we are gathering here after few months of historic Silver Jubilee SAARC Summit in Thimphu, which underscored the need for more efficient, focused, time-

bound and people centric activities for the tangible benefits to more than 1.5 billion people in the region. During its twenty five years of journey, SAARC has made significant stride for regional economic integration by identifying areas of cooperation and operational modalities for their implementation. Now the task before us is to embark on regional and sub-regional projects in priority areas, being worked out by various SAARC bodies.

Here the role of the SAARC Development Fund (SDF) becomes crucial. The establishment of SDF is a manifestation of the commitment to move SAARC process forward, with project based approach, so that we will be able to deliver direct benefits to the people in the region. We are happy that with the establishment of permanent Secretariat in Thimphu and the appointment of its CEO, SDF has become fully operational now. I wish to congratulate Mr. Karma for his appointment as CEO of the Fund and wish every success for the discharge of his responsibilities.

As there is already high expectation on this newly-found institution and the future expectation is likely to grow, we need to chart a sound strategy to strengthen the operational capabilities of SDF in terms of selection of regional/sub-regional projects, their funding mechanism, project implementation, monitoring etc. The basic guidelines have already been spelt out by our leaders in the Thimphu Silver Jubilee Declaration, which stipulates that projects funded through SDF should be demand-driven, time-bound and aligned with the development priorities of the region. It is equally important for us to take into consideration that the projects should aimed at the welfare of the people , to improve their quality of life and to accelerate economic growth, social progress and poverty alleviation in the region.

In order to develop SDF as a credible financial institution to implement SAARC regional/sub-regional projects, it is indispensable to enhance its capital base. For this, we need to work for greater mobilisation of financial resources within the region. This can be achieved through increased public-private partnership in SDF projects. Also, as the scope and magnitude of the projects to be funded by SDF will increase, we may have to mobilize financial resources from outside the region through SAARC Observers and regional and interactional financial institutions.

Nepal pins great hope and expectations from this nascent institution for the implementation of concrete and result-oriented projects in the region. I am pleased to inform this august body that the Government of Nepal has recently made first installment of its assessed contribution to SDF. While expressing satisfaction on the status of the ongoing SDF projects under social window, we are also in favour of opening of other two window of SDF so as to directly contribute to economic and social wellbeing of our people. We also view that SDF projects needs to be targeted to the most needy and disadvantageous people in the region.

Mr. Chairman,

Closer economic integration in the SAARC region can only be achieved by strengthening physical infrastructure especially by developing roads and rail corridors between and among SAARC member states. In this context, it is important to note that the Thimphu Summit has underscored

the need for collaborative efforts to achieve greater intra-regional connectivity and endorsed the recommendation to declare 2010-2020 as the “Decade of Intra-regional Connectivity in SAARC”.

Nepal attaches great importance for physical connectivity in the SAARC region by upgrading and development of multi-modal transport system, such as highways, railroads, and direct air connection among SAARC capitals. These are imperative needs to boost SAARC intra-regional trade and to promote greater people –to-people contacts in the region. It may be noted that important regional/sub-regional projects have been identified by the SAARC Regional Multimodal Transportation Study (SRMTS) for the development of rail and roads corridors in the region. We should initiate early implementation of the identified projects by mobilizing resources available within the region by encouraging public–private sector partnerships.

South Asia suffers from energy deficit to sustain economic growth rate of the countries in the region. In order to meet the ever increasing demand for energy, both for household and commercial sector in the region, a comprehensive and holistic approach is required for the development of renewable and alternative sources of energy available in the region. The concept of ‘SAARC Energy Ring’ and the regional energy trade, which is being studied by SAARC Experts Group, needs to be speeded so as to come out with concrete projects proposals for implementation.

Nepal has been emphasizing the need for tourism promotion in the region for greater people-to-people interaction and to improve economic conditions of our people. In this context, I am pleased to note that as endorsed by the 16th SAARC Summit, Nepal will be hosting the Third SAARC Tourism Ministers Meeting in Kathmandu in early 2011, which coincides the Nepal Tourism Year 2011. We hope that the meeting will inject new ideas and fresh proposals for the development of tourist destinations, tourism products and joint tourism packages, and investment promotion for the development of tourism infrastructure in the region. Many important tourism related infrastructure projects are in pipeline in Nepal waiting for investment such as international airport, fast track road project, construction of tourist resorts etc. In this context, we firmly believe that early conclusion of Regional Investment Promotion and Protection Agreement will go a long way to attract private sector investment in the region in key economic sectors.

Mr. Chairman,

Since our meeting in Male last year, the global financial and economic crisis has been ebbed, with signs of global economic recovery. However, their aftershocks are still being felt by small economies like Nepal in terms of decreasing exports, reduced flow of remittance, and decreasing trends in tourists' arrival. These factors have severely affected in the overall growth of the economy and the country's balance of payment situation. In order to overcome the economic hardships being experienced by small and vulnerable economies like Nepal, concerted and coordinated regional strategy is needed to ensure greater market access in developed country markets. In the meantime, we should take immediate measures to remove tariffs and non-tariff

barriers and undertake trade facilitation measures to augment intra-regional trade among SAARC countries, which has remained significantly low at present.

At the same time, given the volatility of international financial architecture, it is important for us to have a regular surveillance mechanism to monitor global economic and financial fluctuations and its impact to the economies in the region. In this respect, the informal meeting we have been regularly holding on the sidelines of the World Bank, IMF, and ADB meetings have been quite important to share views on emerging issues of global financial architecture and their implications on our economies. Equally important is the network of SAARC FINANCE, which has done commendable works by sharing of ideas and information on global financial developments and their impact on the region. These mechanisms need to be institutionalized with regular meetings and interactions.

Mr. Chairman,

Before I conclude, I would like to emphasize that in order to realize the vision of SAARC as a closely integrated region, we need to work harmoniously for closer economic integration in terms of monetary and fiscal measures such as currency convertibility, common custom union, harmonization of standards, and reduction of tariff and non-tariff barriers, and most importantly investment promotion in key economic sectors in the region.

Thank you.