

**Semi-Annual Program Coordination Committee Meeting**  
**Nepal Public Financial Management**  
**Multi-Donor Trust Fund**  
**Friday September 12, 2014 at the World Bank Office**

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**Meeting Minutes**

The meeting was chaired by Takuya Kamata, Country Manager for Nepal who welcomed the government counterparts, development partners (DPs) including the new MDTF partner - the Government of the Swiss Confederation and World Bank Group (WBG) staff. He gave a brief overview of the agenda, introduced Fily Sissoko (Practice Manager, Global Governance Practice) and welcomed H.E. Mr. Urs Herren, ambassador of Switzerland to Nepal, Financial Comptroller General (Shankar Prasad Adhikari), PEFA Secretariat Coordinator (Dilli Ram Sharma) and the PEFA Secretariat Under Secretary (Baburam Subedi). Representatives from the Swiss Confederation, Norway, EU, DFID, Denmark and Australia (DFAT) were also present. USAID representative attended the PCC as an observer. From Nepal Country Office, the MDTF Program Management Team, the CMU representatives and Task Team Leaders (TTLs) of various activities and programs attended. Winston Percy Onipede Cole, Senior Financial Management Specialist of the World Bank (who would be taking over the MDTF Program Management and will be stationed in Nepal Country Office effective January 2015) was connected through VC to the Nairobi Office. The list of persons who attended the meeting is attached.

**Presentation on PFM MDTF progress**

The Practice Manager Fily Sissoko provided an overview of the work program implementation progress since the last PCC (presentation is attached). Overall there has been good progress and several key results have been obtained as detailed in half yearly progress report. An update was provided on the status of nine key actions agreed during the last PCC meeting. Out of these actions, two were outstanding: the impact evaluation on Treasury Single Account (TSA) and decentralization of Program Manager.

Fily mentioned that Winston will be the new Program Manager who will be based in Nepal. Winston has an extensive experience working on PFM projects in countries like Nigeria, Kenya, Sudan and other countries in East Africa.

Fily highlighted other changes to the MDTF staffing. Leslie Isao Kojima, TTL of Strengthening Office of the Auditor General Project (SOAGP) will be retiring effective October 1, 2014. Manoj Jain, Lead Financial Management Specialist and TTL of Strengthening PFM system (SPFM) project will be taking over as TTL of the SOAGP. Manoj will also be the interim program manager for MDTF until Winston is on board sometime in January 2015, after which the tasks will be reallocated.

Fily highlighted salient features of the progress under each sub-project of MDTF. The financial status of MDTF is as follows (Detailed financial position is attached):

- Total Pledges received is US\$ 17.6million; total funds received is US\$ 14.7 million;
- Total funds committed is USD \$11.4 million; total funds disbursed is US\$ 7.2 million;
- Uncommitted Funds amount to USD \$ 3.3 million;
- Expected further cash inflow: Out of pledges received till August 31, 2014 - USD 3.1 million (EU); and new pledge from Swiss CHF 3.0 million<sup>1</sup>.

Fily informed about the recent request from government to revise the Results Framework for SOAGP (few results indicators need revision due to absence of parliament for a long time and revision in design), which will be processed soon.

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<sup>1</sup> Government of the Swiss Confederation: first tranche of CHF 1 million following effectiveness of the AA; CHF 1 million on or before February 28, 2016; and CHF 1 million on or before February 28, 2017. For EU, a second tranche of EUR 1,800,000 and final tranche of EUR 450,000.

Fily expressed the need for the program to have close monitoring in next few months as PFM reform strategy for Nepal Phase II is prepared (post PEFA report) and work program is accordingly configured.

He highlighted the way forward as:

- Processing of Additional financing of two sub-projects (SPFM and Demand side)
- Preparation of PFM reform strategy Phase II (action plan) based on the PEFA findings; and drafting of future work program accordingly.
- Revision of the MDTF Results Framework.

#### **Agreed Actions**

- Share MDTF Mid-Term Review report with donors – by October 15, 2014.
- Initiate the process for revising/updating the Results Framework of SOAGP – by December 31, 2014
- Updated future work program to be presented in the next PCC meeting.

#### **Presentation of the proposal for additional financing on the Strengthening of the PFM Systems project (TSA)**

Manoj presented on the main activities to be financed through the Additional Financing. He also mentioned that the inception report was shared earlier with DPs and that he hopes to get an in-principle approval. He reported progress under each component of ongoing project and work accomplished. The presentation is attached.

The proposed additional financing will help consolidate and leverage the TSA outcomes and help the system achieve sustainability. As functional and business processes were streamlined under ongoing project for implementation of TSA concepts, activities under additional financing will concentrate on higher level functional rollouts in respect of revenue management, commitment management and hardware/networking to help implement full functionalities of a core TSA system in a sustainable manner. A significant challenge in the project is concerning skilled IT staff at the FCGO. FCGO confirmed that it will be creating the new IT positions and initiate hiring of IT consultants<sup>2</sup> as agreed shortly to fulfill the appraisal condition.

The group discussed that there was a need to enhance focus on substantive PFM capacity building and training which would need to be incorporated into the AF. The team noted the need to keep in mind the absorptive challenges and sequence the activities accordingly.

The FCG confirmed and noted the importance of the issue of sustainability beyond five years but assured the group that the government will be in a position to sustain this project. The FCGO also confirmed that TORs for a consultant conducting the impact evaluation of TSA has been finalized and the hiring process has begun.

#### **Agreed Actions**

- In-principle approval was provided to the proposed additional financing.
- Further due diligence to be conducted on project costs with sequencing and new activities as suggested above.
- Proposed Pilot activity related to Computerized Government Accounting System (CGAS), the accounting system at spending entity level, will be coordinated with MoFALD
- Concept Note to be drafted by November/December 2014
- Circulate the concept note for review and endorsement by PCC
- Appraisal by December 2014/January 2015
- Signed and effective by February 2015

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<sup>2</sup> Given the market conditions and skills required, the team will also evaluate if it is more effective to hire a firm of IT consultants rather than individual consultants.

## **Presentation of the proposal for additional financing on Strengthening Civil Society Use of Social Accountability Tools to Improve Public Financial Management in Nepal**

**Background:** During the January 24, 2014 PCC meeting, the MDTF donors requested the team to prepare, under the demand side, a three years plan instead of the one year plan that was presented to the January 24 meeting. To reply to this request, the team prepared a Concept Note that presented the project objectives for 18 months for USD 1.5 million and for three years for USD 3 million. The PCC in principle endorsed approval for the proposal of the demand side for USD 1.5 million.

Luiza A Nora, TTL of the demand side project presented main activities to be financed through the additional financing. She mentioned that the proposal has been discussed in advance with the group. She presented the achievements under this project.

Under the additional financing, PRAN will deepen the work in the current 10 districts and expand to 5 new ones. The demand side will continue to support activities with OAG, carry further studies on entitlements, disseminate results and use it in conversation with VDCs. Luiza also mentioned that the team would partner with staff college on capacity building for civil society and government representatives. The way forward would be to strengthen the collaboration with LGCDP and MoFALD and continue working at the national and local level (district and VDC), with a big focus on dissemination of results. PRAN will continue working with the PEFA secretariat and would also look into developing linkages with NPC.

### **Agreed Actions**

- The task team will revise the concept note further detailing the individual activities and include results that will be obtained under the AF of USD \$1.5 million.
- Strengthening and developing a robust results/outcome framework of the project at a holistic level; developing entry points with LGCDP II/MoFALD ; Coordinate with MoHP and MoE on PETS; Incorporating gender and social inclusion issues (all to be incorporated in the proposed design).
- Establishing linkages with TSA<sup>3</sup> and the supply side work under the PFM MDTF. Will share the results obtained/proposed with PEFA Secretariat to enable sharing with . National PFM Steering Committee.
- Demonstrating how the demand side could be scaled up and provide a timeline in the concept note
- PRAN will ensure visibility of all the MDTF donors in its publications
- PRAN will provide a revised concept note by October wherein it would be virtually reviewed by the PCC.

### **Briefing on the Public Expenditure and Financial Accountability (PEFA) Assessment**

Baburam Subedi, Member Secretary to the PEFA Secretariat, presented the preliminary results of the repeater PEFA assessment. He briefed the group on the process and mentioned that there were five iterations of the PEFA report. A similar briefing session was held at the Ministry of Finance for DPs earlier this week. While providing an overview of the indicators and ratings, he also highlighted the reform areas. He requested the World Bank to proceed with the Quality Assurance process. He informed the group that the Finance Minister has been briefed on the findings of this assessment. The presentation is attached.

### **Agreed Actions**

- Complete internal review by the end of September.
- Share the draft report with PCC after WB's internal review and PEFA Check (Full Quality Assurance)- by October 31, 2014
- Prepare for a decision meeting after the report has been reviewed – November 30, 2014

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<sup>3</sup> One option - as budget and the expenditure reports are now available online, they could be used as a tool for raising demand side awareness and enhancing accountability.

- Consider pilot testing the future PEFA indicators after completing this PEFA assessment. PEFA secretariat, Washington DC is committed to putting resources to pilot it.

### **Proposed future actions of the second phase of the PFM reform Agenda**

Dilli Ram Sharma, Joint FCG and PEFA Secretariat Coordinator presented on the reform scenario and agenda. The presentation is attached.

He informed the group that this draft reform plan will be complete by December 2014 and requested for feedback from DPs. The PCC requested for constituting a technical working committee for the PCC.

### **Agreed Actions**

- Establish a technical level working group/committee which meets regularly to discuss all technical issues in projects and their progress, in advance of the PCC, to enable more discussion on technical issues which can then feed into the PCC. First of such meeting could be planned for technical review of revised CN of the supply side project.
- Put in place a PFM reform action plan by March 31, 2015.
- DPs to provide feedback on the PFM reform Agenda as shared.

### **Closing remarks**

**Shankar Prasad Adhikari**, FCG welcomed the new Country Manager of WB and appreciated the remarkable achievements made in PFM. He thanked the World Bank and all DPs for supporting the MDTF. He highlighted some future areas of investment as: investment in second phase PFM reform, institutional capacity development of PFM, internal control and internal audit system reform and accounting system reform (implementation of Nepalese Financial Reporting Standards, Nepalese Public Sector Accounting Standards and CGAS). He requested DPs for their continued support.

**Takuya Kamata**, Country Manager for Nepal, thanked the government and DPs. He mentioned that this was the first time chairing the PCC and that he was impressed with all the achievements made by the GON. He also requested DPs for their continued guidance and suggestions. He thanked the DPs for all ongoing and future contributions. As suggested during the meeting, he agreed that the Team will work on (i) enhancing MDTF's visibility in all public material produced under the PFM MDTF, and (ii) creating a common logo for MDTF before the next PCC meeting.

### **Next Meeting**

The next PCC meeting is tentatively planned for March, 2015.