



The Seventh Meeting of the SAARC Finance Ministers Held in Kathmandu

The Seventh Meeting of the SAARC Finance Ministers concluded in Kathmandu on 20 August 2015. The meeting made several decisions and recommendations to further steer the process of economic integration in South Asia. The SAARC Finance Ministers expressed their commitments to forge a consensus on issues of common concerns on socio-economic development in the region.

The Meeting was inaugurated by the Rt. Hon. Prime Minister of Nepal Mr. Sushil Koirala amid a function at the Hotel Soaltee Crown Plaza. While delivering inaugural address, the Prime Minister stated that South Asia is a region of vast opportunities endowed with both human and natural resources, and collective political will and joint efforts could make a difference in changing the development landscape of this region.

Dr. Ram Sharan Mahat, Hon. Finance Minister and leader of Nepali delegation, in his welcome address, expressed confident that SAARC member countries would recognize the evolving economic trends and would appreciate the urgency for expedited progress towards deeper regional integration through economic and financial cooperation.



From Left: Hon. Finance Minister, Rt. Hon. Prime Minister, Hon. SAARC Secretary General and Finance Secretary

Soon after the inauguration session, Heads of Delegation jointly called on the Rt. Hon. Prime Minister. While welcoming Heads of the Delegations, the Prime Minister said that SAARC member states should forge common position and present collective voice on issues of mutual benefits and common concerns in international and regional forums. He dwelt upon Nepal's current socioeconomic and political scenario. In this context, Heads of Delegation made insightful suggestions to Nepal, citing their own experiences and examples.

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AIIB elected its first President- designate



From Left: Finance Minister Dr. Mahat, IECCD Joint Secretary Mr. Marasini and AIIB First President Mr. Jin

The 6th Chief Negotiators meeting of the Asian Contd P7



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Ministry of Finance

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Message from the Chief Editor



The South Asian Association for Regional Cooperation (SAARC) established on 8 December 1985 covers about 1.7 billion population of its 8 member states. Its charter was adopted to provide for the promotion of economic and social progress, cultural development within South Asia region and also for friendship and cooperation with other developing economies. Nepal hosted the 18th SAARC Summit in Kathmandu last November with the theme of “Deeper cooperation for peace and prosperity”. In order to build solidarity for regional development, the 7th SAARC Finance Minister’s Meeting was also held in Kathmandu in August 2015.

The objectives of the SAARC Finance Ministers meeting is to build stronger economic ties in the region for a strengthened economic integration and propelling prosperity of the people of SAARC region.

The 7th SAARC Finance Ministers Meeting considered the report of the Finance Secretaries as well as reviewed the progress in the implementation of the recommendations of the earlier Meeting. This Meeting was crucial to allow for greater flow of financial capital and intra-regional long term investment. Discussions on the draft SAARC Agreement on Promotion and Protection of Investment, matters related to SAARC Finance reduction of tariff and non-tariff barriers, connectivity, and intra-regional investment paved the way to move forward in this direction. The discussion was also concentrated on matters relating to SAARC Development Fund specially for strengthening the Social Window of the SAARC Development Fund and operationalisation of its Economic Window and Infrastructure Window for effective implementation of regional and sub regional projects. The Meeting recommended improving the performance of SDF with regard to utilization of funds in a more effective manner. Similarly, the Meeting also endorsed the recommendations of the 7th SAARC Secretaries on the subject and urged all Member States to ensure early finalization of the draft text of SAARC Agreement on Promotion and Protection of Investment in the region so that it is signed during the forthcoming 19th SAARC Summit scheduled to be held in Pakistan in 2016.

In order to identify and exploit new sources of growth, regional economic and financial cooperation is significant because this region is rich not only in human resources but also in the precious natural resources. It is hoped that through such Meetings, this region would be able to achieve socio economic progress and share common benefits in this region. As the 8th SAARC Finance Ministers Meeting is scheduled to be held in Islamabad in 2016, we must be honest to show results through transformative projects.

Madhu Kumar Marasini

Loan Agreement with ADB

The Asian Development Bank (ADB) has agreed to provide a loan assistance of US\$ 200 million (about NRs. 20 billion) for the implementation of the Earthquake Emergency Assistance Project to the Government of Nepal. The Agreement to this effect was signed and exchanged between the Government of Nepal and the Asian Development Bank in the Ministry of Finance, Kathmandu on 21 August 2015.

The main objective of this project is to restore critical public and social infrastructure and services with strengthened resiliency. The project consists of 4 components.

First to rebuild and upgrade earthquake affected

schools. Under this, at least 700 schools will be built and retrofitted with improved water and sanitation facilities and sex-disaggregated toilets; and five model schools will be built with ICT equipment, science laboratories and improved learning spaces.

Second, to rehabilitate and reconstruct roads and bridges. Under this, about 135 km of strategic roads

and 450 km of rural roads damaged by the earthquake will be rehabilitated with feature of built back better for road safety and climate resilience.

Third, to construct and rebuild district-

level-government facilities. In this component, about 300 district level government buildings **Contd P5**



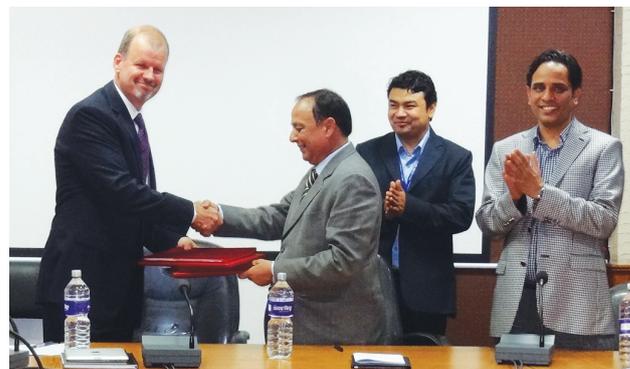
A Glimpse of Signing Ceremony

Loan Agreement with the World Bank

The International Development Association (IDA) of the World Bank Group has agreed to provide US\$ 300 million (about NRs. 31 billion) loan assistance to the Government of Nepal for Financial Sector Reform Action support and for the implementation of the Earthquake Housing Reconstruction Project.

Both Financing Agreements to these effects were signed between the Government of Nepal and the World Bank in the Ministry of Finance, Kathmandu, today. The main objective of US\$ 100 million loan assistance is to avail budgetary support to the Government of Nepal to help carry out the second phase of financial sector reform program under the second phase of financial sector budgetary support. This amount will be allocated in a single withdrawal tranche.

The Government of Nepal has reiterated its commitment to continue with the second phase of financial sector reform and development during 2015/16. The Earthquake Housing Reconstruction Project consists three components. First component is the housing reconstruction program providing grant to 55,000 householders in targeted areas to reconstruct the multi-hazard resilient core housing unit. Second component



From Left: Country Director WB Mr. Zutt, Finance Secretary Mr. Sharma and Joint Secretary IECCD Mr. Marasini

supports to enable the establishment of system that provides better disaster risk reduction, preparedness and disaster response. Third is related to capacity development and effective implementation of the project. This project will be implemented by Ministry of Federal Affairs and Local Development and Ministry of Urban Development.

Both agreements were signed by Mr. Suman Prasad Sharma, Finance Secretary of the Ministry of Finance on behalf of the Government of Nepal and by Mr. Johannes Zutt, Country Director for Nepal on behalf of the World Bank, respectively on 14 August 2015.

Bilateral Meeting with China

A Joint Bilateral Meeting between the Government of Nepal and Government of People's Republic of China was held on 23 July 2015 in the Ministry of Finance. The meeting was about the Post Disaster Reconstruction Plan for Nepal. The Nepalese delegation was led by Mr. Suman Prasad Sharma, Finance Secretary and the Chinese delegation was led by H.E. Zhang Xiangchen, Deputy China International Trade Representative, Ministry of Commerce, the People's Republic of China.

Friendly discussions were held to implement Chinese Grant

Assistance Package Plan (2016-2018) for Nepal's post earthquake reconstruction as announced by the Chinese Government during the International Conference on Nepal's Reconstruction (ICNR), 25 June 2015. Both sides also reviewed China's Emergency Relief Assistance to Nepal in the immediate aftermath



A Glimpse of Meeting

of the devastating earthquake of 25 April and the existing bilateral Trade and Economic Cooperation between the two countries.

Both sides agreed to give high priority for the implementation of post-earthquake rehabilitation and reconstruction projects.

The Government of Nepal thanked the Government and the people of People's Republic of China for the emergency relief assistance provided immediately after

the devastating earthquake as well as for providing special cash assistance and other assistances for post disaster recovery, and reconstruction, including capacity building in disaster prevention area, and medical and public health cooperation. The meeting was held in a friendly and cordial manner. [Contd P7](#)

The Seventh Meeting of the SAARC

The meeting extensively discussed the current status of economic and financial cooperation in the region emphasizing urgency in making progress with regard to further and faster trade liberalization under SAFTA, harmonization of customs procedures and documentation, harmonization of standards of identified products, finalization of Schedules of Specific Commitments under SAARC Agreement on Trade in Services (SATIS), regional connectivity, all of which measures would facilitate movement towards South Asian Economic Union (SAEU) as directed by the SAARC Leaders.

The meeting, reviewing the progress in the implementation of the recommendations of the Sixth Meeting of SAARC Finance Ministers, emphasized the urgency in implementing the prioritized recommendations of the Study on Regional Economic Integration.

The meeting also adopted the report of the SAARC Finance Secretaries Meeting held on 19 August 2015, Kathmandu, which had considered and approved

various reports, including the report of the Seventh Meeting of Inter-Governmental Expert Group on Financial Issues, report of the SAARC-ADB Special Meeting on Regional Economic Integration Study (Phase-II) held in Goa, India on 14-15 April 2015 and the reports of the Third and the Fourth Meeting of Competent Authorities on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters held in Thimphu and New Delhi on 28-29 July 2014 and 23-24 April 2015, respectively. On Currency Swap Arrangements and trading in local currencies of the Member States, the Meeting recommended that the forthcoming Eighth Meeting of the Inter-Governmental Expert Group on Financial Issues may examine the proposal and make its recommendations.

Finance Ministers and high level delegates from Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka participated in the meeting. The meeting unanimously agreed Pakistan's proposal to hold next SAARC Finance Ministers' Meeting in 2016 in Pakistan.

Germany Agreed to Provide Grant

The Government of the Federal Republic of Germany has agreed to provide a grant assistance of Euro 29 million (about Rs 3.2 billion) as financial cooperation for the implementation of different projects. The agreements of this effect were signed by Mr. Suman Prasad Sharma, Secretary, Ministry of Finance on behalf of the Government of Nepal and H.E. Mr. Matthias Meyer, Ambassador, Embassy of the Federal Republic of Germany, on behalf of the Government of the Federal Republic of Germany on 8 July 2015.

Of this, Euro 27 million was allocated for 2014-15 and Euro 2 million was for 2013. The assistance will be channeled through KFW (Reconstruction Loan Corporation) of the Government of the Federal Republic of Germany. The projects which will be implemented from this financial cooperation include Sustainable Economic Development in Rural Areas (Euro 9 million), National Health Sector Program (Euro 10 million) and Improvement of Maternal and Child



From Right: Finance Secretary Mr. Sharma and German Ambassador to Nepal HE Mr. Meyer

Care in Remote Areas (Euro 10 million).

It is recalled that in the joint Government negotiations held in December 2014 in Kathmandu, the Federal Republic of Germany had agreed to provide a total assistance of Euro 48 million to Nepal consisting of Euro 27 million as financial assistance and Euro 21 million as technical assistance. This assistance is expected to be utilized within 31 December 2021.

Grant Agreement with Korea

The Republic of Korea has agreed to provide US dollar 8 million grant (about NRs. 797.1 million) to the Government of Nepal for the implementation of the Inclusive Rural Development in Nawalparasi Project. The agreement to this effect was signed and exchanged between two Governments in the Ministry of Finance, Kathmandu on

24 July 2015.



A Glimpse of Signing Seremony

The objective of the project is to increase rural incomes through sustainable agriculture development, strengthening

agricultural capacity at the community level, improving the quality of and access to Healthcare **Contd P8**

Loan Agreement

damaged by the earthquake will be rebuilt and retrofitted with disaster resilient standards.

Fourth, related to enhancing disaster preparedness and management capacity. It supports engineering divisions of all implementing agencies to conduct quality assurance on design and works to ensure disaster risk resilient.

Executing Agency of this project is the Reconstruction Authority. The project will be implemented through partnership with government agencies. Department

of Education, Department of Local Infrastructure Development and Agriculture Road (DOLIDAR), Department of Roads and Department of Urban Development and Building Construction (DUDBC) will be the implementing agencies. The Project is expected to be completed by 30 September 2018.

The agreement was signed by Mr. Madhu Kumar Marasini, Joint Secretary, Ministry of Finance and Mr. Kenichi Yokoyama, Country Director, Nepal Resident Mission, ADB on behalf of the Government of Nepal and the ADB respectively.

SAARC Finance Ministers Meeting - Photo Gallery



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1. Lighting of Inaugural Lamp by Rt. Hon. Prime Minister; 2. Inaugural Address by Rt. Hon. Prime Minister; 3. Conference floor; 4. Welcome Remarks by Hon. Finance Minister; 5. Delegates form the SAARC countries; 6. Finance Secretary at SAARC Finance Secretarial Meeting; 7. Delegates form the SAARC countries; 8. Delegates of SAARC Secretaries Meeting; 9. Address by Finance Secretary at Inaugural Session

Australia Provides Training to Nepalese Government Officials

The Department of Foreign Affairs and Trade (DFAT) of Government of Australia provided three weeks long training on “Effective Aid Management/Aid Delivery and Negotiation Skills Development” for 16 Government Officials of Nepal under Australia Award Fellowship program. The training program was conducted in Asia Pacific College of Diplomacy (APCD), Australian National University in Australian Capital Territory of Canberra. Seven officials were from International Economic Cooperation Division IECCD), Ministry of Finance (MOF) and remaining were from different Ministries including National Planning Commission (NPC), Ministry of General Administration, Ministry of Education and Ministry of Federal Affairs and Local Development.

Participants from IECCD were: Premnath Upadhyay (team leader), Yoganath Poudel, Damaru Ballabha Paudel, Krishna Prasad Neupane, Jageshwar Sharma,

Fadindra Prasad Acharya and Susma Mahata K.C. Similarly, other participants were: Ananda Keshari Pokharel, Dipak Ghimire and Pramila Rijal from Ministry of Industry, Gomadevi Chemjong from Ministry of General Administration, Ramesh K.C from Ministry of Federal Affairs and Local Development, Khima Devi Langwa from NPC, Narayan Krishna Shrestha and Sangita Regmi from Ministry of Education and Baburam Subedi from Office of the Financial Comptroller General.



GoN Officials at Training Program

The program was conducted from 1 -21 August, 2015. The first and second weeks of the

training program focused on Foreign Aid Management while the last week focused on Negotiation Skills. The participants also visited DFAT, Australian Electoral Commission, Australian Parliament, Australian National University Kiola Campus, and Sydney Darling Harbor including Opera House.

Bilateral Meeting

The meeting was concluded by signing a MoU on Post-Disaster Reconstruction Aid Project Plan, an Agreement on Cash assistance of US Dollar 10 million and exchange of letter for handover of the Medical Equipment to B. P. Memorial Cancer Hospital, Bharatpur, Chitwan. Finance Secretary Mr. Suman Prasad Sharma, and H.E.

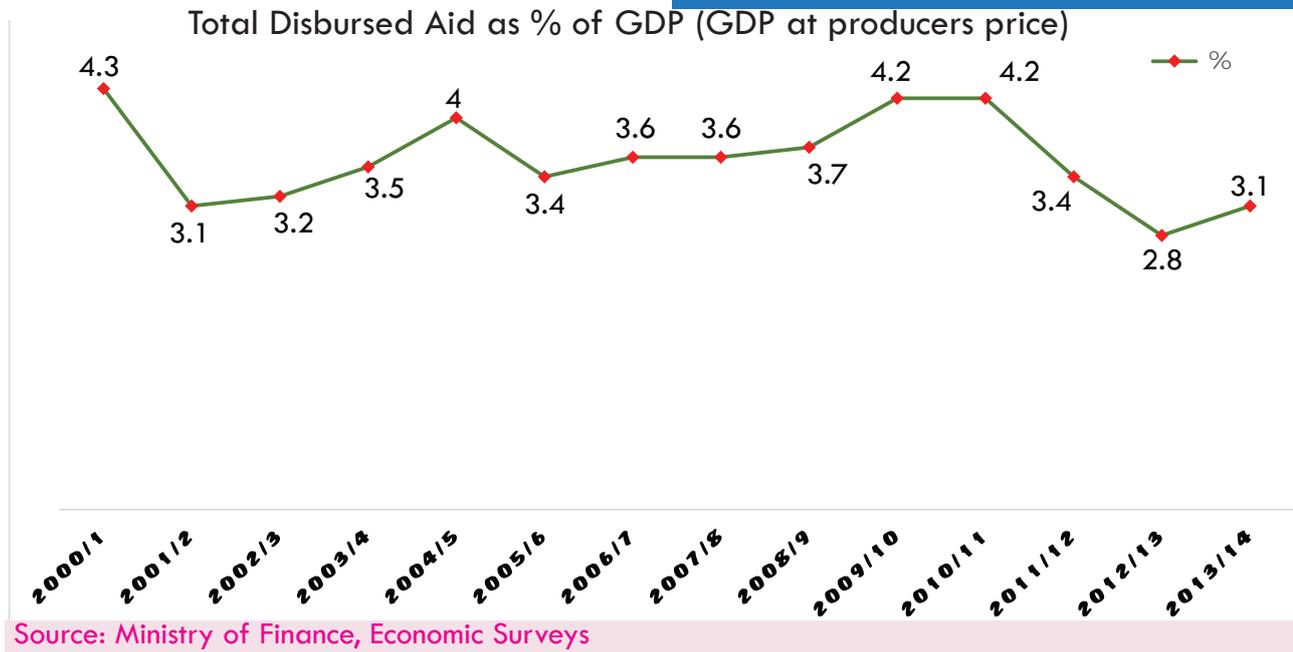
Mr. Zhang Xiangchen, the Deputy China International Trade Representative, Ministry of Commerce, signed the agreements on behalf of the Government of Nepal, and the Government of the People's Republic of China, respectively.

AIIB elected its first

Infrastructure Investment Bank (AIIB), which was held in Tbilisi, Georgia, August 24-25, 2015, elected Mr Liqun Jin, as its first President –designate. Mr Jin has been leading the AIIB establishment process from its inception phase. He was also the Secretary General

of Multilateral Interim Secretariat of AIIB. From Government of Nepal, Mr Madhu Kumar Marasini, Chief Negotiator for AIIB, and Under secretary Mr Hari Pandey, IECCD, participated the 6th CNM meeting in Tbilisi.

GDP and Foreign Aid



Grant Agreement

Services, and also supporting capacity enhancement of communities and local governments.

The project consists of three main components, i.e., agricultural development support, public healthcare system reinforcement and community capacity enhancement. The project covers five VDCs of Nawalparasi District: Bhujhahawa, Kudiya, Guthiprasauni, Sanai, Tamasariya along with Sunwal Municipality. The project will be implemented during the period of five years by the Ministry of Federal Affairs and Local Development (MoFALD).

Mr. Suman Prasad Sharma, Secretary, Ministry of Finance and H. E. Choe Yongjin, Ambassador, Embassy of Korea in Nepal signed the agreement on behalf of their respective Governments.

Foreign Aid Commitment

As of August 2015 of the current FY, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 51797.10 million (Rs. 1797.10 million as grant and Rs. 50000 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. 39537.4 million which was all grant aid.

