

Statement Delivered by Mr. Krishna Hari Baskota, Secretary of the Ministry of Finance in the 44th Annual Meeting of the Board of Governors of the Asian Development in the capacity of an Alternate Governor for Nepal in Hanoi, Vietnam on 5 May 2011 at 1720 hours (VST)

Nepal
Mr. Krishna Hari Baskota
Alternate Governor

Chairman of the Board of Governors,
President Kuroda,
Excellencies, Ladies and Gentlemen,

1. It is a great honor for me and my delegation to participate in this 44th Annual Meeting of the Board of Governors of the ADB held in this historic city of Hanoi. I express my sincere appreciation for the hospitality extended to us since our arrival here by the government and people of Vietnam. At the same time, I appreciate ADB for the excellent arrangement made for this meeting.
2. I also join fellow Governors in expressing sympathy and condolences to the people and Government of Japan, and further wish a quick recovery.
3. We understand that ADB operations in 2010 remained satisfactory with total approval of \$17.51 billion, though slightly lower than in 2009. Of this, total lending stood at \$11.46 billion and grants stood at \$981.7 million. This is quite impressive performance. Among the major policy initiatives taken by the Bank in 2010 include the on-going Review of the Accountability Mechanism Policy and the Public Communications Policy. We believe that these updated Policies will put the Bank in the forefront of the MDBs. We also understand that the Bank to be a dynamic development partner to its member countries needs adequate financial resources to meet the growing challenges of this region. And Bank needs competent, experienced and skilled manpower to deliver desired outcomes. In this context, GCI V, Strategy 2020 and Bank's "Our People's Strategy" are the important steps in right direction. The emphasis of the bank operation should be more on Least Developed Member Countries like Nepal where concessional capital is in greater need for creating jobs, alleviating poverty, inclusive growth, developing infrastructures for better investment climate, and mitigating adverse effects of climate change. In fact, the Bank really needed general capital increase in its efforts to make "Better Asia". Against this context, Nepal proposed and supported the GCI V.
4. ADB is a trusted development partner of Nepal since decades which has tremendously helped Nepal in its endeavor of socio-economic development. Generally speaking ADB's performance in Nepal has remained satisfactory. Nepal has greatly benefited in core

sectors like education, roads, energy and agriculture. Nepal supports ADB's strategy 2020 and would like to see more ADF resources be mobilized to achieve these strategies. Nepal supports performance based allocation system (PBA) that ADB has adopted. However, we suggest ADB to also look into the country's specific situation while calculating scores on various elements of performances. Nepal would like to see that ADF resources be utilized more on core infrastructure sector and relatively bigger size of the projects. Food security has become a challenge for all of us that we need to deal with. We noted mixed performance score on ADB's Development Effectiveness Review of 2010. ADB seems to try little harder to improve performance in poverty outcomes.

5. Although the world recovered from the global economic crisis, the overall macroeconomic indicators of Nepal have not improved as expected. Double digit inflation, widening trade deficit, slow growth of remittance, decline in export and deteriorating balance of payments situation, depleting gross foreign exchange reserves and liquidity shortage in the market are some of the challenges that the Nepalese economy confronting today. On the fiscal front, Nepal is determined to maintain the fiscal balance by emphasizing higher revenue mobilization and targeting public expenditure. Because of protracted and painful peace process and far reaching political transition, long hour of power outage, and infrastructure bottlenecks, our economy is expected to register a moderate growth of nearly 4 percent against the target of 5.5 percent in 2011. However, the Government is committed to maintaining macroeconomic stability through necessary fiscal and monetary measures. Our priority is to raise the growth rate and increase employment opportunities within the country for our youths. It is for this reason that we are emphasizing on road infrastructure development and clean and renewable energy sector. This will contribute to creating a better environment for private sector investment in agriculture processing and other manufacturing activities that contribute to job creation.
6. Nepal currently is facing an acute shortage of power. To overcome this challenge, the Government of Nepal has declared an "Energy Emergency" under which several policy measures have been taken to address the situation. The Government is committed to provide attractive incentives and concessions to private sector's investment, reduce the lengthy process, reduce energy losses and explore alternative sources of energy.
7. I would also like to briefly highlight the current political situation in Nepal particularly peace process and constitution drafting. Despite all the chaos and apparent differences of opinions, the political parties have been seriously engaged in drafting a new constitution and there has been substantial progress in this direction. We are confident that our own concerted and sincere efforts and continued cooperation from international communities including multilateral institutions will help build Nepal, a dynamic and prosperous nation.
8. I take this opportunity to express our sincere thanks to all those who have been supporting our peace process and rebuilding a new Nepal. I would specially like to thank the Asian Development Bank for their continued support in the socio-economic development of Nepal.

Thank you!