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WORLD BANK GROUP

WBG Governor's Statement No. 14

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Statement by the Hon. **JANARDAN SHARMA PRABHAKAR,**
Governor of the Bank for **NEPAL**

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Governor of the Bank for Nepal

*Mr. Chairman,
Mr. David Malpass, President of the World Bank Group,
Ms Kristalina Georgieva, Managing Director of the International Monetary Fund,
Fellow Governors and Alternative Governors,
Distinguished Delegates,
Ladies and Gentlemen!*

1. On behalf of the Government of Nepal, it is my distinct privilege to participate in this year's Annual Meeting of the Board of Governors of the World Bank Group and the International Monetary Fund. I am most grateful to the management teams of both the Bank and the Fund for their unwavering efforts – ensuring this year's meetings are expertly organised.

Please allow me also to acknowledge the role played by the Bank and the Fund in safeguarding a unique global partnership that has, time after time, proven foundational to protecting people and economies throughout the world. I foresee an ever-greater role for these twin institutions over the coming months and years, as greater global uncertainty – whether in terms of trade and investment, uncertainties in connection with the remnants of the Covid-19 pandemic, geopolitical tensions, climate change or debt distress.

Now is also an opportune moment to remind these institutions of our shared responsibility to fight poverty in all its dimensions and to boost shared prosperity. I believe that global socio-economic issues can only be addressed through collective efforts that recognise and respect the voices of economies, both large and small - including economies such as Nepal.

On behalf of the Government of Nepal, I would also like to take this opportunity to recognise ongoing and historical financial and technical assistance provided by both the World Bank and the IMF, support which has been instrumental in ensuring the continued, inclusive, sustainable socio-economic development of Nepal.

Distinguished Delegates, Ladies and Gentlemen,

We meet just as the global economy is passing through a series of challenges in the wake of the Covid-19 pandemic. Unprecedented inflation, combined with the rising cost of food and fuel resulting from ongoing geopolitical tensions, and escalating risks associated with

natural and man-made disasters, climate change, and other global economic shocks, each pose a real and present threat to our shared ambitions to usher in a world free of poverty, achieve responsible growth and shared prosperity, and promote sustainable development respectful of planetary boundaries.

Responding to these challenges, Least Developed Countries, which for now still includes Nepal, enjoy limited fiscal space in which to allocate resources to protect our most vulnerable populations, particularly during periods of significant crisis. Promoting long-term, sustainable growth while addressing our people's immediate needs remains a challenging task requiring the careful balancing of policy responses – involving flexibility and control - balancing economic growth imperatives with social and macroeconomic stability – all while navigating multiple, overlapping, and sustained crises.

Ladies and Gentlemen:

The effects of global warming in the Himalayan region pose a severe threat to food security, water and energy provision, and an existential threat to life within the region and beyond. Sadly, throughout the Himalayas, melting glaciers and loss of seasonal snow risk leaving between 1.5 and 1.7 billion people vulnerable to water scarcity if serious climate protection and mitigation interventions are delayed.

Closer to home in my country, Nepal - despite emitting just 0.027 per cent of global CO₂ emissions, yet with abundant green forest areas serving as natural carbon sinks unlocking Nepal's carbon storage potential – remains highly vulnerable to the ravages of climate change, water-induced disasters, and extreme hydro-meteorological events.

Considering looming uncertainties and what seems to be an ever-increasing list of climate-related threats – what has been called a 'slow-moving catastrophe' - our challenge now must be strengthening the resilience of our most vulnerable communities, including farmers, and on scaling up investment in the solutions necessary to ensure our country's rugged terrain more is sufficiently resilient to an unpredictable and changing climate.

In this regard, please permit me to draw your attention to several of Nepal's national plans and policies, including our 2019 Climate Change Policy, our Second Nationally Determined Contributions announced in 2020, our 2021 National Adaptation Plan, and our 2021 Long-Term Strategy for Net Zero Emissions. All will require substantial financial and technical support to fully implement the actions and strategies listed therein.

To guide the implementation of these plans and strategies, Nepal is taking ambitious, concrete steps to recalibrate its economy as part of a Green, Resilient, and Inclusive Development (GRID) approach.

In September 2021, Nepal endorsed the landmark 'Kathmandu Declaration' – a historical document that systematically addresses the development issues in the journey to a

greener, more resilient, and more inclusive development pathway. Using our GRID-aligned approach, Nepal is taking an integrated approach to water, forests, and agricultural development, while optimising our hydropower opportunities and facilitating a green energy transition.

Nepal strives to deliver to our people the fundamental rights they have come to expect – the right to quality food, education, health, clean water supply, and housing - to name a few. As we do so, we seek to graduate from our current Least Developed Country status by 2026. However, this transition cannot occur without the significant scaling up and effective allocation of domestic and external financial resources.

Ladies and Gentlemen:

Nepal's three geographical regions – the Terai, Hills, and Himalayas – each face different environmental challenges. Floods and landslides affect rivers which flow from the mountains through the hills, causing significant damage to the Terai plains each year. Repeated flooding poses a challenge to balanced development and triggers displacement of impacts human resources. I take this opportunity to call upon the World Bank to allocate further attention to supporting agriculture and infrastructure development in these critical areas, including by creating green corridors and reinforcing river embankments.

In our hilly Terai region, landslides have caused the displacement of human settlements, obstructions to road transport and harmed production and job creation. Therefore, I also request World Bank give due attention to future pipeline projects focused on supporting agriculture, education, health, and climate-friendly development, as per our GRID principles, in support of the further development of a green rural economy in these areas.

Mr. Chairman,

Following a long and complex transition, our nation's 2015 Constitution established a federal structure. The first five years of implementation of federalism have delivered mixed results amid the expectations and aspirations of the Nepali people. We have successfully strengthened our nation's democratic institutions and have inculcated democratic values. The second round of local-level elections was concluded successfully, with federal and provincial elections scheduled for the 20th of November this year. Today in Nepal, we have enhanced opportunities to decentralise, ensuring more effective service delivery, greater accountability, and a full range of development dividends are felt by individuals and their communities.

Nepal has achieved an average growth of 4.9 per cent throughout the past decade between 2009 to 2019. Maintaining a high growth trajectory remains essential for Nepal's graduation from LDC status, for achieving the Sustainable Development Goals (SDGs), and for reaching middle-income country status by 2030. The government remains fully committed to leveraging all potential sources of development finance, supported by

necessary legal, regulatory, and operational reforms across all sectors of the economy, to sustain this high growth momentum.

Nepal also reiterates its commitment to the Extended Credit Facility (ECF) program supported by the IMF. We expect the ECF program to help catalyse external financing to secure buffers against external shocks while shoring up our country's reserve levels and fiscal policy space. We are on track to implementing the structural reform agenda detailed within the ECF and shall work together to complete the first review in due course.

Ladies and Gentlemen:

Nepal is not an exception when it comes to struggling with the Covid-19 pandemic. However, a highly successful vaccination drive has helped to reduce both fatality and infection rates. Around 80 per cent of our population above 12 years have been fully vaccinated. Businesses are now making an all-out effort to resume their pre-pandemic positions. Despite multiple challenges, we are on track for a robust economic recovery. The economic growth rate for the fiscal year 2021/22 is 5.8 per cent, with inflation contained at 6.3 per cent.

Our SDG costings have highlighted huge financing requirements - averaging more than 48 per cent of GDP – if we are to achieve the SDGs by 2030. I see a substantial role for multilateral institutions, such as the World Bank Group, in helping to bridge Nepal's infrastructure financing gap and accelerating infrastructure project implementation.

Adequate resources for SDG financing made available by our development partners will be instrumental at this particular time for low-income countries such as Nepal. We urge that transitional arrangements be made available to countries graduating from LDC status, allowing for the continuation of concessional financing windows further into the future.

Mr. Chairman,

The Government of Nepal is receiving financial and technical support from the World Bank in the areas of fiscal policy, private sector-led growth, GRID, and financial sector reform. Development policy credits have proven instrumental in strengthening financial sector stability, diversifying financial solutions, and increasing access to financial services - all combined to enhance regulatory and institutional frameworks supporting sustainable growth.

Nepal is committed to promoting regional integration by improving cross-border connectivity. Adequate trade infrastructure is an essential part of this – helping to reduce the cost of trade and promote regional integration to enhance competitiveness and efficiency. In this regard, a new trade logistics policy is under development, which aims to build a more supportive environment for trade, improve trade-enabling infrastructure,

logistics, processes, and regulatory environments, develop more competitive products, and expand our export markets.

Realising that foreign direct investment is crucial to support growth through capital and efficiency gains, we are also in the process of reducing investment thresholds and establishing an automatic approval route.

Mr. Chairman,

The Government of Nepal is thankful to the World Bank and International Monetary Fund for the longstanding partnership we share in support of Nepal's positive development trajectory. We look forward to working closely, guided by our shared goal of improving Nepal's economic prospects as a key to unlocking socio-economic development and poverty alleviation.

On behalf of the Government of Nepal and myself, I would like to extend sincere thanks to the Bank and to Fund for their continuous engagement with Nepal. I expect your enhanced cooperation in the future to achieve shared goals. I wish the Annual Meeting great success.

Thank you very much.