

**Nepal Public Financial Management (PFM) Thematic Working Group Meeting
December 10, Tuesday, 2019 at WB Office**

The meeting was chaired by Egbert Pos, DFID and Franck Bessette, World Bank. The last PFM TWG meeting was held on May 3, 2017. The objective of the PFM TWG meeting is to share knowledge in the area of PFM and harmonize donors support for PFM in Nepal. This particular meeting was focused on reviving the group as decided in the PCC meeting in September 2019. The value addition of this group in addition to other groups such as federalism working group, macro fiscal group under overall IDPG group was also discussed. While doing so, the group was also cautious of the fact that our counterpart in the GoN is limited and that we do not want to overwhelm them. In future meetings, the GoN representatives will also be invited as appropriate. Everyone agreed that the need for concrete coordination is crucial and as a first step the group has decided to update the Donor mapping exercise. Colleagues from UNCDF and GIZ were also present in the meeting while ADB, SDC and DFAT were not able to join.

**The list of attendants is in the Attachment.*

Agenda

1. Donor Mapping Exercise in PFM

WORLD BANK:

(1) PFM MDTF was created in 2010 after first PEFA assessment in Nepal. It has strong ownership from the GoN side. Initially MDTF funded several PFM projects which mostly focused on FCGO and smaller grants with MoF, NPC and OAG. In 2017, when MDTF was entering its second phase, the GoN requested for an integrated project where PEFA secretariat would coordinate and manage different Implementing agencies (IAs). Hence, the IPFMRP (18 million USD\$) project was created. Now we are preparing additional financing of IPFMRP which while strengthening federal system is also geared towards sub national level (provinces and local GoN)

(2) Development Policy Credit (DPC): this is in the form of budget support on policy level. <https://projects.worldbank.org/en/projects-operations/project-detail/P160792?lang=en>

(3) PEFA Assessment – MDTF DPs feel now is the time to do another assessment. PEFA colleagues from Washington DC also visited Nepal in November 2019 and trained various GON officials and DPs in Kathmandu, Nepalgunj and Pokhara on new PEFA framework. We would like to continue to train PEFA officials within Nepal. Also, the supplementary PEFA GRB framework was shared with all participants. The WB team is also working on a separate municipal PEFA in Nepalgunj, the draft of this is expected soon.

(4) Federalism Platform: working on tax policy at sub national level. They are working with NNRFC (micro fiscal) funded by existing grant from MDTF. We are also waiting for the final draft of the IFMIS study.

United Nations Capital Development Fund: UNCDF is working with the sub national level and local GoN planning and budgeting procedures. They work with TDF (town development fund) on municipal finance program and are currently working with 15 pilot municipalities. They are also doing a pilot credit worthiness assessment and are waiting for the updates of the findings of the FCNA. UNCDF will share the summary of the credit worthiness assessment. They also informed the group about study done by CIA and will share it with all DPs once translated. <https://www.uncdf.org/nepal>

GIZ: GIZ is engaged with IRD Nepal over two decades working on Tax (Revenue Administration Support project) which ends in April 2021. This is a 2.4 Million euros project funded by (BMZ) Federal ministry for economic cooperation and development. The project has 4 different outputs: (1) Enhancing the audit capacities of tax officers (2) Measures to reduce taxpayer's compliance costs (eg. Electronic payment systems; access information easier)- they recently held a training for tax payers for SMEs with collaboration with FNCCI. (3) Improvements in IT security (4) Public discussions about the Unified Tax Code, this is Policy oriented and involves more legislative work. In future, GIZ plans to work in municipal level tax work including provinces and sub national level. Apart from this, Capacity development support to Governance (CD- SG). Details of the projects can be found in the below link.

<https://www.giz.de/en/worldwide/17876.html>

<https://www.giz.de/en/worldwide/35624.html>

DFID: Apart from engaging in PFM MDTF and PLGSP; DFID has a project on PFMA2 (working with crown agents) and does fiduciary risk assessments for their own programs. More details can be found below:

<https://devtracker.dfid.gov.uk/projects/GB-COH-03259922-106206>

European Union (EU): EU is involved in PFM MDTF and PLGSP. EU is also involved with UNICEF and is creating synergy between PFM and social protection as well as PFM for Children. EU uses the budget support tool to put funds directly into the National treasury of Nepal. PFM Reform improvement is a critical criterion in order for EU to justify their funding.

USAID: Apart from PFM MDTF, USAID has its 15 million 5-year program called PFMSP. This ends in August 2021. Component (1) Finance and FCGO (where major work is LMBIS improvement; SUTRA roll out and MOF data Security strengthening. Component (2) Procurement and internal control – they are developing school accounting system which will eventually link up with SUTRA. Component (3) customize TABUCS where USAID is also a partner in the MDTF which works with NRA (national reconstruction authority). They are helping in reporting and accounting in reconstruction and recovery activities.

<https://www.usaid.gov/nepal/fact-sheets/public-financial-management-strengthening-project>

NORWAY: Norway is supporting the PFM MDTF and PLGSP. From 2008 and up to the end of 2018, the Office of the Auditor General (OAG) of Norway had a technical cooperation with the OAG of Nepal. In addition, the Norwegian Tax Administration (NTA) and IRD Nepal are currently in dialogue on a possible

technical cooperation on tax administration. Two scoping missions from NTA Norway have so far been carried out.

2. Ideas on how to revive the group and link up with GoN:

The idea is to meet quarterly in order to effectively revive the group. In the meantime, it was agreed that relevant GoN representatives (PEFA Secretariat and other IAs) would also be invited in future meetings where appropriate. Sequencing of these meetings will also be key. Everyone will share on a regular basis any news/ translated documents etc that is relevant for the group by emails. Most of this information will be collectively put up on MDTF website.

<http://mdtfpfm.org.np/>

3. Provincial and Local Governance Support Program (PLGSP) Update:

An update was provided by Raj Kumar (Norway). PLGSP activities mainly under the PFM component of 9 million USD is as follows: (1) PFM related activities in provincial and local level such as SUTRA implementation and roll out and institutionalization of SUTRA is mentioned. Training will be given to local GoNs from 1st year. Gender budgeting is also a big chunk of this program (both in province and local level) and overall framework is being discussed. There is no resistance from MOFAGA on this. There is also local level revenue improvement action plan. Also, the local GoNs will identify their PFM related needs. LISA (local institutional self-assessment) tool will be used. The FCGO will lead the overall PFM component.

4. Discuss possible agenda for future meetings:

Some of the key items were:

- World bank draft report of the Nepalgunj municipal PEFA will be shared soon.
- Start the donor mapping exercise and discuss this in the next meeting.
- Share any studies or translations that is relevant to this group.
- World Bank has offered its co-chairmanship of the group to any other agency that may be interested or at least to open a discussion on this.

5. AOB:

Joint Field Visit will be organized around February 2020.