



Second ADF12 Replenishment Meeting Concluded in Kathmandu

Nepal hosted the second ADF12 replenishment meeting in Kathmandu on 24-27 February 2016. Asian Development Fund (ADF) representatives from ADF developing member countries (DMCs), Asian Development Bank (ADB) Management and staff, and observers from ADB's Board of Directors and the representatives of other international organizations were present in the meeting.

In his welcome message in the meeting, Hon. Finance Minister Bishnu Prasad Paudel noted the relevance of the ADF to support poverty reduction, economic and social development and climate change and resilience in the Asia and Pacific region. He underscored the need for additional ADF support to Nepal to assist with meeting the earthquake-related reconstruction and rehabilitation needs.



From left: ADB President, Finance Minister, Finance Secretary and IECCD Joint Secretary

The President of Asian Development Bank Takehiko Nakao, in his opening remarks, thanked the Government of Nepal for the hospitality extended for the meeting and noted Nepal's resilience in the aftermath of the devastating earthquake in 2015. He further appreciated the support of the ADF donors and emphasized three key areas for donor [Contd P7](#)

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Hon. Finance Minister visited India on Invitation of Indian Finance Minister



From Left: Finance Minister of Nepal HE Mr. Paudel and Finance Minister of India HE Mr. Jaitley



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Ministry of Finance

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Message from the Chief Editor



The post earthquake reconstruction and recovery process is taking momentum in Nepal after the formation of National Reconstruction Authority in the last week of December 2015. The authority is working to set up its sub-regional offices in six districts namely Kathmandu, Lalitpur, Gorkha, Nuwakot, Dhulikhel and Dolakha districts, which will also look after the neighboring districts. Similarly, resource centers will be set up covering three to six village development committees to facilitate the reconstruction works in local level.

The preliminary data showed that nearly 500,000 households were completely destroyed by the earthquake. The Beneficiary Survey is being carried out in the affected districts, which is estimated to be completed by April 2016. This survey provides the actual data about individual housing and support to be provided. The Government has already decided to provide Rs. 200,000 to each household which are completely destroyed to reconstruct the houses. This amount will be provided in three installment containing Rs. 50,000 in first installment, Rs. 80,000 in second installment and Rs. 70,000 in third installment.

As a part of pledging during ICNR, altogether eleven agreements were already signed with different development partners for post earthquake reconstruction. The total amount signed is USD 1.24 billion, out of which USD 474.44 million as grants and USD 764.13 million as loans. China, the World Bank, Asian Development Bank, Sri Lanka, Germany, Japan, USA and IMF are the development partners which have signed the agreements separately. The amounts under reconstruction agreements are intended to use for the reconstruction of settlements, schools, roads, public buildings, hospitals, drinking water and sanitation facilities and heritage sites.

The unrest in the Terai region following the promulgation of the new constitution on September 20, 2015 has led to serious constraints on supply of major commodities such as petroleum products, including cooking gas, construction and industrial raw materials and other essentials. The obstruction of trade and supply in the country has left a significant impact on reconstruction process. Now, the obstruction in the Nepal-India border is ended and the supply of construction materials is expected to normalize soon. This helps to gain the momentum in the process of reconstruction.

Though somewhat delayed, the reconstruction authority's initiatives to kick-start reconstruction activities will support the Build Back Better initiatives. The huge investment of the government in reconstruction activities will not only be helpful in bringing the economy back to the dynamism, it will also help the earthquake victims for returning to their normal lives.

Agreement between Nepal and Switzerland

On 20 January 2016, an agreement between the Government of Nepal and the Government of Switzerland was signed for implementation of three separate projects in Nepal. Government of Switzerland has agreed to provide total of CHF 28.14 million (about Rs 3 billion) as grant assistance from the Swiss Agency for International Cooperation (SDC) to the Government of Nepal for the implementation of three separate projects in Education and Agriculture sectors. The first is Enhanced Skills for Sustainable and

Rewarding Employment (ENSSURE) in education sector. The second and the third are in Agriculture sector, namely, Agricultural Services Development Program (NASDP) and Agricultural Market Development Program (NAMDP).



From Right: Finance Secretary Mr. Regmi and Ambassador of Switzerland H.E. Mr. Herren

The first project envisages improved employability and working environment of Nepali workers, particularly from disadvantaged group. This is expected to help further improve their living standard. The project will provide access Contd P5

GPE Agreed to Provide Grant Assistance to Support SSRP Leading to SSDP

On 22 January 2016, an agreement between Government of Nepal and the World Bank Group was signed at the Ministry of Finance for implementation of the School Sector Reform Programme (SSRP) and upcoming School Sector Development Plan (SSDP). The World Bank Group and Global Partnership for Education have jointly agreed to provide a grant assistance of USD 63.3 million (approximately NRs 6.7billion) to the Government of Nepal

The Government of Nepal has been executing SSRP under Sector Wide Approach (SWAp) modality since 2009 with its objective of improving Literacy for All in general and deprived communities in particular and ensuring free and compulsory basic as well as quality education. This grant aid will be an important source of funding to continue SSRP activities. The grant support comprises of USD 59.3 million from Global Partnership for Education (GPE) and USD 4 million from Result in Education

for all Children- Multi-donor Trust Fund (REACH-MDTF), totaling to USD 63.3 million.

The objective of the proposed grant is to increase access to and improve quality of school education, particularly basic education (Grade 1-8), especially for children from marginalized groups. The activities cover basic and secondary education as well as institutional capacity strengthening. The fund will be mobilized through SSRP financial modalities and executed by the Department of Education.



From Right: Mr. Aryal IECCD Joint Secretary and Mr. Kamata World Bank Country Manager

The grant agreement was signed by Mr. Baikuntha Aryal, Joint Secretary, IECCD, Ministry of Finance and Mr. Takuya Kamata, Country Manager of World Bank on behalf of the Government of Nepal and the

Bank, respectively. The Government of Nepal has expressed a sincere appreciation to the World Bank Group and Global Partnership for Education for this assistance and also for its continued support in the socio-economic development of Nepal.

The Government of the UK Agreed to Provide Grant

The Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Department for International Development (“DFID”), have agreed to provide a grant assistance of USD 21.0 million (equivalent to Rs 2.3 billion) to the Government of Nepal for the implementation of the Nepal Evidence for Development Programme.

In this regard, the Memorandum of Understanding (MOU) between the Government of Nepal and the Government of the United Kingdom was signed on 29 February 2016 at the Ministry of Finance, Kathmandu, Nepal.

The goal of the Nepal Evidence for Development Programme (E4D) is to strengthen the culture of evidence use in Nepal, in particular to improve evidence-based policy and decision making, to ensure that poor people will be targeted more effectively with public funds and support. The programme will support Government of Nepal’s objectives around graduation from Least Developed Country (LDC) status by 2022,

and progress against the set of recently agreed Sustainable Development Goals (SDGs).

The National Planning Commission (NPC) - including the Central Bureau of Statistics (CBS) - as well as the Ministry of Finance (MoF) and the Ministry of Federal Affairs and Local Development (MoFALD) shall extend the necessary guidance and support to the Programme and ensure collaboration of all relevant local bodies and line agencies. The programme will run until 31 December 2019.



From Right: IECCD Joint Secretary Mr. Aryal and Head of DFID Nepal Dr. Marzetti

The MoU was signed by Mr. Baikuntha Aryal, Joint Secretary, Ministry of Finance and Dr. Gail Marzetti, Head of DFID Nepal, on behalf of their respective Governments.

The Government of Nepal has expressed its sincere appreciation to the British Government for this assistance and also for the continued support in the overall development of Nepal.

NPPR 2015 First Progress Review Meeting Concluded

The Ministry of Finance organized the first progress review meeting of NPPR 2015 action plan at Ministry of Finance on February 03, 2016. The meeting aims to assess progress realized against action plan agreed upon by annual NPPR meeting held on September 11, 2015. The meeting was attended by representatives from development partners



A Glimpse of Meeting

and sectoral ministries. Baikuntha Aryal, joint secretary, Ministry of Finance chaired the meeting. Delivering his welcome speech, he emphasized to make the NPPR more pragmatic and effective to bring about changes in peoples’ lives focusing on results rather than on process.

Five Sector Champions (Agriculture, Education, Energy, Physical Infrastructure and **Contd P8**

Government of Japan Agreed to Provide Grant

Government of Japan has agreed to provide NRS.3 Billion 448 million (Japanese Yen 4 Billion) as grant assistance for the implementation of the Project on Rehabilitation and Recovery from Nepal Earthquake. This assistance is the continuation of the support for the project implemented immediately after the devastating Earthquake of April and May last year.



A Glimpse of Signing Ceremony

The project has three components, namely Reconstruction of Paropkar Maternity and Women's Hospital as well as Reconstruction of Bir Hospital, Rehabilitation of the damaged Water Supply System in Chautara, Sindhupalchowk District and Bridge Construction in Barhakilo Barpak road in Gorkha District.

The project will be implemented by Ministry of Health, Ministry of Water Supply and Sanitation and Ministry of Physical Infrastructure and Transport respectively.

Mr. Baikuntha Aryal
Joint Secretary,
International
Economic
Cooperation
Coordination
Division, Ministry

of Finance and Mr. Tsutomu SHIMIZU, Chief Representative of JICA Nepal Office signed the grant agreement today in Ministry of Finance on behalf of Government of Nepal and JICA respectively.

This agreement is the continuation of the Japanese support for reconstruction, recovery and rehabilitation of the damaged infrastructures and public services.

Agreement between

of young workers to career guidance services; skills trainings, apprenticeships; complementary and specialized trainings; improved occupational health and safety and encourage effective collaboration among training providers, partner companies, industrial associations to synergies in the field of technical trainings and vocational education. The ENSSURE will focus on selected sectors like construction, mechanic, electric, electronics, hospitality and automotive in the larger cities like Kathmandu, Pokhara, Biratnagar, Itahari, Hetauda and Chitwan encompassing about 20 to 25 Districts. Workforces to be consumed in mega projects, such as-hydropower, airports, highways will also be trained.

The second project envisages increased farm income, food security, resilience and social inclusiveness, especially of female-headed households and farmers from disadvantaged groups. The project will cover nine districts: Ramechhap, Okhaldhunga, Khotang, Achham,

Kalikot, Jajarkot, Dailekh, Sindhuli and Udaypur.

The third project aims at improving livelihood of rural smallholders, especially disadvantaged group and women-headed households through participation in commercial agriculture and interconnected markets. The project will be executed in seven districts: Ramechhap, Okhaldhunga, Khotang, Achham, Kalikot, Jajarkot and Dailekh.

Mr. Lok Darshan Regmi, Secretary, Ministry of Finance and H.E. Urs Herren Ambassador of Switzerland to Nepal signed the grant agreements in the Ministry of Finance on behalf of their respective Government.

Government of Nepal has expressed its sincere appreciation to Government of Switzerland and the Swiss Agency for Development and Cooperation (SDC) for their continued support in the socio-economic development of Nepal.

Loan Agreement with the World Bank

The World Bank has agreed to provide total of about Rs. 2 Arba.51 Crore (USD 22.5 million) as loan assistance to the Government of Nepal for the implementation of Power Sector Reform and Sustainable Hydropower Development Project.

The loan assistance covers World Bank's assistance of USD 20 million and South Asia Water Initiative Multi donor Trust Fund of USD 2.5 million for the implementation of Power Sector Reform and Sustainable Hydropower Development Project. The project aims at strengthening the capacity of the agencies involved in power sector particularly in planning and preparing hydropower and transmission line projects following international standards and best practices and improving the readiness of the power sector agencies in regulatory and institutional reforms.



A Glimpse of Signing Ceremony

The project consists of three components namely, (i) preparation of hydropower and transmission line investment projects, (ii) studies and preparations for policy recommendation and (iii) sector reform and capacity building for safeguard management and hydropower development.

The activities of the first component range from preparation of detailed engineering design and bid documents for the Upper Arun Hydropower Project (335MW) and the Ikhuwa Khola Hydropower Project (30MW) along with environment and social impact assessment and hiring the panel of experts for this purpose. It also aims at implementing the activities such as feasibility studies and preparation of basic designs, route survey, environmental and social impact assessments and bid documents for Transmission line projects.

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Hon. Finance Minister Visited

India from February 7-9, 2016 on the cordial invitation of Indian Finance Minister His Excellency Arun Jaitley. During the three-day visit, Minister Paudel met with Foreign Minister of India, Sushma Swaraj in the first day and requested for speedy normalization of supply of essential commodities, including fuel, to the country.

Hon. Minister Paudel met his Indian counterpart Arun Jaitley on the second day and proposed some of the reconstruction projects for starting the reconstruction drive. The Indian government had pledged support of \$1 billion for rebuilding the infrastructure at the International Conference on Nepal's Reconstruction (ICNR) held on June 25, 2015. Of which, 25 per cent of the pledged amount will be provided as grant for the country's reconstruction drive. The Government of India

had also announced concessional line of credit facility worth \$1 billion when Indian Prime Minister Narendra Modi was on a visit to Nepal for the first time in August 2014. Projects that will be able to utilize this line of credit facility are yet to be discussed and the Nepali delegation also proposed a list of projects that could utilize the line of credit facility.

In his visit, Hon. Finance Minister Paudel also discussed economic and development issues centered on the Rt. Hon. Prime Minister KP Sharma Oli's visit to India and added that the relations between Nepal and India must be based on mutual benefit and cooperation between the two countries. Minister Paudel was accompanied by Finance Secretary Lokdarshan Regmi and Foreign Secretary Shanker Das Bairagi.

MCC Compact Vice President Visited Nepal

Millennium Challenge Corporation Compact (MCC Compact), the US government's MCC Regional Deputy Vice President for Compact Operations Fatema Z. Sumar visited Nepal in the last week of February 2016.

During her visit, Finance Minister Bishnu Paudel, hold a reception program at Hotel Yak and Yeti on February 29. High level Government officials and the members of MCC Nepal Steering Committee were also present in the program.

The MCC is an innovative and independent US foreign aid agency that is helping lead the fight against global poverty. Created by the US Congress in 2004, it provides time-limited grants and assistance to countries with a focus on good policies, country ownership, and results. Nepal was selected by MCC's Board of Directors as eligible for a compact in December 2014.

Second ADF12 Replenishment

consideration during the meeting: (i) resources for disaster risk reduction, (ii) support for regional health security, and (iii) greater flexibility on policy-based lending (PBL). President Nakao also highlighted the prevailing uncertain global economic conditions and the fear of many Developing Member Countries (DMCs) that their economic prospects could be seriously impaired by these conditions.

There had been elaborated discussions during the four working sessions namely Supporting Disaster Risk Reduction, Strengthened ADB Support for Regional Health Security, Enhancing Flexibility of Policy-Based Lending Operations and Proposed Arrangements for Gap and Pacific Countries.

Development Partners supported the proposed financing scenario proposal for ADF12, seeking \$2,547.02 million of new development partners contributions, and the financing framework. While some development partners intended to contribute in line or above their proposed contribution share, other development partners indicated that they may not be able to contribute in line with their contribution share. However, they confirmed they can go along with the proposed scenario to maximize resources for the region. ADB also confirmed that any "below the line" supplemental

contributions would not affect a donor's contribution share for future replenishments.

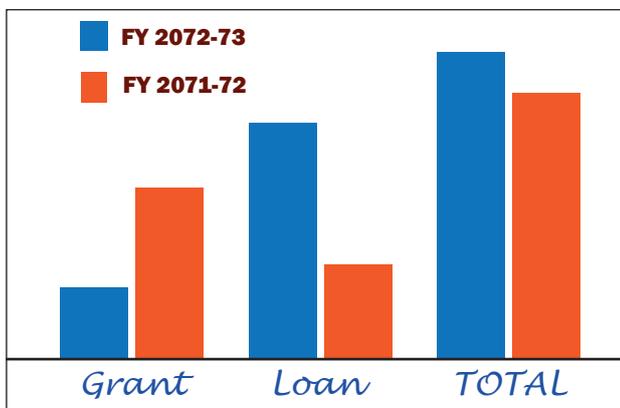
During the meeting, several donors noted the need to align the results framework with Strategy 2030 and expressed their preference for the option of extending the current results framework for the 2017 Development Review and preparing a new results framework alongside the new strategy. For the replenishment, however, they suggested that consultation with donors over the next couple of months on broad results indicators would be preferred.

In his closing remarks, Mr. Rajan Khanal, Secretary (Revenue) of the Ministry of Finance, thanked the participants for holding the meeting in Nepal on behalf of the Government. He highlighted the strong contributions the ADF has made to the development of Nepal. He welcomed the ADF-OCR merger, which would provide higher assistance levels in the future. Joint Secretary Mr. Baikuntha Aryl gave an elaborative presentation in the meeting.

The third ADF12 replenishment meeting, focused on pledging, will be held on 1 May 2016 on the sidelines of the 2016 Annual Meeting in Frankfurt, Germany.

Foreign Aid Commitment

As of February 2016 of the current FY, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 123,192.69 million (Rs. 28,578.69 million as grant and Rs. 94,614 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. 106,535.03 million (Rs. 68,711.67 million as grant and Rs. 137,823.36 million as loan).



NPPR 2015 First

Transport and Local Development) presented progress on the action plan adopted by 2015 NPPR annual meeting held on 11 September 2015. Each presentation was followed by questions from the Ministry of Finance, National Planning Commission and the Development Partners.

Similarly, joint secretary Mr. Aryal delivering his concluding remarks thanked to all participants for their valuable presentation and productive discussion at the first progress review meeting. He underscored the need to internalize the NPPR process in everyday work rather than preparing progress only when meeting is called on. He also suggested to the sectoral line Ministries not to create parallel institutions and maximise utilization of existing mechanisms. The 2nd review meeting has been proposed during mid April 2016 before annual budget.

Loan Agreement

The second component of this project focuses on the activities like integrated water resource planning and management to guide sustainable hydropower development in the selected river basins using basin wide approach through Water and Energy Commission Secretariat (WECS). This component also includes the improvement of regulatory and institutional framework of water resources management and hydropower development by updating the Water Resource related acts, preparation of NEA's power expansion by updating the generation master plan, establishment and operationalization of power trading company and restructuring of NEA for improved distribution business management and efficiency including installation of smart meters at consumers premises.

The third component aims at supporting WECS for conducting strategic environment and social assessments for basin wide approach for hydropower development planning, preparing various regulations and procedures for such assessments, building capacity for managing the social and environment issues related to transmission lines and carrying out project management activities.

The project will be implemented by Ministry of Energy, WECS and NEA in line with the project objectives and components it has covered.

Mr. Baikuntha Aryal Joint Secretary, Ministry of Finance and Mr. Takuya Kamata, Country Manager, WB Nepal signed the agreement in the Ministry of Finance on behalf of the Government of Nepal and the World Bank respectively.