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Statement by the Hon. **BARSHAMAN PUN**,
Governor of the Bank for **NEPAL**

Honorable Barsha Man Pun
Finance Minister and Governor of the World Bank for Nepal, to the
2012 Annual Meetings of the Boards of Governors of the
World Bank Group and the International Monetary Fund
12-14 October 2012, Tokyo, Japan

Mr. Chairman
Fellow Governors, and
Distinguished Delegates!

It is indeed an honor to participate in 2012 Annual Meetings of the International Monetary Fund and the World Bank Group in this beautiful city of Tokyo. On behalf of the Nepalese delegation and on my own, I would like to appreciate the people and the Government of Japan for their generosity and hospitality extended to us. I would also like to appreciate the efforts of management team of both the Bank and the Fund for the excellent arrangements made for this meeting.

I would like to congratulate Mr. Jim Yong Kim on his appointment as the new President of the World Bank Group. We are confident that under his leadership the Bank would make a significant stride in maintaining economic and financial stability in the world and alleviating poverty from the developing countries. I assure you our full support to working together and tackling any development challenges that we may face.

The past year witnessed severe natural catastrophes in several member countries. As a consequence, most of the poor people have become victims of increasing food price, climate change and hunger. While the world economy has been trading five full years after the financial crisis of 2007, it has faced another shock owing to crisis in Eurozone economies. It is anticipated that the recurrent crisis may not only slow down the growth rate of developed countries, but also affect long term development prospects of developing countries well beyond 2015. This will have implication in poverty reduction and achievement of Millennium Development Goals (MDGs). In this context, we would like to urge the developed countries to play a bigger role in supporting poor countries that are financially hard pressed to stimulate growth and achieve MDGs and reduce poverty.

Mr. Chairman,

Allow me to briefly touch upon Nepal's latest political and economic scenario. The country is still in political transition. Intensive dialogues and interactions are going on among the major political parties to come to a consensus to end the political transition at the earliest date. The peace process, which is one of the central components of political transition, is almost completed and concluded.

Even in the phase of political transition, the performance of the economy remained largely satisfactory last year. The GDP growth rate picked up to 4.6 percent and the inflation was contained to 8.3 percent. Government revenue increased by 22.2 percent – a record in itself while expenditure remained quite satisfactory. The foreign exchange reserves reached a new height of

Rs. 439.46 billion, reflecting an increase by 61.5 percent over the previous year level. This level of reserve is sufficient for financing merchandise imports of 11.6 months. The securities market also witnessed positive signals. Export has also picked up.

The present Government is committed to providing a solid foundation for accelerating growth in the coming years. The growth that we aim at will be broad based, inclusive, and sustainable. For this we have chosen a three pillar economic model consisting of public, private and cooperative sectors. Under this model higher investment required for higher growth is to be contributed by the private sector, while the public sector will play a supportive and facilitating role. We have also given priority for public-private partnership in large infrastructure and priority projects. In Nepal's agricultural based economy the cooperative sector has a crucial role in developing farmers' organizations in production, processing and marketing of their products for mutual progress and benefit. In order to boost both the domestic and foreign investment in large projects, the Government has set up a high level **Investment Board** chaired by the Right Honorable Prime Minister to provide fast track services from a single window. In this context the Government has also announced 2012-13 as the Investment Years. While we advance for higher growth with paying equal attention to distribution aspect, we are faced with the problems of inadequate capital, energy crisis and low investment. Given this situation, there is a huge need for investments, particularly in hydro-power, agriculture and tourism sector.

Investment in these sectors would not only establish sustainable base for moving to a higher growth path but also ensure social equality, inclusiveness, and help alleviate poverty by creating and generating employment opportunities. We think this is also the situation in most other developing countries. Hence, I would like to draw the attention of the World Bank Group to this matter.

Mr. Chairman,

We are encouraged by the World Bank's important shift away from being solely an investment lending institution to actively engaging on global policy leadership role. At the same time we would like to see that the Bank continues to work with developing countries to ensure that the most vulnerable are assisted both in times of crisis and on an ongoing basis.

I would like to take this opportunity to call upon the Bank to champion aid effectiveness, transparency and accountability in line with the Bussan Partnership for Effective Development Cooperation. This will create a good practice in efficient and effective use of aid towards achieving development goals set by the developing countries.

Finally, 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 to Nepal and expect that this support will get further enhanced and scaled up in the days to come.

I wish the Annual Meeting a grand success.

Thank you all for your kind attention.

Thank you!