



2014
ANNUAL MEETINGS
International Monetary Fund
World Bank Group
Washington, D.C.

Governor's Statement No. 10

October 10, 2014

Statement by the Hon. **RAM SHARAN MAHAT**,
Governor of the Bank for **NEPAL**

**Statement of the Honorable Dr. Ram Sharan Mahat,
Finance Minister and Governor of the World Bank Group for Nepal,
at the 2014 Annual Meetings of the Boards of Governors of
the World Bank Group and the International Monetary Fund
October 10-12, 2014, Washington DC, USA**

Mr. Chairman,
Fellow Governors, and
Distinguished Delegates,

1. It is an honor for me and my delegation to participate in the 2014 Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund. At the outset, I would like to express my sincere appreciation to the Government and the people of the United States for their warm hospitality, and for the sound arrangements made for these meetings.

2. We re-affirm our commitment to the twin goals of the World Bank Group. We need to end extreme poverty within a generation and ensure that prosperity is rooted in greater equity. These are lofty goals, but achievable. Taking cue from recent history, we recognize that a process of rapid catch-up requires a strong 'developmental state' that signals a credible commitment to economic progress. This is through policies that enhance savings and investment, promote market-based institutions on the back of sound regulations, and embrace an outward orientation that brings in relevant ideas and capital from abroad while leveraging foreign markets to augment scale and productivity at home.

3. It is against this backdrop that we are encouraged by revived prospects for global economic growth. Despite hints of looming conflict and uncertainty in Eastern Europe and the Middle East, developing countries in the Asia-Pacific region are expected to grow by at least 6 percent in 2014 and 2015.

4. The World Bank remains an indispensable partner in development. Its global reach, and the ability to marshal finance and knowledge in tandem remain its core strengths. From tackling climate change to building regional infrastructure, we welcome the Bank's renewed emphasis on "global public goods" that present a crippling coordination challenge and elude country-specific solutions.

Mr. Chairman,

5. We in Nepal appreciate the long-standing relationship with the World Bank. It has helped us grow, reduce poverty, connect our hinterlands, and introduce new ideas. As we prepare to exit a prolonged period of conflict and transition, however, business-as-usual will no longer carry the day. We need to implement a fresh series of economic reforms that will expedite change. We invite the Bank to engage in this endeavor with a re-invigorated country program that is aligned and coordinated with national priorities and systems. There is no doubt that such an approach will embolden development efforts that are country-driven and nationally-owned.

6. For a country at its level of income, Nepal has made outstanding progress in achieving the Millennium Development Goals. Over the past fifty years, however, our growth rate has been anemic, with decadal averages of only between 2 and 5 percent. This is insufficient to achieve a permanent dent in absolute poverty and to confine it to single digits within a generation. To accelerate development, we feel an acute need for a proactive state that creates conditions for new investments which can propel us on a higher trajectory of between 7 and 10 percent of growth every year.

7. The present Government is striving to conclude the peace process by helping draft by early next year a new constitution that shall institutionalize the gains of a young republic. Like in the manner the new constitution seeks to aggregate diverse interests, we also need to chart a consensual road map on the economic front. We are confident that our existing strengths in agriculture, tourism and water resources can help move Nepal towards a “zero-carbon economy” by mid-century.

Mr. Chairman,

8. Poor countries like Nepal share very little blame for causing climate change. We account for 0.4% of the world population and are responsible for less than 0.1% of annual greenhouse gas emissions. Nepal's vulnerability to damage from climate change, however, is large. Temperatures are likely to increase more in high mountain areas than elsewhere. Glaciers and snowfields will recede, decreasing Nepal's dry season river water source. Global climate change will also likely shift monsoon patterns in ways that will threaten Nepal's agriculture. Changing

temperature and moisture patterns will also harm mountain biodiversity where migration of species is physically restricted. It is in recognition of these grave threats that we re-iterate our commitment to stay below the globally agreed 2-degree centigrade limit while easing our transition to a carbon-neutral economy.

9. In our quest for a clean source of modern energy, we welcome the Bank's growing interest in developing Nepal's hydropower, and thank President Jim Kim for prioritizing this cause. Together with the hard work and ingenuity of the Nepali people, hydropower is perhaps our biggest source of future prosperity. In this regard, the recently concluded Power Development Agreement (PDA) for Upper Karnali Hydropower and the Power Trading Agreement (PTA) with the Government of India augur well for new investments in productive sectors.

10. Indeed, we are greatly encouraged by prospects for renewed growth and stability in the Indian sub-continent. With the imminent conclusion of the peace process, improvements in the business climate, our vigorous pursuit of a second tier of economic reforms, we expect a rebound in sectors that will create decent jobs. We hope that all these factors will converge to help us graduate from the status of a Least Developed Country by 2022.

Mr. Chairman,

11. We support ongoing internal reforms at the World Bank to become more client-friendly. We commend the Bank's continued efforts to

implement the Gender Equality Agenda. And we reinforce our common responsibility to end human deprivation in all its forms. In this regard, we believe the post-2015 development agenda ought to hone its efforts on completing the fiercely urgent, yet unfinished, task of ending extreme poverty.

12. Recognizing that fighting entrenched poverty requires adequate resources, we welcome the success of the Replenishment of IDA17. We are confident that these funds will be guided by lessons learned from past IDAs. While the debt stress of Nepal is reduced, an increase in creditworthiness on our part should not be punished by a curtailment of grants. Such a policy may create perverse incentives and induce 'moral hazard' in aid systems. We believe that there has to be a clearer distinction between the needs of countries at peace and those in post-conflict transition.

13. In closing, on behalf of the Government of Nepal, and on my own, I would like to express my sincere gratitude to the World Bank Group and the International Monetary Fund for their continued support in Nepal's efforts to modernize. We look forward to deepening these bonds, and wish the Annual Meetings a great success.

Thank you for your kind attention.