

8th Technical Review Meeting
Nepal public Financial Management Multi-Donor Trust Fund
Friday, September 30th, 2016 at the World Bank Office

Meeting Minutes

The list of participants is annexed

1. Introduction of Murari Niraula

Mr. Murari Niraula, new member secretary in the PEFA Secretariat has been introduced to DPs.

2. Joint field visit discussion

Lessons learned from the joint field visit in Banke and Dang districts August 22-24 have been discussed. The following conclusions have been reached:

- The visit confirmed the positive results achieved in districts where the PFM-related social accountability activities have been implemented. Participants in the visit recognised and commend the hard work undertaken by the CSOs in the districts, especially in a resource constrained environment;
- The visit and discussions during the meeting highlighted also limitations of the demand-side component of the MDTF. In particular, the program has been implemented as a pilot and that working in this manner in selective VDCs was not creating much of a difference in the overall picture (resources allocated were not sufficient and the scope and geographical coverage was limited); the program was not sufficiently aligned with priorities defined at the national and district levels; there is a lack of proper mapping of demand-side activities and several NGOs can be working in the same VDCs on the same issues.
- In consequence, MDTF partners feel the need to redefine the demand-side component of the PFM MDTF in terms of design and implementation modalities and linkages with supply-side activities. This redefinition should take into account the new institutional context of Nepal as a consequence of the new Constitution and the ongoing process of redefining the LGCDP program. The redefinition should be based on lessons learned and results achieved by the PRAN project; principles and good practice example of demande-side of PFM in Nepal and elsewhere which could be presented and discussed as part of a workshop.

3. Presentation of USAID PFM project

USAID presented its \$14M 5 year Public Financial Management Strengthening project which will be implemented by the international firm Louis Berger and organized around three components : i. LMBIS roll-out and PFM Systems Development; ii. Institutionalize Controls and Improve Procurement Practices in MOE and MOH; iii. Support the GON to Increase Financial Transparency and Accountability of Post-EQ Recovery/Reconstruction Assistance. PEFA Secretariat reiterated the principle that TA support to the GoN should be channelled preferably through the MDTF. Partners welcomed the willingness of USAID to coordinate with MDTF partners and stated that a continued coordination will be necessary to avoid overlap or worse, negative externalities. Besides, government /PEFA Secretariat emphasized the need to align PFM activities with National PFM reform. This program represents a substantial contribution to the PFM reform effort and it is everybody's interest that it is used in alignment with government priorities and with the support provided through the MDTF. USAID will propose that a MoU be signed between the MDTF and the Project, which should be discussed further and agreed at a PCC meeting.

4. Extension of the MDTF

A four year extension of the PFM MDTF has been agreed at the last PCC meeting. MDTF manager mentioned the possibility to have a phased extension with a first extension of two years and a second one at a later stage when donor pledges are confirmed and more precise. All DPs and the government confirmed that an immediate extension of four years would be the best approach and would in fact facilitate the mobilization of additional support for phase two. All DP except the EU mentioned their willingness to process an administrative extension for 4 years. The EU will have to initially extend for 2 years only.

DFID's business case for phase 2 envisages a funding of £4.5 to 5M.

The EU is planning to add €3M additional funds in calendar year 2016 and will be able to confirm future financing only at a later stage.

Norway mentioned \$2M as a tentative level for an extension along the line of past contributions but it can be adjusted based on needs and length of extension.

Swiss will be able to firmly commit funds in 3 or 4 months.

Australian DFAT has just added an additional contribution of around \$2M this year and has declared its intention to contribute to next phase.