



World Bank Approves Development Policy Credit to Strengthen Nepals Financial Sector

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KATHMANDU, June 28, 2013 ? The World Bank has approved a \$30 million credit to help Nepal accelerate its financial sector reform program to reduce vulnerability of the banking sector and increase its transparency. The government of Nepals medium-term program for the financial sector focuses on reforms designed to place the financial sector on a sound foundation for the future. The Nepal Financial Sector Stability Credit will support six main policy areas: (i) formulation of a financial sector development strategy; (ii) restructuring of Nepal Bank Ltd. (NBL) and Rastriya Banijya Bank (RBB); (iii) assessment of the condition of Class A, B and C financial institutions and potential restructuring; (iv) strengthening institutional arrangements to support the bank restructuring process; (v) strengthening the legal and regulatory framework for effective bank resolution; and (vi) increasing the transparency of the financial system. The proposed credit recognizes the important progress made so far by the Nepali authorities to tackle financial sector vulnerability and supports the acceleration of a medium term reform strategy which commenced implementation in 2011, said Johannes Zutt, World Bank Country Director for Nepal and Bangladesh. The preparation of a comprehensive financial sector development strategy would help the authorities look beyond the short-term need to stabilize the financial sector, said Guillemette Jaffrin, World Bank Task Team Leader. "Such a strategy would also help Nepalis develop a vision for an inclusive financial sector in five to ten years and build consensus on the steps required to transform this vision into reality. This Development Policy Credit has been prepared in close collaboration with the International Monetary Fund and the United Kingdom Department for International Development, which has recently approved a long term technical assistance package to support financial sector reforms in Nepal. The credit also builds on the lessons from two previous World Bank financed projects - the Financial Sector Technical Assistance Project, approved in 2002, and the Financial Sector Restructuring Project, approved in 2004. The credit carries a 0.75% service charge, a 10 year grace period and a maturity of 40 years. Media Contacts In Kathmandu Rajib Upadhyaya <rupadhyaya@worldbank.org> In Washington Gabriela Aguilar <gaguilar2@worldbank.org>

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