



DISCUSSION SUMMARY DOCUMENT

FINANCE FOR DEVELOPMENT DIALOGUE: NEPAL'S ROAD TO THE SUMMIT OF THE FUTURE

20 August 2024, Kathmandu, Nepal

On 20 August 2024, the representatives from the Government, private sector, academia, media, the United Nations in Nepal and development partners engaged in a dialogue on the challenges and possible policy actions to mobilize sufficient financial resources in support of the Sustainable Development Goals (SDGs).

In the discussions, participants dived deep into the most pressing issue for accelerating progress towards SDGs—financing or lack of it—at a time of rising geopolitical tensions, post-pandemic weaker economic recovery, existing inequalities and disparities including those related to gender and social inequality, more frequent and intense climate-related crisis, and a new trade dynamic driven by protectionism and disengaged multilateralism, among others.

In addition to domestic reforms, the participants recognized that the emerging needs of the twenty-first century requires an international financial architecture that is more fit for purpose, equitable, ready to deal with emerging challenges, and responsive to the financing needs of developing countries including the needs of all women and girls living in poverty.

The participants discussed that the SDGs present the right framework and vision to deal with the present-day global development challenges, and they agreed on the following key action points to accelerate mobilization of national and international public and private financial resources in support of the SDGs and Nepal's development priorities.

Actions by the Government

- Building on the outcomes of the Nepal Investment Summit 2024, Nepal has carried out reforms on number of areas, and it is crucial to continue pursuing policy reforms for easing legal and regulatory procedures, including private sector friendly investment policy, to improve business environment.
- To mobilize necessary development finance to achieve Nepal's key development ambitions, including SDGs, it is important to continue to formulate a comprehensive policy framework, focusing on inclusive and innovative financing instruments that utilizes finances from different sources and channel all financial resources towards SDGs and Nepal's development priorities.
- To mobilize and effectively use domestic resources in support of SDGs, it is important to build institutional capacity of the three tiers of governments, including provincial and local levels to enable them to effectively spend the available financial resources and develop and implement projects effectively and efficiently.
- In view of Nepal's expected graduation from the category of Least Developed Country (LDC) in 2026 and considering the likely loss of access to various International Support Measures (ISMs), including those related to concessional financing, it is essential to ensure that Nepal implements a Smooth Transition Strategy in a timely manner and prepares foundation for taking advantage of innovative financing resources and development and deepening of domestic capital market. Moreover, integrate gender lens in various sustainable finance aspects by designing products and alternative forms of collateral to increase women's access to finance.

- In the context of opportunities brought by Nepal's graduation from the LDC category and its status of "lower-middle income" country category, the country should accelerate the process of completing the sovereign credit rating that has already been initiated to ensure that Nepal wins the trust of foreign investors for investments in Nepal.
- In the view of increasing domestic revenue mobilization, it is acknowledged that the country needs to broaden tax base, enhance tax compliance, simplify the tax procedures and fully formalize the economy. It is also highlighted to make taxation system more progressive and continue revenue digitalization.
- In view of the forthcoming graduation from the LDC category and achieving sustainable development goals, it is important to strengthen the fiscal position by improving public finance management and public expenditure efficiency and allocation.
- Nepal has made substantial progress on gender equality, and it is recognized to continue institutionalization and implementation of gender-responsive public finance management and budgeting at all levels of government to support progress on gender equality (SDG5). In the same vein, implement gender responsive, inclusive, equitable fiscal policies that are centered on redistribute aspects and well targeted public private investments as well as increased official assistance for gender equality and women's empowerment.

Part II— Actions by the Private Sector

- To channel private finance towards SDGs, it is essential that private sector undertakes inclusive and sustainable corporate and business practices, including integrating environmental, social and governance and gender factors into company reporting system as appropriate.
- To maximize the developmental impact of private investments, it is essential that they are aligned with public sector priorities and clearly linked with sustainable development ambitions of the country, without compromising the profitability aspects and the risk-return balance.
- Considering the importance of domestic revenue for investing development activities, it is essential to enhance tax compliance of private sector.
- To enhance the developmental impact of the private sector, it is essential to engage them as partners in the development process, and investing in areas critical to sustainable development, gender equality, shifting to more sustainable consumption and production patterns, and applying creativity and innovation to solving sustainable development challenges.
- The private sector should foster a dynamic and well-functioning business sector and protect labor rights and environmental and health standards in accordance with relevant international standards and agreements, in order to increase their social and environmental impact in the country.
- To support gender equality, it is important for private sector to implement strategic and transformational programmes internally looking into policies and institutional shifts as well as externally to have positive impacts on communities, markets and society that enable gender equality and empowerment of women and girls.

Part II—Actions needed by the International Development Community

- As committed in the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development in 2025, it is crucial that the Least Developed Countries (LDCs), including those that are due to graduate from the LDC category, have

better and sustained access to development cooperation and more affordable and long-term concessional financial resources bridge the financing gap of Nepal.

- As committed in Paris Declaration on aid effectiveness in 2005 and reaffirmed in subsequent international forums, it is crucial that international development community align their development cooperation to strengthen country policy, institutions and procedures gearing towards tangible results.
- In the view to have more development impact, it is required to strengthen country system and mobilize resources through it.
- As outlined at the 68th session of the Commission on the Status of Women, create and sustain effective partnerships to support developing countries in their efforts to eradicate poverty in all its forms and dimensions, including extreme poverty, and to achieve gender equality and the empowerment of all women.
- With regards to the Summit of the Future to be held in New York on 22 – 23 September in support of the SDGs, it is essential to take ambitious reform of the international financial architecture for proactive support to developing countries to accelerate their progress towards the 2030 Agenda for Sustainable Development for the promotion of more inclusive, representative and effective global economic governance.
- Strengthening international development cooperation is essential to enhance productive capacities, address emerging economic challenges including those related to dealing with climate change and debt vulnerabilities, and bridge financing gaps for attaining the SDGs, acknowledging our collective commitment to the 2030 Agenda for Sustainable Development.
- Given existing unequal and gender differential impact of the climate change, it is essential to ensure that mountainous countries such as Nepal have easy and flexible access to climate mitigation and adaptation finance on a concessional basis, including in the context of loss and damage fund as emphasized through the Conference of the Parties (CoP) process under the aegis of United Nations Climate Change (UNCC).

Finally, it was underscored that it is highly relevant for the Government of Nepal and all pertinent stakeholders to join hands to prepare for the Fourth International Conference on Financing for Development (FfD4) to be held in Seville, Spain from 30 June to 3 July 2025. Building on this summary document, the Government of Nepal can prepare a background paper as inputs to the Outcome Document of the FfD4 by the deadline of 15 October 2024, for which the United Nations in Nepal stands ready to provide technical support, and engage actively with the Economic and Social Commission for Asia and the Pacific (ESCAP) in the Regional Consultation that ESCAP is organizing in December 2024 as part of the global FfD4 process. It is worth noting that Nepal is one of the vice-chairs (along with Iran and China) of the global inter-governmental Preparatory Committee from Asia and the Pacific that is responsible for making the organizational, procedural and substantive preparations for the FfD4. Moreover, Nepal is the only country from the Asia Pacific that has been entrusted to co-facilitate the drafting of the Outcome Document of F4D4.