

Minutes of PCC Meeting, Jan 10, 2019

Program Coordination Committee (PCC) Meeting Nepal Public Financial Management Multi-Donor Trust Fund Thursday, January 10 at The World Bank Office

A PCC meeting was chaired by Faris H. Hadad Zervos, Country Manager, World Bank and Shree Krishna Nepal, Joint Secretary and Chief IECCD, Ministry of Finance. All MDTF partners were present at the meeting including Australian Ambassador Peter Budd. All three key implementing agencies from GoN side also participated.

1. Opening Remarks

Welcome Remarks, Country Manager, World Bank: In his opening remarks, Faris welcomed the development partners, government officials, and all participants. This was his first PCC meeting and he was very much encouraged by the participation of both GoN and DPs. He talked about the approval, effectiveness and speedy implementation start for the US\$ 18 M IPFMRP; the success of Bank's Fiscal and PFM budget support operations for which the second phase for US\$ 100 M should be approved soon. He also mentioned the ongoing Federalism Needs assessment, which government and donors are waiting to contribute key analysis for the federalism transition process, including in its PFM dimension.

Opening Remarks by Joint Secretary (MoF), Shree Krishna Nepal: Mr. Nepal thanked all MDTF development partners for their support and talked about emerging challenges in the federal context. He said that due to implementation of fiscal federalism, now is the right time to revise the PFM Reform strategy. He also mentioned that it will be a good idea to do a PEFA Assessment after three years of implementation of federalism. He talked about the emerging issues and a need for a robust IFMIS system for reporting, accounting etc in order to demonstrate accountability and transparency. He emphasized the fact that FCGO remains the focal point for all PFM reforms within the guidance approved by MoF. He mentioned that the MoF was working with WB on the prior actions of the DPC to meet the triggers on time. He also thanked DFID and USAID in SuTRA implementation.

2. Remarks from Heads of Agencies

DFAT: The Ambassador highlighted the importance of effective governance and good financial management practices in the context of federalism. He commended the work of PEFA Secretariat who is working tirelessly and rising to the challenge of PFM reform which has a huge scope and is moving in a fast pace. He also expressed DFAT commitment to the MDTF this FY with AUS \$ 2.5 Million.

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DFID: Rurik, Head of DFID talked about how important it is to build on what is working, expand and strengthen it to emerging context. He strongly recommended strategic thinking in future around adapting to emerging federal need.

The Swiss Deputy Head of Mission appreciated the integrated PFM project and the recent PFM operation guideline and concept of IT system that has been approved. He highlighted the need at the sub national level for a sound PFM system. Provincial and Local Governance Support program (PLGSP) and MDTF need to complement their effort since PFM is both political and technical. Also, he emphasized on the necessity for good coordination efforts between the upcoming PLGSP, MDTF and GON side. He also expressed their commitment to MDTF and requested for a detail proposal of what additional fund is required and for what purpose. They will then evaluate the proposal in coordination with their HQ.

Norway: The Deputy Head of Mission talked about the positive impact that IT based PFM system can bring on all programs that we collaborate. She thanked WB for keeping Gender as one of the major cross cutting issues and including Gender Responsive Budgeting (GRB) in the Aide memoire of the last implementation support mission to develop guidelines for GRB for province and local levels. She also informed the meeting on a possible Tax for development program in Nepal.

USAID: The Acting Mission Director acknowledge the risk and opportunity in PFM due to transition to fiscal federalism. She was happy to note that SuTRA is now being rolled out to the local GoNs. She talked about complimenting programs and the importance of working together with OAG to strengthen accounting practices, reporting, so that embezzlement of public funds is controlled. Also, to work together to reduce audit arrears and curb corruption.

EU: Head of Finance and Contract acknowledged the huge task and risk associated with transition into fiscal federalism and the need to set basic PFM systems right at the local level. He also welcomed the IPFMRP and the coordination effort made by the MDTF. He talked about the synergies needed between various programs and a strong legal framework to back up this accountability. He also talked about timeliness of budget and its transparency. He suggested that a score of 60 on 100 would be an achievement for Nepal in the budget index and citizen budget and oversight. Finally, he expressed EU's continuous commitment to support MDTF.

3. Presentation on IPFMRP progress by Mr. Sushil Pandey, JS/Coordinator, PEFA:

During the presentation Sushil ji mentioned that the revised project activities will be shared with WB next week. He also shared the good news that an EOI for IFMIS study was published and they have received eleven proposals which is under evaluation. They will send it to the Bank for "No Objection" in two weeks. He presented the IT based PFM system approach where the goal is to capture all PFM functions of all three tiers of GoN. *The electronic presentation is shared with all members of PCC.*

4. MDTF Status and options by Mr. Franck Bessette, PFM MDTF Manager:

Franck had two main objectives to his presentation mainly: a) propose/ reopen discussion on PFM Reform Strategy and b) talk about the complex landscape of PFM support and bring it into a single narrative. He started his presentation by discussing on – going PFM actions and potentially transformative aspects. *This Note is attached to the minutes.*

He also informed the group about Auditor General participation in the annual meeting of the Global Partnership for Social Accountability (GPSA) and participation of OAG in Kuwait INTOSAI capacity development committee bringing international recognition to OAG.

He also mentioned that WB will organize a meeting with Kene, Senior Economist of the Bank to discuss the engagement of the MDTF in the tax policy and fiscal agenda.

He talked about PEFA Assessment which the GoN plans to do after 3 fiscal years of implementation of fiscal federalism in 2020. He suggested that three separate PEFA exercises at the federal, provincial and some municipal level would be good for Nepal. We will start training on the new PEFA framework including the provinces and local GoNs.

5. Closing remarks by Mr. Shree krishna Nepal, JS, IECCD:

Shree Krishna thanked everyone for their active participation in the meeting and encouraged this open dialogue between GoN and DPs. He thanked DPs for their continuous commitment to MDTF and PFM reforms in the country.

6. Closing remarks by Mr. Faris H. Hadad Zervos, WB:

Faris was encouraged by the openness in dialogue by all parties. He said he really enjoyed the positive vibe in the gathering and the support between both GoN and DPs. He informed that WB will soon organize a meeting with all Heads of Agencies to update them on the MFD and DPC progress.

Agreed Actions:

- a. PEFA Secretariat and MDTF management will discuss modalities for updating the PFM strategy (PFMRSP2) with the aim of finalizing it by the end of the fiscal year.
- b. MDTF management will reach out to PLGSP to increase coordination and alignment, taking advantage of MDTF donor members also represented in PLGSP governance structure.
- c. PEFA Secretariat will present a plan for IPFMRP resource reallocation and potential use of additional resources.

attached: attendance sheet and PEFA Sec Presentation, draft PFM Support Status Note, pics