

Minutes of PCC Meeting, June 16, 2017

Program Coordination Committee (PCC) Meeting Nepal Public Financial Management Multi-Donor Trust Fund Friday, June 16, 2017 at Hotel Annapurna

A PCC meeting was chaired by Takuya Kamata, Country Manager, World Bank and Kewal Prasad Bhandari, Joint Secretary, Budget Division, Ministry of Finance. Fily Sissoko, Practice Manager, Governance Global Practice, World Bank also participated in the meeting. All MDTF partners were present at the meeting including Swiss Ambassador Jorge Frieden and Australian Ambassador Peter Budd.

1. Opening Remarks

World Bank, Country Manager: In his opening remarks, Taku welcomed the development partners, government officials, and all participants. He congratulated everyone on the activation of the extension of the MDTF to January 31, 2022. He acknowledged the implementation of the 2015 Constitution and the new situation in which all government and external partners are trying to adapt. He also iterated the fact that PFM systems will be the backbone of the new State and that a lot of the success of what we call the “federalism” agenda will depend on the success of the PFM reform agenda.

World Bank, Practice Manager (Fily): PM highlighted four objectives for the next phase of MDTF: (a) strategic objective of phase II of the MDTF (b) strategic priorities of phase II and requested for feedback from all development partners (c) the importance of the continuation of Phase II of the OAGN and (d) conversation on funding requirement.

Welcome Note by Joint Secretary (MoF), Kewal Bhandari: Mr. Bhandari highlighted notable success in various interventions to improve PFM systems in the country. He thanked all MDTF development partners for their support and talked about challenges that remain He also requested all DPs to complement and not compete with each other when designing their projects. He requested Donors to support the GoN to establish efficient administrative systems for all levels in the federal structure.

2. Remarks from Heads of Agencies

The Swiss Ambassador highlighted the need to improve public investment management and service delivery which are key shortcomings of public resource management in Nepal. Focus on accountability should also be seen a means to improve service and investment delivery. He also stressed on the role of local governments and the design of the flow of funds and its management.

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He talked about the necessary flexibility of DPs' support since there are a lot of arrangements that are adjusting and evolving in the current context. MDTF will have to show adaptability.

DFAT: The Australian ambassador highlighted the importance of effective governance and good financial management practices in the context of federalism. He talked about the constraints and challenges for the local governments and suggested that the investment plan should be better going forward.

Norway: The Head of Governance in Norway appreciated the leadership role of PEFA Secretariat and the harmonization of the PFM systems and its integration in the results framework of the MDTF phase II strategy.

USAID: The Deputy Head expressed their interest in continuing their involvement in the MDTF with an additional support of USD \$ 600,000. He highlighted the challenges in decentralization and the importance of the need for a coherent and efficient financial management information system in place.

DFID: The Head of Governance highlighted the context of federalism and issue of coordination around IT system improvements and also the role of the OAG and its extended mandate.

EU: appreciated the achievements made so far and their satisfaction with their 7.5 million support to the MDTF so far.

3. Presentation by PEFA Secretariat on PFMRP project and way forward, Murari Niraula, PEFA Member Secretary

This program is formulated for ten years with an integrated approach, consulted with all stakeholders and will be evaluated after four years. There is also development and implementation budget of 1.1 million USD allocated for this program in the Red Book. In reply to a question, the PEFA Secretariat confirmed that public investment management is addressed in the activity level of the project. The World Bank appreciated the level of ownership in designing this project and also highlighted the issue of coordination where one platform should be used for PFM reforms. Also the need for sequencing of activities for example the PIM and fiscal decentralization was expressed.

4. MDTF extension, Financial table and Phase II strategy (endorse), Franck Bessette, MDTF Program Manager

The MDTF phase II strategy is a realistic plan for five years designed to support the GoN PFMRP. The strategy has been revised to adapt to the changing context of the country. This is also flexible to adapt to changing context in the future and focuses on five strategic directions:

1. A credible and efficient budget process for central government
2. An enhanced internal and external public resource mobilization framework

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3. Solid foundations for decentralization and increased public spending at federal, provincial and local levels
4. A more efficient public investment management system
5. A PFM system supporting service delivery

MDTF partners, in pursuit of these strategic directions are committed to achieve three main outcomes:

1. Strengthened efficiency and results orientation of the budget cycle at national and sub-national level
2. Increased professional capacity of key PFM Stakeholders
3. Enhanced accountability in Public Financial Management

The strategy was discussed and endorsed at the meeting.

5. Presentation on Office of the Auditor General Project (OAGN II), Baburam Gautam, Deputy Auditor General, OAG

The extended mandate of OAG to audit local level governments was discussed and it was recognized that the OAG needed support in various levels in order to achieve this. The citizen participatory audit which has been developed in the last few years in Nepal has become a reference for other countries. The appointment of the new AG is also encouraging to note. Coordination with SAI Norway was also seen very crucial in the upcoming phase. On the issue of acting upon irregularities, the AG will be proactive and instruct all secretaries to settle irregularities within 35 days. Past these 35 days, the AG will not consider it. It is also not clear how the law / regulations regarding PAC in provincial level will work.

6. Closing remarks by Fily Sissoko, Practice Manager, World Bank

Fily thanked participants for the fruitful discussion and underlined the fact that PFM systems at central and sub-national levels were critical in the upcoming period and that a coherent effort from DPs, under the leadership of the government was necessary.

Agreed actions:

- World bank will insert specific targets on Gender in MDTF-funded projects when it is technically possible and makes sense.
- Next PCC meeting will be held tentatively in September 2017
- The OAGN II and PPMO project will be processed in the coming months
- In July end a PFM mission will be conducted to operationalize the PFM RP2.