



**ANNUAL  
MEETINGS**  
2017 | WASHINGTON DC  
WORLD BANK GROUP  
INTERNATIONAL MONETARY FUND

Governor's Statement No. 18

October 13, 2017

Statement by the Hon. **SHANTA RAJ SUBEDI**,  
Alternate Governor of the Bank for **NEPAL**

**Statement by the Hon. Shanta Raj Subedi,**  
Alternate Governor of the Bank for Nepal

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

1. It is a great honor for me and my delegation to participate in the 2017 Annual Meetings of the Boards of Governors of the World Bank Group and International Monetary Fund in the lovely city of Washington DC. I would like to thank the World Bank Group and the IMF for excellent arrangement made for this important event.
2. I begin with brief current macroeconomic scenario of Nepal. Fiscal Year 2016/17 had been the year of high economic growth of 6.9 percent and low inflation of 2.8 percent. Internal resource mobilization has strengthened with 27 percent increment over the previous year. External sector except international trade is strong with surplus BOP and foreign exchange reserve sufficient for 13 months' import of goods and services. Investment climate is gradually improving and private investment flow has increased. In the global competitiveness indicator, Nepal jumped up to 88<sup>th</sup> position from 98<sup>th</sup> of the previous year.
3. Following the promulgation of the Constitution, government is focusing on its implementation. We successfully conducted the local level elections, by which more than 35,000 representatives were elected in 753 local governments. We are all set to hold State and Federal elections on 26 November and 7 December this year. Federal budget has been introduced for the first time in this Fiscal Year. Approximately, 18 percent of the total budget has been transferred to the state and local level, which helps to carrying out development activities in the grassroot level. The capital budget has been increased significantly and the post-earthquake reconstruction budget has been scaled up.

**Mr. Chairman,**

4. Despite an encouraging current macroeconomic scenario, Nepal's economy faces several challenges. It has continuously suffered by the significant destruction in capital stock. Nepal faced decade-long conflict resulting into severe destruction of infrastructure. Such losses in capital stock were further escalated by devastating earthquake in 2015 and heavy flood in the south-eastern part of the country this year.
5. Nepal aims to achieve the status of middle-income country by 2030. By the same time, we have to achieve the Sustainable Development Goals (SDGs). Prima facie, these two agendas seem contributory to each other but are not perfect complements and thus requires different strategies and resources. In order to attain these milestones, Nepal requires a continuous growth rate of more than a 7.5 percent and thus poses big challenge in a given scenario of low stock of capital in the

economy. Further, the weak implementation capacity of public sector still is a caveat to attain these milestones.

6. Nepal is in a transition from the unitary to federal governance system, which requires a huge investment in developing infrastructure and capacity enhancement of sub national governments. Transformation of governance structure has put enormous upward pressure on recurrent expenses as well. Therefore, Nepal is in immense need for substantial capital injection in the economy in order to maintain appropriate capital inflow not only to achieve the targeted growth, but also to sustain it.

**Mr. Chairman,**

7. Nepal is carrying out various policy measures to overcome the problems in Public Finance Management and Governance Reform. These reforms include effective use of international economic cooperation, increasing internal revenue by broadening the tax base, enhancing tax compliance and improving governance system among others. However, current scale of development financing, both internal and external, do not match the needs to achieve economic development goals. An ongoing study on Development Finance Assessment is believed to assess development funding-gap for achieving SDGs.
8. I would like to appreciate the World Bank Group and the International Monetary Fund for their continuous support to the socioeconomic development of Nepal and hope their cooperation will be further intensified in the days to come. Equally, I would appreciate Bank's knowledge window that helps the developing countries like Nepal.

**Mr. Chairman,**

9. At the end, I sum up my short statement by mentioning an important aspect of equitable global partnership. We have witnessed, sharing equitable benefit of growing global economy especially with small economies across the globe has been a challenge to all of us for decades. Similarly, small economies are experienced to suffer disproportionately by the adverse shock of the global economy. We hope this special forum could play a pivotal role in undertaking appropriate policy measures in the days to come in order to ensure equitable distribution of the global economy.

Thank you.