

## NEPAL

### **BHANU PRASAD ACHARYA, Head of Delegation**

It is my pleasure and privilege to address this Thirty-Seventh Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). Please allow me to join fellow Governors in expressing appreciation and thanks to the Government of the Republic of Korea and the people of Jeju Island for the warm welcome and hospitality extended to us.

Poverty has remained as the major challenge of this region where three quarters of the world's poor live. We note with satisfaction that ADB has adopted a number of policies to address the overarching goal of poverty reduction. ADB's support—both Asian Development Fund (ADF) and technical assistance—has been very beneficial in our development efforts both at the individual country level and in aggregate. ADB's initiatives in promoting economic growth through regional and subregional economic initiatives have also been useful for accelerating economic development among developing member countries.

Now, let me briefly touch upon the socio-economic situation in Nepal. Poverty in Nepal is a widespread, complex, and multi-dimensional phenomenon. Nepal has been continuously striving for poverty reduction in the past, and some progress has been achieved after 1990 with the restoration of democracy and adoption of new economic policies. However, for the past few years, the insurgency and conflict have seriously hampered the country's development process. Thousands of human lives and physical infrastructures have been destroyed by the conflict, and the restoration of peace now has become the most important agenda for the people and the Government of Nepal.

Macroeconomic performance has remained satisfactory due to prudent economic policies taken by the Government. The gross domestic product (GDP) is expected to grow by 4.6 percent in fiscal year 2003/04. The revenue is increased by 12 percent due to reform measures taken in tax administration. Exports and imports are expected to grow by 7.4 percent and 9.0 percent, respectively. Although Nepal's trade deficit has continued to grow, our balance of payments is undergoing a major structural change due to increased earning of remittances. Remittances have helped to maintain savings and investment levels, despite sluggish growth of the economy. Overall investment has been remained around 25 percent of GDP in the last 2 fiscal years. National savings finance a high portion (80%) of gross domestic investment. Foreign aid inflows, about 4% of GDP, still plays a critical role in financing public investment. Foreign currency reserves stood at over \$1 billion that is sufficient for 9 months of imports. The internal borrowing, money supplies, and domestic credit growth are in the modest levels. The price situation has remained stable.

Nepal has initiated a number of measures to consolidate reform initiatives with strong emphasis on poverty reduction. The reform process would, inter alia, focus on the areas of civil service, good governance, decentralization, and financial sector and private

sector development. The reform introduced in the past has outcomes mostly concentrated in a few urban centers of the country. A large segment of people living mainly in the rural areas have to be encompassed within the development process. Therefore, the Government is more concerned about the resources tied for reducing poverty, attaining a high economic growth, and ensuring social equity.

The Foreign Aid Policy 2002 has provided guidelines for aid mobilization and donor harmonization. Medium-Term Expenditure Framework (MTEF) and Immediate Action Plan processes have already been started to streamline resources, enhance fiscal management, and focus on key issues and actions. The Government is channeling more resources to the rural areas so that downtrodden and poor can benefit from public spending.

We concluded Nepal Development Forum (NDF) Meeting in Kathmandu just a few days back. The meeting was “owned and chaired” by Nepal and attended by about 30 countries and international organizations. The development partners commended the participatory and transparent process of NDF 2004 meetings, and appreciated Nepal’s efforts to implement the programs of 10th Plan/Poverty Reduction Strategy Paper (PRSP), and their linkages with MTEF and action plan processes. It is equally noteworthy that Nepal’s development partners, appreciating all these initiatives, endorsed His Majesty’s Government’s reform agenda based upon the policies and programs of the 10th Plan/PRSP and also expressed support to harmonization of donor assistance.

ADB is one of the major development partners of Nepal. ADB’s assistance has covered almost all sectors of economy including agriculture, rural development, power, transport and social services. I am confident that the cooperation between Nepal and ADB will be further strengthened in the days to come.