



Government of Nepal

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MINISTRY OF FINANCE
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Nepal Portfolio Performance Review (NPPR) 2009 **Result-based Management for Portfolio Performance and Development** **Effectiveness**

Government's Commitment and Next Steps

Background:

The Government of Nepal (GON) has been taking a lead on the Nepal Portfolio Performance Review (NPPR) since 2006 as a process of harmonization of portfolio review exercise in close partnership with four of its development partners: Asian Development Bank (ADB), Department of International Development (DFID), Japan International Cooperation Agency (JICA), and the World Bank (WB). In line with the 2005 Paris Declaration and the 2008 Accra Agenda for Action, which put emphasis on development results, the portfolio review exercise is expected to be gradually harmonized with inclusion of more development partners in the process. Although four development partners as specified are closely collaborating, the GON has invited other development partners to participate in the review exercise. This year there were significant number of other development partners who participated in the review, and these included SDC, DANIDA, UNDP, Finland to name a few. This year, the GON decided to focus on the theme of Result-based Management for Portfolio Performance and Development Effectiveness to take this forum as a major point to achieve development results in order to accelerate service delivery to people by effective and efficient utilization of the budget. The leadership taken by GON in portfolio review exercise is a test and a challenge to integrate the portfolio review exercise with the review of overall development performance focusing on outputs as well as outcomes and important policy announcements.

As part of broad theme of achieving development results, the NPPR 2009 focused on four major areas: (1) Reforms in Budgeting System, (2) Improving Human Resource Management, (3) Strengthening Monitoring and Evaluation System, and (4) Improving Project's Quality at Entry.



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The workshop discussed on these themes and a number of realistic actions emerged from discussions both for the short-term that are implementable and are under the control of bureaucrats, and for the medium to long term that require attention at the political level and that relate to systemic changes. For the purpose of monitoring, it was decided that only short-term actions that can be completed within one year will be included in the Action Plan. Each theme will include no more than three measurable actions. These actions as agreed and endorsed by NPPR 2009 are attached to facilitate to monitor them as core development agenda for reforms in portfolio management aiming to achieve portfolio results.

Rationale and Aims

This participatory approach, in line with the Paris Declaration on Aid Effectiveness, aims at:

- (a) managing and implementing the projects and programs in a way that focuses on the desired results and uses information to improve decision-making;
- (b) ensuring that NPPR becomes a GON driven process with its full commitment and ownership of its development projects and programs;
- (c) strengthening the linkages between national development strategies and annual and multi-annual budget processes.
- (d) allocating the available resources to activities that will contribute to the achievement of the desired results;
- (e) manage for development results by placing sharper focus on outcomes, strengthened project and /or sector management and administration
- (f) ensuring support from both the top and operational levels for the smooth implementation;



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(g) ensuring the consent from development partners to link country programming and resources to results and align them with effective partner country performance assessment frameworks, and discouraging them from requesting the introduction of performance indicators that are not consistent with country's national development strategies.

(h) Ensure better exchange of information and knowledge among the partner agencies.

Mission Statement:

In line with the Paris Declaration and Accra Forum on Aid Effectiveness and strengthen Nepal's policy framework and system and move on to the direction of managing and implementing the projects and programs in a way that focuses on achieving the desired results, focus will be made on establishing a firm ground to move towards the results based management culture in order to improve the portfolio performance and achieving development effectiveness in a sustainable way.

Related Actions on Key Areas

Reforms in Budgeting System:

- Constitute a Technical Working Group with representation of major stakeholders to prepare a policy framework on longer term budgeting process focusing on results. The policy framework will be coordinated with the preparation of the next 3-year Plan.
- Implement the policy of budget surrender and provide assurance for additional budget in the following FY to reciprocate with the surrendered savings.
- Implementation of MTEF and determine appropriate budget ceiling.



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In this regards, the following principles will be adopted:

- Move towards the Medium-term budgeting with timely Project/Program approval by NPC.
- Advance Preparation of Sectoral targets/output indicators, approval and budget allocation; responsibility to be entrusted to respective ministries for preparing a Consolidated Disbursement Plan and a Consolidated Procurement Plan (based on master plan and annual plan)
- Stop the resource holding practices
- Advance the budget cycle and budget approval process to ensure that the first trimester period can be used productively for implementation.

Improving Human Resource Management:

- Create a Working Group to identify key HR issues and support HR reform at central and local levels, based on the findings in a joint review and other preparatory works.
- Ensure that the Civil Service Act is strictly followed adhering to the principles that at least two year rule is applied to all project staff for transfer.
- Operationalize and update Personnel Information System (PIS) to enable an effective M & E system to monitor personnel management practices.
- Introduce performance based incentive system in projects based on agreed results.
- Ensure the system of skill inventories for the specialized services among civil servants.
- Propose to set the theme of NPPR 2010 on "Effective Human Resources Management"



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In this regard, the following principles will be adopted:

- Any position in the Project will not remain vacant for more than 3 months.
- In case of transfer, confirmation of a new appointee will be made prior to or on the transfer and overlapping for 3 weeks by the new appointee will be ensured and smooth handover and takeover will take place as required by the Law.
- Project Chief will be appointed during the preparation of a project, and his/her continuity will be ensured during implementation at least for two years as mandated by the Law.
- Prior to effectiveness, all key Project Staff as agreed during negotiations will be appointed or deputed. This includes procurement staff, financial management staff and M&E staff.

Strengthening Monitoring and Evaluation System

- Prepare national level M&E Plan
- Prepare sectoral M&E Plan
- Ensure budget provision for M&E for sectors
- Prepare M&E guidelines
- Organize bi-monthly progress review meeting on implementation of M&E Plan

Following principles will be adopted:

- High priority will be given to ensuring M&E system in all projects and sectors.
- Adequate resources will be provided to ensure the implementation of M&E system.
- Sectoral level M&E plan will be prepared on the basis of experience learned from the SWAP sectors (education/health), possibly to roll out to some of the sectors like rural roads and rural water.



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Improving Project's Quality at Entry

- The Project Readiness Filter as revised during NPPR 2009 (attached) has been endorsed. This will be closely monitored both by the government and the development partners.
- Special Budget Basket (with a separate code) will be defined for all Project Preparation under MOF, and provide budget from this code to the requesting agency as agreed with the line agency and the donor.
- At the time of pre-appraisal, budget needs will be identified, discussed and agreed between line agency, donor and MOF and reflect in the Red Book so that funds are immediately available during implementation.

Following principles will be adopted;

- Quality of project preparation will not be compromised. Government will release funds from its own resources for project preparation and where there is retroactive financing dialogue, funds will be released for such purpose.
- Steps will be taken to establish and strengthen Social and Environmental Unit in relevant line ministries and departments; and Local Bodies - and ensure adequate resources.
- Steps will be taken to streamline and simplify the approval process of Environment Assessment.
- Steps will be taken to approve the Resettlement Policy and prepare draft Legislation.

Next Steps

To monitor the implementation of the Action Plan adopted by NPPR 2009, GON will undertake the following steps:



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- There will be four champions identified to coordinate the implementation and report progress on identified action on the four key areas. Ministry of Finance (Budget Division) will lead the results based budgeting in consultation with NPC and line agencies. Ministry of General Administration and Financial Comptroller General's office will lead the human resources related actions. National Planning Commission will take a lead role on M& E activities and Ministry of Finance (FACD) will coordinate for the project's quality at entry matters.
- The core team will engage proactively with the Champions in the follow up through regular reviews.
- In order to move towards a more strategic results-based system, a small technical working group will be established soon after endorsement of this paper to prepare a concept paper with detail action plan.
- The implementation progress review meeting will be held in March, 2010 in Ministry of General Administration. The meeting will be organized by MOGA and facilitated by MOF (FACD).
- Ministry of Finance will monitor, consolidate and present the progress on the next NPPR meeting.
- For future NPPRs, the government and the development partners will also work towards embedding of a truly mutually accountable framework.
- Next NPPR meeting will be held in August, 2010.