**Program Coordination Committee (PCC) Meeting**

**Nepal Public Financial Management**

**Multi-Donor Trust Fund**

**Wednesday, April 6, 2016 at the World Bank Office**

A PCC meeting was chaired by Fily Sissoko, Practice Manager, Governance Global Practice, World Bank. Ram Saran Pudasaini, Joint Secretary, Budget Division, Ministry of Finance; and Kewal Prasad Bhandari, Joint Secretary, PEFA Coordinator, led the government delegation. The Acting Country Manager Bigyan Pradhan also participated in the meeting. His Excellency Swiss Ambassador, Mr. Urs Herren and most other MDTF partner representatives, except Denmark and DFID, were present.

**Agenda:**

1. **Welcome Remarks and Progress Update**

In his opening remarks, Fily Sissoko welcomed the development partners, government officials, and all participants. He congratulated the Government of Nepal on the finalization of the PFM reform and upgrade of various PEFA indicators in spite of the earthquake and economic blockade. He also highlighted some other achievements of the MDTF, particularly in the continuity of the treasury single account system during earthquake and with citizen engagement in accountability.

**2. Welcome Note by Joint Secretary for Budget, Ram Saran Pudasaini**

In his opening remark, Ram Saran Pudasaini highlighted how the Government of Nepal was pleased that the MDTF had notable success in various interventions to improve PFM systems in the country. He thanked all MDTF development partners for their support and highlighted some of the notable achievements in maintaining the treasury single account system during conflicting times, the adoption of Nepal Public Sector Accounting Standards, strengthening the credible budgeting system, instituting audit system reforms, and establishing the regional management information system. He talked about how the MDTF is helping build a robust financial management system where fiscal discipline, allocation, and operational integrity are maintained with transparency and accountability.

**3. Head of Missions and Ambassadors address**

His Excellency Swiss Ambassador, Mr. Urs Herren, acknowledged that the reporting of the MDTF has improved but recognized the need for further improvement. The reporting, he thought, could be more activity oriented whereas a more results-/outcome-oriented report is sought by the donors. He also congratulated the Nepal Government on the PFMRP2. He added that further discussion on reprioritization would be useful, and the challenges of the federal structure after the new Constitution and would also be an important issue for the Nepal MDTF. A link between the local PEFA and Government reform strategy will be very important to clarify. He thanked Franck Bessette, MDTF Project Manager in Kathmandu, for the last version of the MDTF Phase II strategy and appreciated its alignment with the Government’s strategy. He recommended that the link between the supply-side and demand-side activities should be strengthened in Phase II and that there should be closer interaction between the Ministry of Finance and the Ministry of Federal Affairs and Local development (MOFALD). Norway’ representative also commented along similar lines and recommended that a risk assessment should be done. As a result the Meeting Chairman Fily Sissoko suggested that the next technical review meeting should discuss reporting and its format. The development partners were requested to send their comments to Franck Bessette ahead of this meeting.

1. **PFM Reform Action Plan Phase II: presentation by Government of Nepal**

The Government of Nepal presented the eight major high-level outcomes expected of the PFMRP Phase II.

1. **MDTF Phase II Strategy and Extension of MDTF) – presentation by Franck Bessette:**

Franck Bessette presented the MDTF Strategy. The response of various Donors and participants is recorded as follows:

* **Government of the Swiss Confederation:** Presentation of the comparative advantage of the MDTF was a bit generic so it was difficult to determine which activities to support. Relation between the Government strategy and currently identified pipeline projects needs to be identified. They also requested for a clarification on why the PAC initiative fell under the OAG strengthening project. The SDC is committed to support MDTF until 2018 with its further pledge to be recorded around the 2nd quarter of 2017.
* **Australia DFAT:** An amount of US$ 2 million is committed for now. They will communicate further after June 30, 2016, into the next fiscal year (FY17).
* **Government of Norway:** They thought it was difficult to measure progress in the Phase II strategy and suggested that the pipeline projects should not override the Government strategy and that the Results Framework should guide pipeline projects. They strongly agree with the procurement sub-project, which has already been presented to donors and agreed as well as the OAG II project. They would also like to support the PRAN project but underlined that the National Planning Commission and MOFALD should be involved in the process. The Norwegian Embassy has made a pledge of 15 million NOK from 2015-2017.
* **USAID (United States Agency for International Development):** There is a transition of leadership underway in USAID; so until this is completed, it is not possible offer an exact amount of contribution although in principle they agree and plan to continue their support to MDTF in the future. It was also suggested that there is need to add value to the work and effort of the Government and Nepal and MDTF strategy and project should highlight this.
* **European Union:** The EU has topped up its contribution to MDTF with 3 million Euros, which needs to be spent before 2018. It was also suggested that the option of establishing a new MTDTF in future should be kept open as Nepal Government priorities may change course.
* **International Monetary Fund (IMF):** participated as an observer in the meeting and appreciated the continued relation between the MDTF and the Government of Nepal to improve the PFM system in Nepal.

**World Bank, Country Management Unit:** Bigyan fromthe country management unit noted that the Government of Nepal together with the development partners has come a long way in the PFM reform process. It is now time to think how to move toward the development results. The Government is now preparing its 14th plan making it a perfect opportunity to think how this strategy will challenge the Fiscal Federalism. He also mentioned the need to enhance supply side and demand side and how MDTF can make a difference to fulfilling this objective. He also urged the Government colleagues to think of a strategy to communicate the PFMRP Phase II and other positive results that demonstrate improvement in the system.

**World Bank, Practice Manager:** requested that the draft MDTF Phase II strategy be finalized based on guidance received. For this, the starting point should be the Results Framework, which will be worked on together with the Government. There was recognition of strong support for MDTF by all partners beyond the current closing date until 2022 and its strategic priorities. For funding, Franck Bessette will follow up with individual development partners. The development partners were strongly encouraged to channel their support to PFM reforms through the MDTF.

**Key Agreements:**

(1) The extension for MDTF Phase II until June 30, 2022, has been agreed to by all development partners and the Government of Nepal.

(2) A technical meeting will be organized to finalize MDTF Phase II and funding arrangements (end of June 30, 2016).

(3) Another PCC meeting will be held before summer holidays (end June or early July 2016).

1. **Closing Remarks by Government of Nepal**:

The Government expresses its thanks to the development partners for their commitment and comments. The Government will reprioritize its strategy to get development results so that it will be easier to clarify areas for development partner contribution. It was also suggested that the Government will further expand in the area of social accountability and audit. The Government clearly expects more support from the MDTF partnership and agrees that there should be more focus on development results.

*Enclosed: attendance list, GoN presentation on PFMRP II, presentation on PFM MDTF strategy for phase II*