



## Development Cooperation Report FY 2014-15 Unveiled

Hon. Finance Minister Mr. Bishnu Prasad Paudel unveiled Development Cooperation Report (DCR) 2014-15 on 24 April 2016 amidst a function organized at the Ministry of Finance. Hon. Minister Mr. Paudel while delivering his remarks opined that the Report has provided very comprehensive aid related information that would benefit all stakeholders including the government agencies, development partners, journalists and the general public. Joint Secretary and Chief of IECCD Mr. Baikuntha Aryal briefly highlighted the importance of the Report before Hon. Finance Minister concluded the launching meeting.

According to the Report, total volume of aid disbursement for FY 2014-15 was US\$ 1.13 billion of which ODA contribution was US\$ 1.02 billion (90 percent) and INGOs contribution was US\$ 166.8



Hon. Finance Minister Mr. Paudel Unveiling DCR, FY 2014/15

million (10 percent). Aid disbursement in the previous fiscal year was US\$ 1.03 billion. Excluding the INGO contribution, the share of bilateral and multilateral development partners remained 55 percent and 45 percent respectively. The World Bank was the largest multilateral donor followed by Asian Development Bank, EU, UN Agencies and Global Fund. Similarly, UK was the largest bilateral donor followed by USA, Japan, China and Switzerland making [Contd P7](#)

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## EU Agreed to Provide Grant



From Right: Finance Secretary Mr. Regmi and Ambassador of EU Delegation in Nepal H.E. Ms. Teerink  
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## Message from the Chief Editor



Aid Management Information system is key to aid transparency and accountability. Considering this fact, the Government of Nepal, with the help of Development Partners, established a web-based system to track aid information in 2010. Nepal is one of the few countries to provide public access to aid information captured by the Aid Management Platform (AMP). With this system, not only the citizens of Nepal, but also the taxpayers of our development partner countries can get information about the aid coming to Nepal and its mobilisation.

Regular annual publication of the Development Cooperation Report (DCR) is an attempt of the Government of Nepal to increase the transparency in aid operation in the country. Nepal has recently published the DCR of 2014-15, a fifth such report in series. This has helped to hold both the recipient country and the development partners accountable for better use of development cooperation. The report reveals that the total of US\$ 1.13 billion (US\$ 1020.75 million as ODA contribution and US\$ 116.89 million as INGOs contribution) was received as international development assistance in 2014-15.

The DCR provides analytical landscape of development cooperation in Nepal. The volume of disbursement during FY 2014-15 has been found constant as compared to the previous year. Share of top 10 development partners including both bi-lateral and multilateral is found to be about 84 percent of the total disbursement in FY 2014-15. About 65 percent of aid was disbursed through the Government budget system while 35 percent was disbursed from outside the budget. This clearly demands effective measures for greater alignment with the country system in future. Aid fragmentation is another area to improve. It has alerted us to focus on the resource consolidation and the result-orientation as well as to realise the significance of the 'division of labour' and 'delegated cooperation' on the basis of comparative advantages/expertise.

Another noteworthy feature of this DCR is that it has brought all development aid information into one place, providing a comprehensive analysis of the use and trend of development assistance mobilized in the country. This is the second DCR that reflects the contributions made by the INGOs to socioeconomic development of Nepal. Altogether US\$ 283 million (US\$ 116.8 million from abroad and US\$ 166.6 million through various projects from local donors) was mobilized through INGOs. I trust that such information will help start evidence-based discussion on utilization of resources brought into the country by the INGOs as well.

I would like to thank all the development partners/INGOs and my colleagues in the Ministry of Finance for bringing the DCR to the public on time. I further believe, going forward, that the information provided in the DCR will inform both the government and development partners and help them make further informed policy decisions in the days ahead.

## 4<sup>th</sup> Nepal-India Bilateral LOC Review Meeting Concluded

The 4th Bilateral Line of Credit (LOC) Review Meeting between Nepal and India was held on April 20, 2016 in New Delhi. Nepalese delegation for the Review Meeting was led by Mr. Baikuntha Aryal, Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance, Government of Nepal and the Indian delegation was led by Mr. Ajit Gupte, Joint Secretary (DPA-I), Ministry of External Affairs, Government of India.

Mr. Ajit Gupte, Joint Secretary extended a warm welcome to the Nepalese delegation and touched upon the age old civilization ties between India and Nepal, the wide ranging economic cooperation and deep rooted people-to-people friendship. He said that the recent visit of Rt. Hon. Prime Minister KP Oli to India in February 2016 had been very successful. He stated that LOC have emerged as a major component of development partnership between the two countries. He expressed satisfaction over the fact that LoC-I of US\$ 100 million and LOC-II of US\$ 250 million have almost been fully utilized /committed for power and road projects prioritized by GoN. Eleven out of the twelve Road projects under LOC-I have been completed, the remaining one is due for completion by May,



From Right: Mr. Ajit Gupte, MoEA, India; Mr. Baikuntha Aryal, MoF, Nepal and Mr. Dhundi Raj Pokharel, Economic Minister, Embassy of Nepal, Delhi

2016. The 19 road sections under LOC-II have also made progress since the last meeting - all the 17 contracts (19 road sections) have already been awarded and contracts for two transmission lines have also been finalized. He stated that the pace of implementation of the road projects could be improved to complete these within the approved costs and time. He also emphasized the need to expedite the delayed Rahughat HEP project covered under LOC-I & II and requested for early submission of DPRs for the projects identified under LOC-III. He further stated that the Indian side would welcome any suggestions from GoN which would help facilitate implementation of the LOC projects. Contd P5

## Nepal Received Cash Assistance

Government of Nepal received a special cash assistance of ten million USD (Equivalent to Renminbi Yuan Sixty-three Million and NRS. 1 billion) from the Government of People's Republic of China under China Grant Assistance Package Plan (2016-2018) for Nepal reconstruction, as per the agreement between two government signed on July 23, 2015. It is used for the resettlement of earthquake victims by the Government of Nepal. His Excellency Mr. Wu Chuntai, Ambassador Extraordinary and Plenipotentiary, Embassy of China in Nepal and the Mr. Lok Darshan Regmi, Finance Secretary exchanged a letter in Ministry of Finance, Singhdurbar on March , 2016 in this regard. Mr. Regmi thanked and expressed its sincere appreciation to Government of People's Republic of China for its continued support in the socio-economic development



From Right: Finance Secretary Mr. Regmi and Chinese Ambassador HE Mr. Chuntai

of Nepal.

## Second Progress Review of NPPR 2015 Organized

On 14th of April 2016, the second progress review of the NPPR 2015 action was convened in the Ministry of Finance. The meeting was moderated by Joint Secretary and Chief of IECCD Mr. Baikuntha Aryal. Five Sector Champions (Agriculture, Education, Energy, Physical Infrastructure and Transport, and Federal Affairs 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 thematic champions, Ministry of Finance, National Planning Commission, sector co-leads, Financial Comptroller General Office and the development partners from the floor. The meeting was represented by OPMCM, NPC, MoF, MoFALD, MoE, MoEn, MoPIT, MoAD, NEA, WB, ADB, DFID and UNDP. Major points of review and areas of discussion revolved around five thematic areas, namely- Public Financial Management, Human Resources Management, Results and M&E, Procurement and Mutual Accountability .

On Agriculture, overall production of food crops was reported as increased to 6878 Mt.; food and nutrition security status improved (number of food unsecured district reduced to 30 from 33); budget authorization is being issued on time; 19 percent of implementation units started using computer-based accounting system; and more than 52 percent of program budget has already been spent as of review period. Similarly, staff retention rate has been satisfactory.

On Education, Overall progress was found satisfactory. Access to education has significantly improved (NER of Primary increased from 96.2% to 96.6%, basic from 87.6% to 89.4%, secondary from 56.1% to 56.7%, and GER of higher education reached 17.15% from 17%); Over 90,000 people graduate annually from

various TVET non-degree, short-term and long-term degree courses. Gender Parity achieved at all levels.

  
On Energy, NEA has been following its annual financial auditing calendar and completed audit of ADB and WB funded projects. Reports on WB funded projects are awaited; additional Rs. 9.50 crore of budget has been obtained for land acquisition. On HRM, project management /

supervision consultancy outsourced in various projects. Chilime Trishuli 220 kv Transmission Line and Trisuli 3B Hub substation will also outsource management and supervision consultancy services within 2 months' time. On mutual accountability, reporting of direct funding expenditure is yet to be materialized. However, DPs have already nominated dedicated focal persons to take care of AMP and are updating their details into AMP regularly.

On Federal Affairs and Local Governance, progress on budget release and fulfillment of VDC Secretaries are encouraging. However, how to retain LDOs for long period and increasing volume of audit arrears are some of the challenges observed in this sector.

On Transport, regular road maintenance and construction of additional roads linking to district headquarters are progressing in consonance with the target. However, construction of new roads and bridges are lagging behind.

Besides, NPC Joint Secretary Teertha Dhakal informed that NPC is making efforts to conduct review from within the system. NDAC is also putting the NPPR actions on the table. Monitoring and Evaluation Act will be formulated soon. He further requested the thematic champions to present the progress against the targets in terms of **Contd P8**

# Pre-Budget Consultation Meeting with Development Partners held in the Ministry of Finance

On 11 April 2016, Ministry of Finance organized a pre-budget consultation meeting with Development Partners. Heads and representatives of local Development Partners participated in the consultation meeting and provided their comments on potential areas of reform in budget implementation. The meeting was chaired by Mr. Baikuntha Aryal, Joint Secretary and Chief of IECCD in the Ministry.

Joint Secretary Mr. Aryal summarized the impacts of two major non-economic shocks- earthquake disaster and trade disruption- in the economy and indicated some rays of hope that started to reflect on the macroeconomic indicators after gradually moving towards normalcy.

Setting current context in the beginning, Mr. Aryal explained about constitutional obligation for early budget that will be guided mainly by the post earthquake reconstruction need and other contemporary principles likely to be set into the forthcoming 14th periodic plan, sustainable development goals thereby attaining status of middle income country by 2030 after graduating from the status of LDCs by 2022. Mr. Aryal also briefed the process and phases of budget preparation along with procedural and policy reform initiatives that the Government of Nepal has already started or is planning to take up in future.

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A Glimpse of Meeting

## 4<sup>th</sup> Nepal-India Bilateral LoC ....

Mr. Baikuntha Aryal, Joint Secretary thanked Mr. Gupte for the warm welcome and the hospitality extended to the Nepal delegation. He said that the review meetings have been very useful in monitoring the implementation of LoC projects and bridging the gap on procedural issues. Mr. Aryal stated that good progress has been made in projects allocated under the LoC-I and LoC-II. The disbursements under the Road sector projects stand at US\$ 47.25 million i.e. 95.45 % of the total allocated amount from LoC-I and US\$ 7.92 million under LoC-II, which is 11% of the total contract amount for the 19 road sections. In the Energy sector, total amount allocated under the two LOCs is US\$ 219.55 million. Disbursement is lagging behind due to termination of Rahughat Hydroelectric Project under LoC-I and the delay in finalization of the work contracts for the transmission lines under LOC-II. He informed that these have since been resolved- the DPR of Rahughat HEP with revised modality of an EPC

contract for Civil, EM& Transmission lines is ready and is awaiting finalization of costing. Contracts for projects under the LoC-II viz. 220 KV Koshi Corridor Transmission Line Project and 132 KV Solu Corridor Transmission Line Project have been awarded. Under LOC-III, the DPRs for Phase-I of the Mahakali Irrigation project is ready and DPR for road projects are also being prepared. He further stated that Government of Nepal is fully committed to successful implementation of the projects funded by the Government of India.

At the end of the meeting, a minutes of meeting was signed and exchanged between Mr. Baikuntha Aryal, Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance, Government of Nepal and Mr. Ajit Gupte, Joint Secretary (DPA-I), Ministry of External Affairs, Government of India on behalf of their respective Governments.

## Nepal - ADB Tripartite Portfolio Review Meeting Concluded

Nepal Tripartite Portfolio Review Meeting (TPRM) was held on 21 April 2016 in Kathmandu. The Participants of this meeting were Asian Development Bank's (ADB) management teams and staffs, government's line ministries and project executing/implementing agencies. In this meeting, there was discussion on the major issues of selected individual projects and the sector. The main issues of the projects were raised as prolonged procurement process, weak project management capacity of EAs/IAs, weak performance of consultants and contractors, high turnover of account staffs in key infrastructure projects. The meeting decided on the actions to address those issues for improving the portfolio performance more specifically meeting the contract award and disbursement targets agreed by the executing and implementing agencies. As of 31 March 2016 ADB portfolio comprised of 23 loans and 21 investment grants totaling \$1.7 billion. The total contracted amount is \$808.8 million (47%) and disbursement is \$481.8 million (28%). The 2016 contract award and disbursement targets are \$414.3 million and



A Glimpse of Meeting

\$246.5 million, respectively, as of 31 March 2016. Out of this, the achievement is \$44.2 million for contract award, and \$22.8 million in disbursement. At the discussion of the meeting, it was found that the performance of energy, transport, water and other urban infrastructures sectors were critical to achieve annual contract award and disbursement targets. This meeting was jointly chaired by Mr. Baikuntha Aryal, The Chief of IECCD, MOF and Mr. Diwesh Sharan, The Deputy Director General; SARD of ADB.

## EU Agreed to Provide ....

The European Union (EU) has agreed to provide grant assistance of Euro 105 million (about NRs. 12.54 billion) to the Government of Nepal for the post-earthquake rehabilitation and reconstruction. This assistance comprises of a budget support in the form of a state building contract of Euro 100 million (about NRs. 11.95 billion) and Technical Assistance of Euro 5 million (about NRs. 0.59 billion). This agreement was signed on 24 April 2016 at Subarna Hall of the Ministry of Finance.

This assistance was pledged during the International Conference on Nepal's Reconstruction (ICNR) in June 2015. The objective of the state building contract is to improve financial and implementation capacity of the government for recovery and

reconstruction. This support will provide fiscal space for the Government of Nepal to accelerate development spending for inclusive recovery and reconstruction that enhances disaster preparedness and resilience based on Building Back Better principles. Technical assistance associated with state building contract will strengthen Public Financial Management (PFM), accountability and transparency.

The total execution period of this financing agreement is seven years. The Agreement was signed by Mr. Lok Darshan Regmi, Secretary, Ministry of Finance and H.E. Rensje Teerink, Ambassador of EU Delegation in Nepal on behalf of respective authorities.

## JS attended the BOD Meeting of AIIB

Second Board of Director's (BOD) Meeting of Asian Infrastructure Investment Bank (AIIB) was held in Beijing on April 25-26, 2016. Mr. Baikuntha Aryal, Joint Secretary, Ministry of Finance attended the meeting in the capacity of Board of Director of the constituency B.

The management team of the Bank updated the progress report of Project Pipeline development, progress on recruitment, provision of Compliance, Effectiveness and Integrity unit, Finance and Indicative Work Plan.

During the meeting, the policy issue on Credit Rating, New Membership, Board Committees, Prohibited Practice and International Advisory Panel were also discussed.

First annual meeting of the Bank is planning to be held on June 25, 2016. The management team has completed the necessary preparation of the meeting. Next BOD meeting will be held on April 23-24, 2016 just before the commencement of First annual meeting.



A Glimps of Meeting

Nepal exchanged views on future cooperation between Bank and Nepal with the President, newly elected Vice President and other Directors / Alternate Directors as well as senior Officials of the Bank. The management team appreciated and thanked Mr. Aryal for his comments, suggestions and role played during the meeting.

## Development Cooperation Report ....

disbursement in 2014-15. Of the total ODA disbursement, 58 percent was grant, 24 percent loan and 18 percent mobilized as technical assistance. Grants continued to dominate the total ODA disbursement in FY 2014-15. Out of the total ODA grant disbursed in FY 2014-15, The UK disbursed the largest amount of grant (US\$ 140.88 million) followed by USAID (US\$ 72.12 million), the World Bank Group (US\$ 70.74 million) and ADB (US\$ 52.02 million). The report also revealed that the top five multilateral development partners contributed approximately 43 percent where as the top bilateral development partners contributed approximately 40 percent of the total ODA disbursements in FY 2014-15.

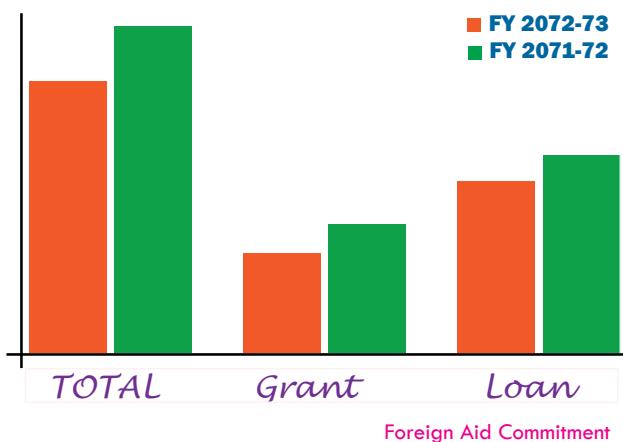
The World Bank Group disbursed the largest amount of loan (US 117.38 million) followed by ADB (US\$ 89.95 million). The DCR revealed 65 percent of aid disbursed on-budget and 35 percent from off-budget. Social sector mobilized 44 percent of the aid followed by 29 percent

mobilized in infrastructure development and 17 percent in macro-economic policy and economic development area. Health sector became the largest aid recipient followed by local development, education, road transportation and energy. The top five sectors received approximately 60 percent of the total ODA disbursements in FY 2014-15. The Report includes a separate chapter on INGO contribution for the second time. Accordingly, INGO contribution has increased over the years. The volume of aid disbursement from INGO core funding has increased from US\$ 76.08 million in FY 2014-14 to US\$ 116.89 million in FY 2014-15. In addition, INGOs have mobilized US\$ 166.63 million disbursed through various resident DPs in Nepal. Hon. Finance Minister expressed satisfaction on the progress made toward management of aid information system during the last few years through Aid Management Platform (AMP) and emphasized the need for further enhancement of its quality.

## Foreign Aid Commitment

As of April 2016 of the current FY, the new foreign aid commitment received by the GoN from DPs has reached the total of Rs. 184,006.69 million (Rs. 67,611.69 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. 221,582.80 million (Rs. 87,366.57 million as grant and Rs. 134,216.23 million as loan).

As of April 2016 of the current FY Commitment against Pledges by Development Partners at ICNR 2015 reached the total of USD 1,419 million [approx. equivalent to Rs. 150,882.27 million] (USD 655 million [approx. equivalent to Rs. 69,646.15 million] as grant and USD 764 [approx. equivalent to Rs. 81,236.12 million] as loan).



## Second Progress ....

number and budget.

MoF Joint Secretary Baikuntha Aryal requested to conclude performance contract at project level-may start with some key projects. He further requested the thematic champions to be specific in the presentation of progress and highlight the major issues rather than generic presentations. Next review meeting will take place in July after budget and should focus on sectoral target in line with agreed actions.

## Pre-Budget ....

On behalf of Development Partners, His Excellency Dr. Urs Herren, Ambassador of Switzerland for Nepal appreciated the consultative process of budget formulation and expressed hope that the procedural reform will help improve capital expenditure in Nepal. Other development partners providing comments were ADB, WB, JICA, EU, DFID, IMF, USAID, UNDP, Germany and Norway. Development Partners' suggestions mainly revolved around issues of swift implementation and improved capital expenditure, post disaster reconstruction, SDGs, climate change, use of NPPR forum, budget predictability, fiduciary environment and realistic approach of budget formulation. Joint Secretary Mr. Aryal responded to queries and assured to take up all suggestions and comments to the extent they are implementable.