

NEPAL PORTFOLIO PERFORMANCE REVIEW (NPPR) 2008

Strengthening Country Systems for Improved Portfolio Performance

Government of Nepal's Vision 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 for International Development (DFID), Japan International Cooperation Agency (JICA), and the World Bank (WB). In line with the 2005 Paris Declaration and the recent 3rd High Level Forum at Accra on Aid Effectiveness which put emphasis on building a credible country system and all donors to align their aid assistance with such system and institutions of the country partners, the portfolio review exercise is being 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, the GON has decided to focus on the theme of Strengthening Country Systems for Improved Portfolio Performance to take this forum as an entry point to strengthen the country system in order to accelerate service delivery to people by effective and efficient utilization of the budget. Improvement in overall portfolio performance is critical for effective budget implementation and to achieve Nepal's development agenda. The leadership taken by GON in portfolio review exercise is a test and challenge to integrate the portfolio review exercise with the review of overall budget performance focusing on outputs as well as outcomes, and important policy announcements.

As part of the broad theme of building a credible country system, the NPPR 2008 focused on five major areas: (1) Results-based Management, (2) Public Financial Management, (3) Public Procurement Management, (4) Monitoring and Evaluation Systems, and (5) Aid Effectiveness, Donor Harmonization and Project/Program Management. The workshop discussed on these themes and a number of realistic actions emerged from discussions 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 relate to systemic changes. These actions as agreed and endorsed by NPPR 2008 are attached in separate matrix to facilitate to monitor them separately as core development agenda for reforms in portfolio management. Human resource development and capacity building form an integral activity under each sub-theme, and the GON will put emphasis on this agenda.

Rationale and Aims

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

- (a) foster country ownership and accountability of government to the citizens;
- (b) ensure that the NPPR becomes a GON driven process with its full commitment and ownership of its development projects and programs;
- (c) enhance aid effectiveness through alignment of aid to country's priorities and is results -focused and predictable;
- (d) manage for development results by placing sharper focus on outcomes, strengthened project and/or sector management and administration which includes capacity building in procurement and financial management, and emphasis on operations and maintenance to ensure sustainability;
- (e) encourage the development partners to harmonize procedures and requirements (relating to reporting, fiduciary requirements, monitoring and evaluation, environmental and social safeguards, etc.) to reduce burden on implementing agencies; and
- (f) ensure better exchange of information and knowledge among the partner agencies.

Mission Statement and Vision for Strengthening Country Systems

Mission Statement: In line with the Paris Declaration and the Accra Forum on Aid Effectiveness, strengthen Nepal's policy framework and system to a credible system and move on to the direction of aligning aid assistance with the country system.

Related Actions

Results -Based Management

- Emphasis on sector-wide approaches where performance is judged based on Results. Continue with the efforts of the Sectoral Results Framework in various ministries based on the experience of education and health SWAs.
- In the context of civil service administration, review the possibility of expanding recognition or reward system based on performance.

- Changing mindset from input oriented management to Results Based Management is a challenging task. Efforts will continue to move the government system toward this approach from budgeting perspective to auditing perspective.
- As suggested, also set the direction for portfolio review (NPPR) based on Results Measurement.

Public Financial Management

- Implementation of PEFA Action Plan is a high priority in order to make a transition from the current PFM Benchmarks to upper level benchmarks in each of the 31 indicators of PFM guided by PEFA Secretariat. This form a key basis to improve the country system that will be acceptable to development partners, and also to mitigate fiduciary risk from “high” risk to “medium” risk. Support from development partners is crucial to this endeavor.
- Address the immediate challenge of leadership questions raised during the forum in terms of getting key positions in place at OAG, NRB, CIAA, NVC etc. to provide leadership in these institutions that deal with public accountability.
- On operations and maintenance budget for the road sector or other investment allocations, appropriate ring-fencing mechanism will be developed and implemented to secure the O&M needs in the budget.

Public Procurement

- Put high emphasis on strengthening the PPMO by providing resources both capital and human to ensure smooth implementation of Procurement Law.
- E-procurement and recommendations resulting from special procurement review to address the issue of collusion will be reviewed, prioritized and implemented.
- Communication campaign will be launched through PPMO for creating mass awareness on procurement principles and the law.

Monitoring & Evaluation

- In line with NPC restrengthening, M&E at the NPC level will be reoriented and strengthened.
- Line ministries will be asked and fully supported to include program for strengthening their M&E system in their annual work program and budget.
- Social accountability tools will be introduced and expanded to empower citizens and make more responsive and accountable government.
- Implementation of Right to Information Act will be monitored.

Donor Harmonization and Aid Coordination

- Strengthen the capacity of the Ministry of Finance in effective aid coordination and monitoring.
- Revise the Foreign Aid Policy along the commitment to the principles of harmonization and country ownership.
- Prepare the National Aid Effectiveness Action Plan as committed in 3rd High Level Accra Forum.

Other Areas

- Capacity building at all levels to match with the government's priorities will receive focus in all sectors. Dialogue with Nepal Administrative Staff College to review and upgrade training program for civil servants will be continued.
- Efforts will be made to orient the politicians on the development challenges and the need of their support to build a strong and credible country system.
- Implementation of Civil Service Act with regard to the issue of staff transfer will be monitored.
- Performance based incentive system will be reviewed.

Next Steps

To monitor the implementation of the Action Plan adopted by NPPR 2008, GON will undertake the following steps:

- Identify and designate the organization and responsible in-charge under each theme who will be made accountable for follow-up and implementation of the agreed action both in the short-term and medium to long term.
- Monitor and review the status of implementation on a quarterly basis in February 2009, May 2009 and September 2009.
- GON proposes to hold the next NPPR in **November 2009**.