

Mr. Chairman
Heads and Representatives of Missions and Development Partners
Senior Officials of the Government of Nepal
distinguished Invitees and participants
Ladies and Gentlemen

- I missed the deliberations yesterday. I very much wanted to be here with you, but circumstances demanded by presence some where else out of Kathmandu.
- You all know that there has been a historic change in Nepal , which comes only once in a nation's history. The change, brought about by the sacrifice of tens of thousands of youths, has made the people sovereign politically. Now we want to make them sovereign economically. Political sovereignty without economic sovereignty carries no significance. We are now in the crusade of building a New Nepal, a prosperous Nepal and uplift the living conditions of large number of oppressed, disadvantaged and deprived people. On the one hand, we have to achieve the leap frog growth, and the other we have to ensure social justice. This is no easy task given the socio-economic context in which -we are operating and the economic policy environment that we have inherited from the past. However, we are determined to shed away all the growth inhibiting factors and policies, curb rent-seeking activities, and improve efficiency.
- For growth with social justice, we have opted for a two-legged economic strategy consisting of acceleration of private investment and expansion of cooperatives. As we all know, the capitalist economies have advanced much, yet they reveal symptoms of malaise , and even crisis. The glaring evidence of this is the current financial crisis that has gripped the US and the European economies, and we are also being influenced. So we need solutions not merely imitative of advanced capitalist regimes, but which are plausible and suitable to our context. We want to combine the efficiency and productivity of capitalism with concern for the welfare and productivity of the poor. This would demand economic democratization, and Cooperatives can serve this purpose. Through the cooperatives people in rural areas can have the ownership on the enterprise they operate and work for and share the benefits equitably.
- Nepal has been a significant recipient of foreign economic assistance. Starting with a low level of assistance in the early 50s, the gross assistance has increased considerably in the subsequent years. But this flow of assistance has not been associated with a high rate of growth. The reasons for this you would say are the lack of good policy environment, weak institutional capacity, and inactive civil society. We also agree on these and have already initiated measures to reform these. Now we want to use the support of donors for building a process of self-sustaining growth in Nepal. We have already set out this year's priorities in the budget and we expect that the donors will also tune their programs accordingly. Our major concern has been relief and rehabilitation, free education, provision of mid-day meal to primary school students and easy access of poor to health services.
- Nepal's development process is being dubbed as donor-driven, which is not good for both the donors and Nepal. This conception and the practice that led to this should be buried. It is the mutual responsibility of both the donors and we, the recipient, to make the best use of aid money given to Nepal. There is a need to have a

fusion between aid bureaucracy and our bureaucracy. This will contribute to greater harmonization in donor procedures and alignment with our budgetary processes. One important issue in aid implementation is the 'mutual accountability' on both the donors and recipients side. This is also conceptualized as good governance. There is a need to make power holders — political, financial, administrative and other forms to be accountable for or take responsibility for their actions and choices. In other words, individuals within the organizations should be made responsible for their performance in relation to targets set. I understand that donors have come up with different approaches, such as "Result Based Management" or "Accountability, Learning **and Planning** System" to make aid work better. I believe, such approach, if strictly followed, would ensure effective use of aid money. But this should not constrain learning through relationships and interactions.

- A Portfolio Review Meeting of such kind would give an opportunity to learn together about what works and what does not work in terms of effective aid. It will also enhance our understanding of the social change and resolve many of the contradictions of international aid.
- I thank the Ministry of Finance team and the concerned donor communities for organizing this interactive meeting. I also thank all the development partners and senior government officials for participating in this meeting.
- I look forward to see the proceedings of this meeting.
- Thank you.

Dr. Baburam Bhattarai
Finance Minister