



2010
ANNUAL MEETINGS
International Monetary Fund
World Bank Group
Washington, D.C.

Press Release No. 24

October 8, 2010

Statement by the Hon. **SURENDRA PANDEY**,
Governor of the Bank for **NEPAL**

Speech by Hon. **Surendra Pandey**,
*Finance Minister and Governor of the World Bank for Nepal, to the
2010 Annual Meetings of the Boards of Governors of the
Bank and the International Monetary Fund
(October 8, 2010, Washington, USA)*

**Mr. Chairman,
Fellow Governors,
Distinguished Delegates!**

1. Since our meeting in Istanbul, Turkey last year, the global financial and economic crisis has ebbed as shown by the emerging signs of global economic recovery. However, their aftershocks are still being felt by smaller economies like Nepal in terms of decreasing exports, reduced flow of remittance, and decreasing trends in tourists' arrival. These factors have severely affected the overall growth of the economy and the country's balance of payment situation. In order to overcome the economic hardships being experienced by small and vulnerable economies like Nepal, concerted and coordinated efforts are needed to ensure greater market access in developed markets. Given the volatility of international financial architecture, it is important for us to have a regular surveillance mechanism to monitor global economic and financial fluctuations and its impact to the economies in the region.

2. As you are aware that Nepal is yet to take peace process to its logical conclusion and promulgation of new Constitution by May 28, 2011. We are committed to end the transition period as early as possible, while we continue our focus on the agenda of economic development.

3. In the last meeting, I had mentioned about key challenges being faced by Nepal. Nepal continues to face them. I would like to take this

opportunity to mention here that we have not been able to achieve success on those issues. We are still in the process of drafting a new Constitution and expect to complete by the extended timeline of May 28, 2011. Nepal Government has formed a Special Committee under which the Maoists combatants are brought into; and reintegration of Maoists combatants who are for nearly four years inside the cantonments, will be completed within the next four month's time. We would like to thank the international community's for their continued support in the peace process and still need more support to complete relief, rehabilitation, reconstruction and reintegration.

4. In addition to above, I would like to highlight some of the urgent challenges Nepal has to face in its efforts of economic development. We realize that there is no alternative to increased investments in the priority sectors by creating investment friendly environment. We need to moderate high level of inflation and receive declining productivity and production of food grains. Likewise, we need to enhance the level of income by generating adequate and decent employment opportunities. There is a pressing need to ensure that returns from development is inclusively and equitably shared by all geographic regions, communities and groups left behind in the process of development. We know, this calls for good governance among service providers. Of equal importance is the need for ensuring active local participation in infrastructure development and management. To ensure dependable energy supply, among others, by improving the public services is a daunting challenge, which must be overcome at any cost.

5. We are committed to continuing reform in improving our governance performance through improved public financial management, public administration and service delivery to the people.

Mr. Chairman,

6. I greatly acknowledge the World Bank's recent decision of endorsing capital increase for IBRD. This share realignment and the decision making process of the IBRD will offer special protection for the voting power of the smaller and vulnerable economies. We appreciate the World Bank's efforts of increasing the voice and influence of developing countries at the World Bank Group. We also commend implementation of World Bank Group's Post-Crisis measures to enhance the financial capacity of the IBRD and IFC as well as its own internal reform agenda.
7. We also do appreciate the World Bank Group's announcement to mobilize significant new funding for health, education, climate change, and agriculture to help countries achieve their MDGs by 2015. I also commend for effective leadership of President Mr. Robert Zoellick's and Managing Director Mr. Strauss- Kahn in enabling the institution to encounter various global challenges.
8. At the micro level, particularly the Bank's lending instruments to developing countries need to be more focused on infrastructure development such as hydropower and road construction projects. Nepal needs huge investment in infrastructure development in order to create employment opportunities to the people. In case of IDA-eligible countries either in conflict or just emerging from conflict, the country context needs to be considered in making allocation decisions. I am sure

under the leadership of President Zoellick and Managing Director Strauss-Kahn, major reforms in these institutions will be successfully implemented.

9. IDA-eligible countries are likely to suffer the most from climate change impacts because of their location, low incomes, low institutional capacity, and greater reliance on climate-sensitive sectors such as agriculture. We have been passing through very adverse effects of climate change in our agriculture, human health and bio-diversity. Nepal is a predominantly rain-fed agrarian economy where three out of every four population depends on subsistent agriculture for its livelihood. For last few years, monsoon is getting progressively delayed causing very adverse affects on paddy production and thereby on the entire annual cropping cycle. This calls for research on drought and rain resistant crops. Furthermore, snowline on the Himalayas is moving further and further north, causing apprehension on the sustainability of the glacier-fed river system in the South Asian region. I therefore call upon the World Bank Group and the Fund to pay serious attention to such alarming scenarios. At this moment, I also wish a success for ongoing negotiations for IDA 16 replenishment.
10. Not only Nepal, countries like Maldives, India, Pakistan and Bangladesh in the South Asia region have also been much affected in the recent months through heavy rains/floods causing death and replacement of thousands of people in the affected area. There is a need of joint efforts to fight against the menace of climate change

Mr. Chairman,

11. I would like to thank the Bank and the Fund for their continued support for Nepal's overall development in the past and hope for the enhanced support in the future.

12. Before I close, I would like to express my sincere appreciation to the Government and the people of the United States of America for the excellent hospitality accorded to me and my delegation and also for the excellent arrangements made for these meetings in this historic capital city of America.

13. I wish the Annual Meeting a grand success and thank you all for your kind attention!

Thank you!