



**43rd ANNUAL MEETING**  
**BOARD OF GOVERNORS**  
**ASIAN DEVELOPMENT BANK**

Tashkent, Uzbekistan

1-4 May 2010

NEPAL

Surendra Pandey, Governor

It is a great honor for me and my delegation to participate in this 43<sup>rd</sup> Annual Meeting of the Board of Governors of the ADB held in this beautiful city of Tashkent. I express my sincere appreciation for the hospitality extended to us since our arrival here by the government and people of Uzbekistan. At the same time, I commend ADB for the excellent arrangement made for this meeting.

We understand that ADB operation in 2009 remained satisfactory. The annual sovereign lending increased significantly compared to a year ago. In addition, the bank approval of grants to its member countries during the same period has been impressive. Among the major policies implemented by the Bank, we welcome the approval on the fifth General Capital Increase (GCI V) of the Bank in April 2009. We also understand that the Bank to be a dynamic development partner to its member countries needs adequate financial resources to meet the growing challenges of this region. For the GCI V to deliver desired outcomes, the bank needs competent, experienced and skilled manpower. However, the emphasis of the bank operation under GCI V should be more on Least Developed Member Countries like Nepal where concessional capital is in greater need for alleviating poverty, developing infrastructures for better investment climate, and mitigating adverse effects of climate change. In fact, the Bank really needed general capital increase in its efforts to make "Better Asia". Against this context, Nepal proposed and supported the GCI V.

We welcome the Board of Directors' decisions on enhancing ADB's response to the global economic crisis and establishing the countercyclical support facility. However, we feel that this should be coordinated with the International Monetary Fund so as to avoid duplication and achieve synergy from the joint efforts.

We also appreciate the Board decision on energy policy and safeguard policy statement. We feel that the focus of all these policies should be linked with the ground realities of the specific member countries.

In the same vein, we also commend the establishment of the ADB clean technology fund in collaboration with the World Bank's Climate Investment Fund. As we all know that Nepal has already suffered and is vulnerable to climate change. Our Himalayan range, which is a "Reservoir" of water for not only South Asian region but also for China, is melting. In this context, we deserve to be receiving adequate resources including a larger share from this fund for launching programs on climate change adaptation and preservation of Himalayas.

The establishment of the Urban Environmental Infrastructure Fund and Urban Trust Fund are steps in the right direction to address urban environmental issues of DMCs including



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Nepal. 'Our People Strategy' of the Bank is good. However, this strategy will be successful only when skill mix and capabilities of the Bank staff are enhanced to implement its strategic priorities and to meet needs of low income member countries such as Nepal.

Although the global economic crisis is now receding, the overall macroeconomic indicators of Nepal have not improved as expected. Double digit inflation, widening trade deficit, slow growth of remittance, decline in export and deteriorating balance of payments situation, depleting gross foreign exchange reserves and liquidity crunch are some of the emerging challenges of our economy. On the fiscal front, Nepal is determined to maintain the fiscal discipline by putting emphasis on higher revenue mobilization and targeting public expenditure. Because of protracted peace process, frequent strikes, long hour of power outage, unfavorable weather, labor problem and infrastructure bottlenecks, our economy is expected to register a moderate growth of 4 percent against the target of 5.5 percent in 2010. However, the Government is committed to maintaining macroeconomic stability through necessary fiscal and monetary measures. Our priority is to increase employment opportunities for our youths within the country. It is for this reason we are giving high emphasis on road infrastructure development and clean and renewable energy. This will create better environment for scaled up private sector investment in agriculture processing and other manufacturing activities, thus contributing to employment generation.

As you are aware that Nepal is yet to take peace process to its logical conclusion and promulgation of new constitution by May 28, 2010. However, because of lack of consensus among major political parties on a few key issues of constitution, it seems that the deadline needs to be extended. We are committed to end the transition period as early as possible while we continue our focus on economic development.

Finally, I would like to express my sincere gratitude to ADB for its continuous support for the socio-economic development of Nepal and hope that our cooperation will further enhance in the days to come.