Development Cooperation Policy 2014 Unveiled

Hon. Finance Minister Dr. Ram Sharan Mahat unveiled Development Cooperation Policy (DCP) 2014 on 27 June 2014 amidst a function organized at the Ministry of Finance.

While delivering his remarks after unveiling the policy, Hon. Minister Dr. Mahat briefly highlighted the main features of the policy. Hon. Minister revealed that DCP 2014 would replace the Foreign Aid Policy 2002 after 12 years. Hon. Minister mentioned that some of the basic concepts of foreign aid policy are defined in a new way in the DCP. Hon. Minister further added that the policy was prepared in a home grown approach rather than donor driven. The new policy terms foreign aid as development cooperation and donors as development partners.

Some of the features of DCP 2014 as Hon. Minister mentioned are - helping Nepal to graduate from least developed country (LDC) to developing country (DC) by 2022; provision of development cooperation under national budgetary system; help creating self-sustaining economy; promoting private sector investment; increase in transparency and accountability in development cooperation management through Aid. 

Local Donors Meeting

Local Donors Meeting - a mechanism for regular dialogue between development partners and the government — was held at the Ministry of Finance on 21 May 2014. This was the first meeting of this kind after Finance Minister Hon. Dr. Ram Sharan Mahat assumed his Office. The meeting also served as a pre-budget consultation with development partners. The meeting was kicked off with welcome remarks by Joint Secretary Mr. Madhu Kumar Marasini followed by opening address by Hon. Finance Minister Dr. Mahat, presentation by Finance Secretary Mr. Yubaraj Bhusal on current economic scenario and status of budget preparation, remarks by Dr. Yubaraj...
A dynamic policy framework serves as a subsystem of the whole government system that reflects not only the renewed government stances but also shapes the avenues for continuous reform in the relevant field. The first Foreign Aid Policy of Nepal was formulated in 2002 with a view to responding to policy gap in area of aid management. With fast changing aid dynamics 2002 policy needed to be updated in line with contemporary principles and the best practices widely adopted in global aid architecture. With a view to responding to the demand of the time shaped by global commitments towards aid and development effectiveness and by Nepal’s goal of graduating from the status of ‘Least Developed Country’ by 2022, the Government of Nepal prepared a development cooperation policy and circulated among wider mass. After long public circulation, series of consultations with the stakeholders, including development partners and civil society, and close scrutiny of the Cabinet, new Development Cooperation Policy, 2014 has ultimately come into effect on 26 June 2014. Hon. Finance Minister Dr. Ram Sharan Mahat unveiled the policy document to media for dissemination. Coincidentally, Hon. Dr. Mahat was the Finance Minister to unveil the first aid policy as well in 2002. The ultimate goal of this policy is to build a self-reliant economy and transform Nepal into a prosperous democratic country through effective mobilization of development cooperation.

Several policy departures have been made from that of previous policy. Firstly, the policy emphasizes the use of country system, mobilizing aid in priority areas of the Government in selective manner.

Secondly, the Government introduces thresholds for development cooperation aiming at reduced aid fragmentation and focused aid operations in the country.

Thirdly, the new policy has clearly spelled out its priority sectors for utilizing grant, and loans. Grant assistance will be used for rural infrastructure development and social development sectors. Concessional loans will be utilized for physical infrastructures, agriculture and tourism. Other types of loans will be used for highways, strategic road network, bridges, railways, airports, dry ports and large scale bridges.

Fourthly, the new policy has ensured transparency and accountability through making mandatory provision for all kinds of aid, both on-budget and off-budget including technical assistance and those channeled through NGO/INGOs to report to Aid Management Platform. This will increase mutual accountability of both the Government and development partners.

Fifthly, the new policy has given due importance to internalizing global commitments reflected in the Busan Outcome Documents, such as- South-South Cooperation, support to Private Sector, Aid for Trade and development partners’ division of works guided by comparative advantages. This will encourage the partnership between state and non-state actors, besides development partners, for development results.

Sixthly, the new policy has made clear provision of tax exemption and visa. Aid money will not be used for purpose of tax payment. The Government will manage needful funds for agreement-based exemptions. In the cases where it is not possible, the Government exempt from taxes as per prevailing laws. The policy has drawn clear demarcation lines between direct and indirect taxes and between official and non-tourist visa.

Finally, the provision of periodic evaluation of the implementation of the policy will help make this policy a dynamic document that can live up with the demand of time and the changed context. As next steps, Ministry of Finance will hold consultation with the development partners for its pre-implementation dissemination and probable implementation issues.

The Government of Nepal anticipates cooperation from all the concerned stakeholders for the effective implementation of this policy.

Thank you.
Nepal Delegation Participates in 47th Annual Meeting of ADB

A Nepali delegation led by Hon. Finance Minister Dr. Ram Sharan Mahat participated in the 47th Annual Meeting of Asian Development Bank in Astana, Kazakhstan, on May 2-5, 2014. Other members of the delegation included Finance Secretary Mr. Yuba Raj Bhusal, IECCD Chief Mr. Madhu Kumar Marasini and Under Secretary Mr. Kailash Raj Pokharel. Hon. Finance Minister addressed the Annual Meeting.

On May 2, 2014, Nepal delegation met ADB President Mr. Takehiko Nakao. During the meeting, Hon. Finance Minister briefed Mr. Nakao about Nepal’s recent political progress and highlighted the importance of higher economic growth for Nepal in the context of lower growth scenario despite the reasonably good progress achieved in social development front during the last two decades.

Hon. Finance Minister mentioned that Nepal needs huge investment in infrastructure such as hydropower, roads, irrigation for which ADB’s increased support is necessary. Hon. Minister further emphasized for additional investment in particular in the infrastructure sector in the context of Nepal’s goal to be graduated from least developed country’s (LDCs) status by 2022.

Hon. Minister requested President Nakao to continue with grant financing for Nepal, against its decision of converting to 100 percent concessional loan financing citing Nepal moving from medium to low debt distress country status. Hon. Minister reemphasized not to penalize the good performing countries in the name of improved debt sustainability condition since Nepal was paying back its foreign loans timely without any default despite political and economic difficulties. Hon. Minister also requested President Nakao to show flexibility in performance based allocation (PBA) criteria in Asian Development Fund considering the country’s transitional condition.

During the meeting, President Nakao expressed that he always remembers Nepal as country of Buddha and respects Nepal and Nepali people very much. He commended Nepal’s progress in social development front and for maintaining fiscal discipline even in the difficult time of insurgency. He fully realized Nepal’s request for continuing grant financing and assured Hon. Minister to open discussion on this important issue. President Nakao assured Hon. Minister that ADB will scale up its assistance to Nepal to finance bigger infrastructure development projects.

Hon. Minister also recalled his earlier decision of not joining Highly Indebted Poor Countries (HIPC) Initiative in the past. Mr. Nakao commended Hon. Minister’s vision in this respect.

Chinese Vice Finance Minister Visits Nepal

Chinese Vice Finance Minister H.E. Mr. Shi Yaobin visited Nepal from 27 - 29 May 2014. In course of his visit, he met Hon. Finance Minister Dr. Ram Sharan Mahat on May 28.

During the meeting, Mr. Yaobin urged Nepal to take founding membership of Asian Infrastructure Investment Bank (AIIB) soon and said that it will play an important role in helping Nepal increase infrastructure development. He expressed that China’s willingness to build AIIB is for common development of Asia. He assured of support in infrastructure projects to help Nepal in infrastructure development. He also assured of conveying the request of Nepal to increase support in infrastructure sector to the Government of China.

During the meeting, Hon. Minister said that Nepal is expecting huge Chinese investment in hydropower, tourism, agriculture and other infrastructure developments. Appreciating great support from China so far, Hon. Minister also urged China to increase assistance to meet the infrastructure deficits of Nepal. Hon. Minister further said that...
An eight-member UK trade delegation led by UK Minister of State Hugo Swire met Hon. Finance Minister Dr. Ram Sharan Mahat on June 2, 2014. During the meeting, Hon. Minister Dr. Mahat said that the Government of Nepal is working to improve investment climate in the country while stressing that foreign investors in Nepal can enjoy duty free and quota free market for third country exports. Hon. Minister further expressed that the Government is committed to restore investment friendly climate in the country.

Hon. Minister Dr. Mahat also told the delegation that the Government is drafting investment-friendly laws as part of second-tier reforms to bring

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Khatiwada, Governor, Nepal Rastra Bank and Hon. Vice Chairman of Nationla Planning Commission Dr. Govinda Pokhrel.

Delivering his remarks, Hon. Finance Minister gave a snapshot of the current macroeconomic situation, which portrayed a combination of economic challenges and strengths. Strengths as Hon. Minister articulated were around positive scenario in terms of economic growth, inflation, surplus in balance of payment and foreign exchange reserves. Despite these strengths, Hon. Minister enunciated the challenge of achieving higher growth rate at around 8 percent per annum, particularly in the face of Nepal’s determination to graduate from the status of Least Developed Country by the year 2022. According to him, this was further aggravated by other challenges, such as, low investment, high liquidity, slower implementation of the projects, trade deficit, high cost of capital formation, low capital spending and high recurrent spending.

Hon. Minister expressed happiness over the results that Nepal has already achieved in social indicators such as in longevity, average literacy, maternal mortality and infant mortality, among others. Observing infrastructure gap and policy barriers as major bottlenecks to growth, Nepal’s policy and priority for the next year would focus on attracting investment to accelerate economic growth, particularly through investment in physical infrastructure development. Sectors like hydropower development including construction of transmission lines, expansion of road connectivity, improving rural infrastructure, agriculture development, and tourism sector would be priority sectors. Hon. Minister also stressed on social sectors including education, health, drinking water, and human development as being the foundations of democracy. Hon. Minister also highlighted on the need of a transparent and tangible cooperation that helps build a self-sustaining financial and institutional base to meet ever increasing demand of Nepal’s development financing. New policies and programs will be focused on creating an environment conducive to welcoming more investments, including attracting FDI.

Finance Secretary Mr. Yubaraj Bhusal, during his presentation, elaborated on the current strengths and challenges facing Nepal. He communicated to the development partners the tentative framework of major priorities, policies and programs that the government was preparing. Dr. Yubaraj Khatiwada, Governor, Nepal Rastra Bank informed about fiscal space, monetary space and financial space supported by increasing revenue, comfortable reserves and financial position, respectively.

Comments and suggestions from development partners revolved around inclusion agenda, human capital, peace process, implementation challenges, need of long term development strategy, reform agenda, partnering with private sector, need to convene the meeting of Nepal Development Forum (NDF) and process of drafting new Development Cooperation Policy as well as some inherent issues.

Hon. Finance Minister while responding to the comments and suggestions from the development partners expressed his commitment to convene the meeting of NDF in 2015. He assured that the government was open for strategic dialogue for development issues. Clarifying some provisions in the draft development cooperation policy, Hon. Minister emphasized on transparent, responsible and accountable aid that the draft policy intended for. He further highlighted the need to reach mutual consensus on the use of technical assistance and international expertise could be rationalized.
Norway Extends Support to LGCDP II

The Government of the Kingdom of Norway has agreed to provide financial assistance of Norwegian Kroner 55 Million (About 962 Million Nepalese Rupees) to the Government of Nepal for the implementation of Local Governance and Community Development Program (LGCDP II). Following the JFA signed on 26 September 2013, a bilateral agreement to this effect was signed between the Government of Nepal and Government of the Kingdom of Norway, on May 7, 2014. Finance Secretary Mr. Yuba Raj Bhusal and Ambassador of Norway to Nepal H.E. Mr. Kjell Tormod Pettersen signed the agreement on behalf of their respective governments.

The Program will be executed by the Ministry of Federal Affairs and Local Development and implemented by local offices of sectoral ministries and the Local Bodies of the Government of Nepal from 16 July 2013 to 15 July 2017. The total cost of the project is US$ 1362 million among which US$ 236 million will be provided by many Development Partners including the Government of Kingdom of Norway.

The objectives of this Local Governance and Community Development Program (LGCDP II) are to improve local governance for effective service delivery, local development and citizen empowerment through the investment in the sectors such as Local Government Restructuring, Fiscal Decentralization, Fiduciary Risk Reduction, Result Based Management, Capacity Development, Social Mobilization, Child Friendly Local Governance, Gender Equality and Social Inclusion, Livelihood Improvement Schemes, etc. It covers all the districts, Municipalities and Village Development Committees of Nepal.

After the implementation of this project, it is expected that citizens and communities will hold their local governance actor accountable, local bodies will be more responsive to citizens’ demand. Likewise, it is also expected that all citizens are provided with efficient and effective local services, policy and institutional framework for devolution will be strengthened, sub-national governance and local service delivery will be strengthened.

Agreement with DfID

The Government of United Kingdom of Great Britain and the Northern Ireland has agreed to provide Financial and Technical assistance of Pound Sterling 23.5 million (approximately NRs. 3.73 billion) to the Government of Nepal for the implementation of Access to Finance for the Poor Programme. Memorandum of Understanding (MoU) for Financial and Technical Cooperation to this effect was signed between the Government of Nepal and United Kingdom of Great Britain and the Northern Ireland at Ministry of Finance, on June 9, 2014. IECCD Chief Mr. Madhu Kumar Marasini and DfID Acting Head Mr. Philip Smith signed the agreement.

The objectives of the Programme are to improve access to finance for micro enterprises and small farmers, mainly through microfinance institutions. A steering committee having representatives from

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AIIB will be one more window for Asian development and indicated Nepal’s willingness to join the bank as founding member.

Mr. Yaobin also met Finance Secretary Mr. Yuba Raj Bhusal and clarified the concept and terms and conditions to become founding member of the Bank. He said that the bank will be important for Nepal facing difficulties in targeted development and for socio-economic transformation. Finance Secretary expressed Nepal’s willingness to join AIIB and promised to proceed the task to sign MOU soon.

Mr. Yaobin also had a courtesy meeting with Rt. Hon. Prime Minister Mr. Sushil Koirala on May 29.
SFD Extends Support to Budhi Ganga Hydropower Project

Saudi Fund for Development (SFD) has agreed to provide a loan assistance of Saudi Riyal 112.5 million equivalent to the US $ 30 million (approximately NRs 2 billion 859 million) to the Government of Nepal for the implementation of Budhi Ganga Hydropower Project. An Agreement to this effect was signed and exchanged on 18 June 2014. Finance Secretary Mr. Yuba Raj Bhusal and SFD Vice Chairman and Managing Director Er. Mr. Yousuf bin Ibrahim AlBassam signed the agreement.

The project will generate 20 MW of electricity. It is located in the Achham District in far western development region. The main objective of this project is to help the local people explore new opportunities through electricity supply and to support to mitigate the regional disparity. Expansion of rural electrification, generation of new employment opportunities, increment in economic activities at the local and regional level are other expected impacts of the projects.

Department of Electricity Development (DOED) under the Ministry of Energy is the implementing agency of this Project. The program is expected to be completed by the end of 2019 A.D. Of the total estimated project cost (US $ 60 million), the contribution of the Saudi Fund for Development is US$ 30 million. Kuwait Fund for Arab Economic Development has agreed to provide US$ 18 million. An agreement to this effect was signed last year on 22 March 2013. Government of Nepal through DOED will bear US$ 12 million for construction of the Budhi Ganga hydropower project.

Participation in the GEF Assembly and CIF 2014 Partnership Forum

The 46th meetings of the Global Environment Facility (GEF) Council and the 5th GEF Assembly were held in Mexico on 25-30 May 2014. About 500 representatives from governments, international organizations and civil society organizations participated in the meetings. The meetings included the 16th meeting of the council of the Least Developed Countries’ Fund (LDCF) and Special Climate Change Fund (SCCF). This was followed by 5th meeting of the GEF Assembly. In the meetings, discussions were held on, among others, Long Term Strategy of the GEF-GEF 2020, Proposal for the System of Transparent Allocation of Resources (STAR), Co-financing policy and GEF Work Programs.

Recently, GEF has allocated $ 8.9 million grant to Nepal for the GEF 6 period in 3 thematic areas, namely, Climate Change, Biodiversity and Land degradation. Mr. Bhuban Karki, Under Secretary, IECCD, signed the agreement.

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Management Platform (AMP), use of grants in social sectors and concessional loan in infrastructures and no acceptance of commercial loan, provision of reduction in aid fragmentation using threshold in acceptance of grants (limit 5 million USD), concessional loan (limit 10 million USD) and other loan (20 million USD), pool funding for development partners with small amount of cooperation, development cooperation coordination mechanism etc.

In the program, Finance Secretary Mr. Yuba Raj Bhusal thanked all the staffs of International Economic Cooperation Coordination Division (IECCD) for the preparation of the DCP. He also thanked development partners for providing suggestions in the preparation phase of DCP and the media persons for covering the news. The program was hosted by IECCD chief Mr. Madhu Kumar Marasini. Mr. Marasini while delivering his remarks pointed out the coincidence that the Foreign Aid Policy 2002 and DCP 2014 both were prepared and launched at Hon. Minister Dr. Mahat’s tenure as Finance Minister.
ADB Extends Support to CMIASP

The Asian Development Bank has agreed to provide additional assistance of US$ 30 million (about NPR 2.873 billion) for the implementation of Community Managed Irrigated Agriculture Sector Project (CMIASP). An agreement to this effect was signed between the Government of Nepal and Asian Development Bank, on 16 May, 2014. IECCD Chief Mr. Madhu Kumar Marasini and ADB Country Director Mr. Kenichi Yokoyama signed the agreement.

The Community Managed Irrigated Agriculture Sector Project (CMIASP) will be implemented through about 77 Farmer Managed Irrigation System (FMIS) in 35 districts of Eastern and Central Development Regions of Nepal. The total cost of the project is US$ 38.3 million of which the Bank will provide US$ 30 million as loan, Government will provide US$ 7.5 million and the rest US$ 0.8 million will be managed by the user communities.

The objective of the project is to improve the agriculture productivity and sustainability of existing medium-sized farmer-managed irrigation system and thereby enhance the livelihoods of poor. It is expected that, after the implementation of the project, the yield of major crops will be increased by at least 30% in sub project areas and cropping intensity in irrigated areas will be increased by at least 30%.

Korea Extends Support to NHISP

The Government of the Republic of Korea has agreed to provide a technical assistance of Korean Won 5085 million (approximately NRs 460 Million) to the Government of Nepal for the implementation of The National Health Insurance Support Project (NHISP). The Grant Agreement to this effect was signed by Finance Secretary Mr. Yuba Raj Bhusal and Korean Ambassador to Nepal H.E. Choe Yong-jin on behalf of their respective governments, on May 19, 2014.

The NHISP is expected to be completed in 48 months from the date of its signing. The Project will be implemented by the Ministry of Health and Population (MoHP) on behalf of Government of Nepal and Korea International Cooperation Agency (KOICA) on behalf of the Government of the Republic of Korea. This Project will exclusively support the planning of a pilot project of National Health Insurance Program in five districts (Kailali, Ilam, Baglung, Banke and Sarlahi). KOICA will provide technical assistance to the Government of Nepal to introduce National Health Insurance Program in Kailali district and build capacity of relevant stakeholders of government for health care management and financing.

The objectives of the project are to provide technical support for preparation of National Health Insurance Program, to enhance capacity of relevant stakeholders of the MOHP and 5 Prioritized districts to better understand health insurance and health financing, and to support the implementation of National Health Insurance Program in Kailali district.

Agreement with DfID ....

Ministry of Finance, National Planning Commission, Department of Cooperatives, Nepal Rastra Bank and DFID Nepal provides overall guidance and steers the programme. The programme will be implemented in Manang, Humla, Dolpa, Kalikot, Mugu, Jajarkot, Bajhang, Bajura and Darchula which have been identified.

The Programme has 5 major components namely -

i) Financial access for small and medium enterprises,
ii) Financial inclusion , iii) Support to GoN's financial strategy, iv) expansion of on-going financial inclusion activities and iv) Improve the equity investment climate. The programme activities are planned to be accomplished in 5 years period starting from March 2014.

British support to Nepal was started in 1961. Today, British Financial and Technical Cooperation cover the areas of livelihoods to local development, education, health, climate change, governance and peace building.
Journalists Familiarized with the Use of AMP

A discussion program about using of Aid Management Portal with media persons was organized by the Ministry of Finance/IECCD on 09 June, 2014 in Kathmandu. The purpose of this program was to familiarize media persons about AMP and using of public portal. During the session, Dr. Narayan Dhakal, Under Secretary, IECCD gave a brief introduction of new trend of aid management and the AMP being crucial part of aid management. Participants were acquainted with technical knowhow of using AMP data together with the concept of on-budget and off-budget by Mr. Thakur Gairhe, Computer Officer and his team. Altogether, 32 media persons representing various newspapers and media (from the Society of economic journalists of Nepal) participated the program. IECCD has been organizing various types of training programs related to aid effectiveness, for the last two years with the support of UNDP, Denmark and DFID.

UK Minister of State ....

more foreign investment into the country. Speaking at the meeting, Mr. Swire stressed the need to create investment friendly climate and formulate investment friendly industrial laws.

He also suggested to the Government of Nepal not to put threshold on foreign investment in the Foreign Investment and Technology Transfer Act which the Government is preparing to amend. After the meeting Mr. Swire tweeted “Constructive Meeting with Finance Minister Mahat, architect of Nepal’s economic reform”. British Ambassador to Nepal H.E. Mr. Andrew Sparkes was also present at the meeting.

Foreign Aid Commitment

At the end of June 2014, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 107,380.35 million (Rs. 68,928.75 million as grant and Rs. 38,451.60 million as loan) for the implementation of various development projects / programs. In the same period of previous fiscal year, the total commitment received by the GoN from various DPs was Rs. 75,827.92 million (Rs. 36,355.92 million as grant and Rs. 39,472.00 million as loan).

AMP Training for INGOs and Development Partners

Ministry of Finance/IECCD provided training to 27 INGOs about AMP data entry in Kathmandu on 26 June, 2014. The participants were given training on how to use AMP and capture project information into the system. So far, more than 113 INGOs have been given access to AMP. Most of the large INGOs are expected to be brought under the AMP net by the end of December 2014. Likewise, 26 development partners’ focal persons were given AMP refresher training. On the occasion, participants were given refresher training about AMP data entry including the using of data, report generating and maintaining data quality.

Participation GEF ....

MOF attended the GEF Assembly and associated meetings on behalf of the Government of Nepal.

Similarly, Climate Investment Fund (CIF) 2014 Partnership Forum was held in Montego Bay, Jamaica on 22-28 June 2014. Over 500 participants attended the forum including participants from the governments, international development banks and civil society. The meetings included plenary and side line meetings on different themes of climate change issues.

It may be recalled that Nepal is one of the pilot countries for Pilot Program on Climate Resilience (PPCR) and Scaling Up of Renewable Energy (SREP) receiving about $ 120 million financing for the implementation of different programs. Nepal is also serving as member in different sub committees of the Fund. In the Forum, Nepal has been selected again as member for SCF & SREP Sub committees for the next 18 months. Mr. Bhuban Karki, Under Secretary, IECCD and representatives from Ministry of Science, Technology and Environment and Alternative Energy Promotion Centre attended the meetings on behalf of the Government of Nepal. Mr. Karki is serving as focal point for CIF in Nepal.