

Minutes of PCC Meeting, Sept 6, 2019

Program Coordination Committee (PCC) Meeting Nepal Public Financial Management Multi-Donor Trust Fund Friday, September 6, 2019 at Hotel Royal Singi

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

1. Opening Remarks

Welcome Remarks, Country Manager, World Bank: In his opening remarks, Faris welcomed the development partners, government officials, and all participants. He mentioned this as an important meeting because there was a need to discuss the future of the PFM MDTF. The closure date of the fund is now set to 30th of January 2022. He mentioned the need to discuss potential additional funding for this phase and potential additional interventions. He also briefly discussed on where we are now in terms of the PFM reform agenda.

The IPFMRP (Integrated PFM Reform Project)'s implementation has been a bit slow in the first year but now all key procurement notices have been issued. He mentioned three major contracts which have been signed and for which activities are starting now, namely: (i) PPMO with ITC-ILO on procurement capacity building; (ii) OAG contract with Ernst & Young, India and (iii) contract for IFMIS study with PWC, India. All other contracts in the project are already advertised such as for NPSAS (public sector accounting) and the PFM training needs assessment etc. All this will better reflect in the disbursement of the project.

He reminded everyone that this MDTF puts the government in the driver's seat on the PFM reform agenda. It ensures alignment of donors around government priorities. This does not mean that interesting and even useful PFM engagement cannot happen outside the MDTF but it means that even more harmonization is needed across this area.

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 many challenges remained but also acknowledged some of the progress and joint efforts made by GoN and DPs. He talked about enhancing audit side and low capacity of making procurement decisions and weak contract management. He recognized that implementation of IPFMRP activities were slow which is why

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the disbursement was low. New intervention like the PLGSP (provincial and local governance support program) which was signed recently gives an opportunity to MDTF to further conceptualize their future area of interventions and for all PFM interventions and programs to coordinate and align with government's priorities.

2. Presentation on IPFMRP progress by Mr. Ramesh Shiwakoti, JS/Coordinator, PEFA:

Ramesh ji made a presentation on overall IPFMRP implementation status and started with two important updates on (i) SuTRA – 617 municipalities and rural municipalities have prepared budget using SuTRA. GoN is working together with DFID and USAID for developing additional modules and upgradation of the system. He also updated that reporting for last FY (for all local bodies) will be done for all three tiers of GoN. The DTCOs will help local bodies to feed data. This report has to go to the office of the Auditor General. (ii) He also mentioned that provincial LMBIS (line management budget information system) and other systems like RMIS (revenue management information system) etc was also done by provinces. He shared his satisfaction that most procurements under the project were either signed or issued.

The electronic presentation is shared with all members of PCC.

3. Presentation on Extension of MDTF by Mr. Franck Bessette, Program Manager

Franck had two main objectives to his presentation mainly: a) Extension of the MDTF and b) concept note which will be an opportunity to discuss potential activities that would be funded when additional pledges (EU, Swiss and potentially DFID) are decided and made available. This concept note will be a basis for all DPS to talk to their HQs to back up the extension of MDTF.

First, the extension of the closing date of the MDTF will have to be approved by the PCC and processed administratively. Second, pledges from Swiss and the EU will have to be transformed into administrative agreements. Third, an internal assessment from DFID will decide whether the top-up will be made available; and fourth, at least an agreement on the general outline for future engagement will have to be agreed between MDTF partners. The size and scope for future engagement will depend on how many of these conditions will be met. Finally, a concept note will be drafted and presented by December this year outlining possible areas of intervention which is stated in the attached note.

He requested all donors to stay patient with World Bank while carrying out the administrative process for the extension and requested their support as usual in the past. Also, in terms of coordinating with other stakeholders outside MDTF he talked about reviving the PFM Donor group which consists of UNDP, GIZ, ADB etc.

He also recognized the need to speed up implementation of the activities and remained assured that the figures will be encouraging in the future as well as the progress.

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(Note is attached to the minutes)

4. 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 joint work of PEFA Secretariat and World Bank working in a challenging environment of PFM reform. He expressed the importance of including gender inclusive lens for effectiveness and principally agreed in the extension of the MDTF.

DFID: Head of DFID talked about their commitment and interest in PFM in Nepal. She urged the GoN to spend money quickly and wisely as this has a big VFM implication. Delays in implementation means missed opportunities. She emphasized on the need to coordinate and complement efforts as PLGSP is also just signed with GoN. DFID will carry out internal evaluation of MDTF June 2020 and said they are happy to consider the concept note mentioned by MDTF Manager.

The Swiss: Senior Program Officer emphasized the need to speed up implementation especially at SNG level. He highlighted the fact that the report from OAG shows alarming audit arrears and the importance of working with PAC to help capacitate them prepare an action plan in order to address the issue. He also talked about working with SNGs on aspects such weak contract management etc. He supported the extension of MDTF principally and that they have allocated 3 million Swiss Franc which will be confirmed after presentation of concept note with details. He also talked about the importance of complementarity with PLGSP and FCNA (federalism capacity needs assessment) report.

Norway: The Deputy Head of Mission appreciated the leadership taken by the Ministry of Finance regarding PFM reforms. She noted that the programme has made progress over the last 12 months. The Norwegian Embassy will pay close attention to progress and financial needs given the current low utilization of funds and the Embassy's commitment to disburse funds in 2020 and 2021. She informed that the Norwegian Embassy is not able to commit additional funds to the trust fund beyond what has already been committed. She understood the need for extension of the programme. Norway will however have to look into possible technical implications this may have.

She requested to continue to include Gender as one of the major cross cutting issues.

She also informed the meeting that Norway is discussing with the Inland Revenue Department about a possible technical collaboration on tax administration.

USAID: The Acting Mission Director acknowledge the role of MDTF which provides strategic platform for DPs to coordinate on PFM reforms. She talked about complimenting programs and

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the importance of coordinating with MDTF. She urged the need for MOF to share the findings of the FCNA report with DPs which will in turn help donors prioritize their focus. She also appreciated the coordination between MDTF and USAID PFMSP program.

EU: Head of Cooperation welcomed the coordination effort made by the MDTF. He talked about the synergies needed between various programs and now PLGSP which EU is a part of. He expressed EU's continuous commitment to support MDTF and principally agreed on the extension.

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. He recognized the need for complementarity between MDTF and PLGSP along with the findings of the FCNA report. He underlined the necessity for the IPFMRP, before getting to the critical stage in the preparation of a new intervention, to demonstrate results.

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

Faris agreed with MoF and said that the delays in implementation was necessarily slow due to roll out of federalism. But moving forward, MDTF which has been led by the GoN has been an extremely useful vehicle which needs to continue. The concept note will have to tell an overall storyline of where we stand in the PFM reform in the country. Coordination with PLGSP, other bilateral efforts, FCNA will need to stay as key proposition in future.

7. Key agreed actions

- Revive the PFM donor group between PFM MDTF, PLGSP, ADB and other potential DPs.
- Start immediately the administrative process of extending the closing date of the PFM MDTF until January 2026
- Prepare a concept paper delineating the potential areas and modalities of engagement for a future operation to be submitted to PCC by December end.

attached: attendance sheet and PEFA Sec Presentation, Note to PFM MDTF PCC Meeting, pics