



Participation in 49th Annual Meeting of Asian Development Bank

A Nepali delegation led by Hon. State Minister for Finance Mr. Damodar Bhandari participated in the 49th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) held in Frankfurt, Germany on 02-05 May, 2016. During this meeting, Mr. Bhandari held a meeting with the ADB's President Mr. Takehiko Nakao. In this meeting, he briefed the President about the Government's initiation to expedite the reconstruction of infrastructures, providing financial assistance to build houses and rehabilitation of livelihoods damaged and affected by devastating earthquake. He appreciated the President's initiation to organize Nepal Partnership Forum at the sideline of 48th ADB's annual meeting in Baku last year to make aware of the damages caused by the earthquake and need of reconstruction and rehabilitation assistance to the international communities. He thanked the President and ADB team for their continued generous support in the socio-economic development of Nepal and expected further enhancement of ADB's cooperation under his



From Right: Hon. State Minister for Finance Mr. Bhandari and the ADB's President Mr. Nakao

dynamic leadership in the future. The President highlighted the need of timely implementation of the projects and gave assurance of any support from ADB in this regard.

In the meantime, Hon. State Minister for Finance Mr. Bhandari also attended series of official, bilateral and sidelines meeting with the aim of strengthening the [Contd P5](#)

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First Annual Meeting of AIIB held in Beijing



Finance Secretary Addressing the Meeting

The First Annual Meeting of the Asian Infrastructure Investment Bank (AIIB) was convened in [Contd P4](#)



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Ministry of Finance

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Message from the Chief Editor



As per the constitutional provision, the Government of Nepal presented the annual budget for Fiscal Year 2016/17 in the Legislature-Parliament on 28 May, one and a half month ahead of the usual practice of previous years. The main reason for this change are (i) to provide legislature-parliament enough time to discuss and pass the budget before the fiscal year begins, (ii) allow implementing agencies enough time for preparatory works before the budget execution, and (iii) to implement the development budget from the very first day of the fiscal year among others.

During the past few years, budget implementation has been relatively weak, particularly the capital expenditure being less than 85 percent of total allocation in the last five years. Moreover, it has been observed that the capital expenditure being skewed towards the last trimester. Although there could be several reasons for slower implementation, one of them was the timing of budget presentation and approval by the legislature-parliament. To address this problem and make the budget implementation smooth, the concept of early budget was emerged so that the timing of budget presentation and approval contribute positively in the budget implementation. Government of Nepal is fully confident that the budget implementation in the FY 2016/17 attains the maximum height.

The Government of Nepal had presented the total budget of Rs. 1048.92 billion for the FY 2016/17. Out of total budget, Rs. 617.16 billion (58.8%) is allocated for recurrent expenditure, Rs. 311.95 billion (29.7%) for capital expenditure and Rs. 119.81 billion (11.4%) for financing. The budget is focused on post-earthquake reconstruction and on the capital formation by increasing the budget by 54 and 49 percent respectively. Further, the budget has given high importance for three key sectors of the economy – agriculture, energy and tourism. The early budget is believed to help expediting the execution of these activities and to help increase the development spending and complete the projects on the stipulated timeline.

In the budget of FY 2016/17, the Government has announced a number of implementation measures. These are varied from enhancing the capacities of implementation agencies to the effective monitoring from high level authorities. Ministry of Finance is set to prepare the time bound action plan for the smooth and speedy implementation of the budget, which will be monitored regularly at the Ministry of Finance by Honorable Finance Minister himself. Further, the reinforcement of incentive and disincentive system has clearly been outlined in the budget. These all efforts are towards better implementation of the annual budget thereby increase the disbursement ratio of both internal and external funding sources.

In addition to the provisions of implementation measures in the budget, a number of reform initiatives are also being taken. For example, the spending authorization process is simplified. Program approval by National Planning Commission (NPC) and respective line ministries is eased. These agencies will approve the programs on the basis of budget discussion held prior to budget presentation and agreed jointly by NPC, Ministry of Finance and respective line ministries. Necessary legal and policy reforms are also in Government's agenda to accelerate the implementation. All these reforms will definitely help in better implementation of the budget of FY 2016/17 and achieve the target of 6.5 percent growth.

Thank You !

Nepal-German Bilateral Consultation Meeting

Nepal-German Consultations on bilateral development cooperation took place on 02-03 June 2016 at the Ministry of Finance. Both Nepali and German side had extensive discussions on the ongoing as well as future assistance. This meeting is the continuation of the biannual calendar fixed by both the Governments. The pervious meeting was held on December 2014.

During the meeting, different issues of mutual interest between Nepal and German Governments were discussed. The two sides exchanged their views on the post earthquake reconstruction, development priorities of Nepal and accessing more funds through the German Government.

The Nepalese delegation was headed by Mr.

Baikuntha Aryal, Joint Secretary / Chief of the International Economic Cooperation Coordination Division of the Ministry of Finance. The delegation of the Federal Republic of Germany was headed by Mr. Wolfgang Hruschka, Deputy Head of Division South Asia, Federal Ministry for Economic Cooperation and Development (BMZ). During the meeting, German Ambassador Mr. Matthias Meyer was also present on the occasion.

During the meeting, Mr. Aryal reiterated the German Government support as a milestone for peace

building, energy generation and earthquake response. He also appreciated the German Government for the continued support since 1960.

The two delegations had a substantial exchange of views on future orientations of bilateral development cooperation as well as on current Financial and Technical Cooperation (FC and TC) and other instruments. Both sides agreed on continuing cooperation in the three priority areas namely Promotion of Sustainable Economic Development and Trade, Health and Renewable Energy and Energy Efficiency. These were

agreed upon on the basis of previous consultations and negotiations. Besides these three core sectors,

bilateral support to recovery and post-earthquake reconstruction will remain as priority.

In between the kick off and wrap up meeting held in the Ministry of Finance, the German Delegation had also taken the stock of project progress and future priorities in different line ministries and National Reconstruction Authority. In the meantime, the two Governments agreed to hold negotiations tentatively in November 2016 with a view to finalize commitments for 2016 / 2017.



A Glimpse of Meeting

Board of Director's Meeting of AIIB held in Beijing

The Board of Director's meeting of the Asian Infrastructure Investment Bank (AIIB) was held in Beijing on June 24, 2016 just one day before the First Annual Meeting of the Bank. Mr. Baikuntha Aryal, Joint Secretary and Board of Director (BOD) of the Bank, participated the meeting. Mr. Aryal was elected as the First BOD from its constituency by the First Board of Governors' meeting on January 2016.

President and Chairman of the BOD's Mr. Jin Liqun reported to BOD's on the Bank's first months of operation. The Board of Directors

reviewed the 2016 Budget and Business Plan. Directors broadly welcomed the updated Budget. President also informed that the Bank is expecting to convene the first meeting of the International Advisory Panel in the fall. These experts will bring varied areas of expertise to provide impartial, objective and independent advice to the Management. It approved the first 4 loans totaling \$509 million to finance 4 projects. The Bank, which supports infrastructure development and regional connectivity in Asia, is targeting the lending of approximately \$1.2 billion in 2016.



Participants of Board of Director's meeting

GEF South Asia Constituency Meeting held in Kathmandu

The GEF constituency meeting was held on 1-2nd June 2016 in Kathmandu Nepal. The meeting was kicked off with the opening remarks by Mr. Subash Garg, GEF Council Member. He briefly highlighted the objectives of the constituency meeting. He said the objective of meeting was to

prepare the upcoming 50th GEF council meeting, to update the status, issues, challenges of GEF-6 program, and to strengthen the constituency coordination and communication between the south Asian countries. Followed by this, alternate member to GEF council- Mr. Baikuntha [Contd P5](#)

First Annual Meeting ...

Beijing on June 25, 2016. Finance Secretary and Alternate Governor of the Bank Lok Darshan Regmi led the delegation from Nepal. Out of 57 Founding Members, only 46 Founding Members including Nepal have ratified the Articles of Agreement and attended the meeting as a Founding Member of the Bank.

Chinese Vice Premier Zhang Gaoli welcomed the Governors on this historic occasion. Chinese Minister of Finance and Chairman of the AIIB Board of Governors Lou Jiwei; Ilho Yoo, Deputy Prime Minister and Minister of Finance and Strategy, Korea; Pawel Szalamacha, Minister of Finance, Poland; and AIIB President Jin Liqun also spoke at the Opening Ceremony.

At the same time Finance Secretary Mr. Regmi also separately met to AIIB President Mr. Liqun and shared the view that the Bank will be an important partner in achieving the goals of our economic and social development in the days to come.

On behalf of the Government of Nepal, Finance Secretary and Alternate Governor of AIIB, Lok Darshan Regmi expressed the views in his opening Ceremony that “setting up a Multinational Development Bank dedicated primarily to infrastructure development is a broader initiative for socio-economic development in the region. Regional cooperation to sustain growth and promote socio-economic development is the need of the hour. Infrastructure development for regional connectivity, economic integration and regional resilience against crises and shocks is a propitious step towards collective development efforts in the region. The bank is expected to help realize the expectations of fulfilling the infrastructure needs in our region, particularly in the small and least

developed countries. Undoubtedly, these small and least developed countries of our region are struggling for financing resources for infrastructure development”.

President Jin Liqun reported on the Bank’s progress during its first six months of operation. He noted that June 24, 2016 witnessed the approval of the Bank’s first 4 loans for power, transport and urban investments in Bangladesh, Indonesia, Pakistan and Tajikistan totaling \$509 million. The Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the World Bank are co-financing partners on 3 of the 4 new loans.



Finance Secretary with President of AIIB and other Delegates

The President also highlighted the recent approval of a Special Fund to support members in the preparation of bankable project proposals. The Government of China has made the first commitment to the Fund with a contribution of \$50 million, which will allow the Fund to begin operations in the fall of 2016.

The Governors elected the next Board of Directors for two years. The Governor for Korea was elected to serve as the incoming Chairman of the Board of Governors, and the Governors for Georgia and the United Kingdom were elected as Vice Chairmen.

The Bank has opened the process for expanded membership. The 2017 AIIB Annual Meeting will be held in Jeju, Republic of Korea from June 16-18, 2017.

As part of the 2016 AIIB Annual Meeting program, two seminars took place on June 26 for Governors, their Delegations and guests from the [Contd P6](#)

Discussion program organized for IECCD officials on DCR and AMP data entry

A discussion program was organized for IECCD officials to discuss on the preparation of Development Cooperation Report in Nepali. The draft was shared and discussed very minutely while finalising the document. The discussion also reviewed the current work allocation of IECCD staff and provided suggestions for further improvement. This discussion program was facilitated by Effective Development Financing and Coordination Project in the Ministry of Finance being supported by UNDP/DFID.



A Glimpse of Discussion Program

GEF South Asia Constituency Meeting

Aryal, Joint Secretary, Ministry of Finance, Nepal welcomed the representatives of constituency meeting. During his speech, he mentioned that Nepal is vulnerable to natural and human induced disaster such as landslide, flood, soil erosion, earthquake, climate change. Nepal is able to cope up such casualties with the generous support of its neighboring countries. He further stated that Nepal is thankful to GEF for leveraging resources to help combating some of these problems and would like to request the GEF to increase the current funding envelope for sustainable environment management. He was more optimistic that the constituency meeting will help to address global drivers of environmental degradation through the Integrated Approach Pilots (IAPs) - that will help to achieve the GEF 2020 vision as well as better align social and developmental issues highlighted by the Sustainable Development Goals (SDGs). He further expressed hopes saying that this meeting would be helpful to make common understanding and strengthen coordination on GEF activities in the region.

After the opening remarks, Mr. Saurabh Vijay briefly updated about the 49th GEF Council meeting decisions held on 20-22 October 2015.



A Glimpse of Meeting

According to him, the previous council meeting was opened by Dr. Naoko Ishii, CEO of GEF. The council elected Ms. Anyaa Vohiri - the council member representing Benin, Cote d'Ivoire, Ghana, Guinea, Liberia, Nigeria, Sierra Leone and Togo. Ms. Rojina Belbourne, the chairperson of STAP made the statement to the council on the activities undertaken by the panel.

In the meeting, representatives from Bangladesh, India, Maldives, Nepal and Sri Lanka were present. During the meeting, representatives had also presented their respective country status under the GEF funded projects. The meeting was concluded with a vote of thanks by Mr. Subash Garg, GEF Council Member.

Participation in 49th annual meeting

on-going bilateral as well as international cooperation and mobilizing additional resources. He also chaired the 10th meeting of SAARC Finance Minister's

informal meeting where he emphasised the need of strengthening the regional economic cooperation to realize visions and objectives of the SAARC charter.

AMP refresher training conducted for DPs focal points

IECCD/MoF conducted refresher training on AMP in Kathmandu on 22 June 2016. The training was participated by 20 AMP focal points representing various development partners. Such kind of trainings is being organized annually in order to share new updates and knowledge about data management including data entry and report generation. As DPs focal points are the major stakeholders in reporting aid data in the aid management information system, this training is expected to enhance the data quality. This training was facilitated by Effective Development Financing and Coordination Project in the Ministry of Finance being supported by UNDP/DFID.

Foreign Aid Commitment

As of June 2016 of the current FY, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 195,598.69 million (Rs. 79,203.69 million as grant and Rs. 116,395.00 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 had reached the total of Rs. 222,346.60 million (Rs. 88,130.37 million as grant and Rs. 134,216.23 million as loan).



Ministry of Finance reviewed some World Bank funded Actual and Potential Problem Projects

The Ministry of Finance organized World Bank funded actual and potential problem projects review meeting at the Ministry of Finance on June 27, 2016. The meeting aims to identify current status of implementation of actual and potential problem projects and to pursue future course of action for the improvement of project outcomes. The meeting was chaired by Dr. Baikuntha Aryal, Joint Secretary, International Economic Cooperation Coordination Division (IECCD), Ministry of Finance, attended by Joint Secretaries and other officials from different line ministries including from Ministry of Finance.

The major actual problematic projects were project for Agriculture Commercialization and Trade, Kabeli A Hydroelectric Project, Bridge Improvement and Maintenance Program Support, Kali Gandaki Rehabilitation Project, Grid Solar and Energy Efficiency Project and Earthquake Housing Reconstruction Project. The meeting concluded with a renewed commitment to put extra efforts to improve implementation of projects. Similarly, Poverty Alleviation Fund II project, School Sector Reform Program, Emerging Town project, Community Action for Nutrition Project (Sunaula Hazar Din), Rural Water Supply and Sanitation Improvement Project and Higher Education Reform Project among others were also found problematic and agreed to take some urgent actions to achieve satisfactory results and bring them out of the risks in the days to come.

First Annual Meeting ...

business community, academia, and civil society. The seminars on the Infrastructure and Global Economic Growth discussed on opportunities for multilateral development banks (MDBs) and development partners in the public and private sectors to cooperate to better understand and to help meet the massive infrastructure financing gap. Similarly the seminar on Financing Green Infrastructure: the Role of MDBs discussed on how MDBs can work with clients and development partners to ensure that new infrastructure investments support the outcome of COP21.