

Minutes of PCC Meeting, Nov 7, 2016

**Program Coordination Committee (PCC) Meeting
Nepal Public Financial Management
Multi-Donor Trust Fund
Monday, Nov 7, 2016 at the World Bank Office**

A PCC meeting was chaired by Takuya Kamata, Country Manager, World Bank. Baikuntha Aryal, Joint Secretary, Budget Division, Ministry of Finance; and Kewal Prasad Bhandari, Joint Secretary, PEFA Coordinator, led the government delegation. Fily Sissoko, Practice Manager, Governance Global Practice, World Bank also participated in the meeting. Most MDTF partner representatives, except DFID and Australia were present.

Agenda:

1. Opening Remarks

World Bank, Country Manager: In his opening remarks, Taku welcomed the development partners, government officials, and all participants. He congratulated the Government of Nepal on the finalization of the National PFM reform strategy and the interest it has created among donor partners. He also noted that the reforms under the MDTF is largely demand driven and hence the necessity to sustain these reforms under the second phase of the program.

World Bank, Practice Manager: Fily talked about the success of Nepal MDTF program as this is being replicated in Sri Lanka and Bhutan. He highlighted two objectives for the next phase of MDTF: (a) agree on the scope of pipeline projects and (b) strategic direction for the PFM reform program. He also touched upon PFM in service delivery and associated budget execution bottlenecks. The challenges of fiscal federalism and Donor commitments for the next phase.

Welcome Note by Joint Secretary(IECCD, MoF), Baikuntha Aryal: In his opening remark, Baikuntha Aryal 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 in strengthening a credible budgeting system, instituting audit system reforms, and integrated financial management information system. 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 and to do so agree on broad areas to work and welcomed all DPs to monitor results.

2. Status of extension of MDTF

This has been approved by the Country Director and has now gone to the RVP (regional Vice President) for her approval. In parallel Bank's lawyers are working on respective Administrative Agreements (AAs) with the donors. Franck requested all donors to let World Bank initiate and sign these.

Minutes of PCC Meeting, Nov 7, 2016

Franck Bessette, Manager of Nepal MDTF will finalize the MDTF phase II strategy once donors send their comments focused on the results framework. Then, a technical meeting will be organized to finalize it.

3. Donor Pledges for the second phase and plans for PFM support

The response of various Donors and participants is recorded as follows:

- **Government of the Swiss Confederation:** Switzerland can communicate the commitment of funding for next phase by end of December only. Before that they need the approved strategy and result based framework for next phase.
- **Government of Norway:** They are awaiting approval of the cost extension. They will commit 1.2 million \$ next year and 0.6 million for the following year. Total of 4 million Euros until 2022.
- **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 to offer an exact amount of contribution although in principle they agree and plan to continue their support to MDTF in the future.
- **European Union:** The EU is waiting for a request letter from the GoN. If this request does not come to them before Dec 6 then the money will be lost.

4. Status of pipeline projects: PROCUREMENT, SOAG, MFM TA, PRAN (TTLs)

- a. Zafrul presented on the procurement project. Everyone agreed on the importance of this initiative and EU responded if anyhow we could bring the Ministry of Education (MoE) to it.
- b. Akmal presented on the OAG project: the appointment of AG was discussed. Also the mandate of the OAG has increased up to VDC level. Everyone recognized the need to support capacity of the OAG in the federal context. Reconstruction audit was also discussed.
- c. Roshan reported that the gap studies are ongoing from the experience of Phase I. Phase II will implement all the discussions of Phase I focusing on policy reforms. PETS in health is being planned around first week of December. He also talked about institutional process point of view what reforms can help capital expenditure; fiscal response budget management Act – designing of the FF framework without disturbing the existing structure in place; looking at revenue with existing tax codes and holistic review of all the codes.
- d. Anjalee informed that the Demand side of MDTF team is busy harvesting the results of the program interventions. She also informed that the consultative meeting with government, donors and other likeminded organizations will take place early December 2016. The whole purpose of the workshop will be to design the new phase of the demand side component, in relation with government's priorities and strategic directions.

Minutes of PCC Meeting, Nov 7, 2016

5. Implementation of PFM National strategy and short term priorities

Kewal presented on the PFM national strategy and the fact that the PEFA steering committee (19 October) emphasized the need of a holistic programmatic approach instead of a piecemeal approach. This would help avoid the risk of duplication. He also stressed the importance of a strengthened communication. He finally highlighted the importance of sustainability of TSA and RMIS.

6. Closing remarks

World Bank, Practice Manager: Fily requested the team to work on the finalization of the MDTF Phase II strategy and its results framework. Thanked both GoN and DPs for the approval of the PPIP project. He noted the need to continue reforms under SPFM. He also noted the issue of communication which GoN raised. He assured all partners that even more frequent meetings will be organized to solve this issue. He confirmed a VC meeting in December to discuss update on all the agenda items that was discussed during the meeting. The GoN thanked DPs for their contribution and support.

Key Agreements:

- (1) The extension for MDTF Phase II until January 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. DPs to send their comments by Nov 18.
- (3) Another PCC meeting with Fily will be organized in the coming months to get an update on all issues discussed in the PCC meeting.

Enclosed: attendance list, GoN presentation, presentation on OAG , procurement projects , CSOs