

# **NPPR**

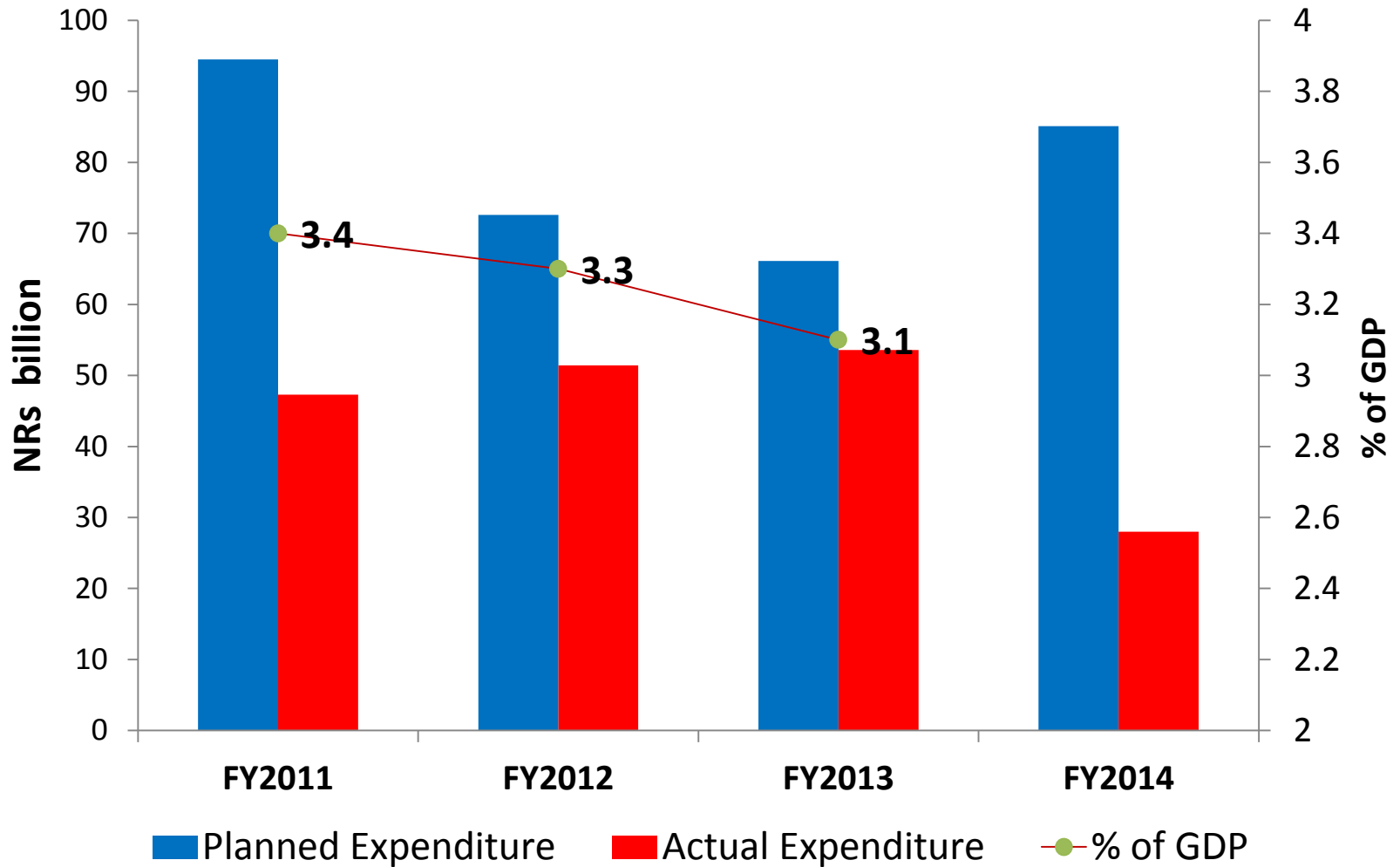
## **Implementation Challenges of Projects funded by Major DPs**

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# Presentation Overview

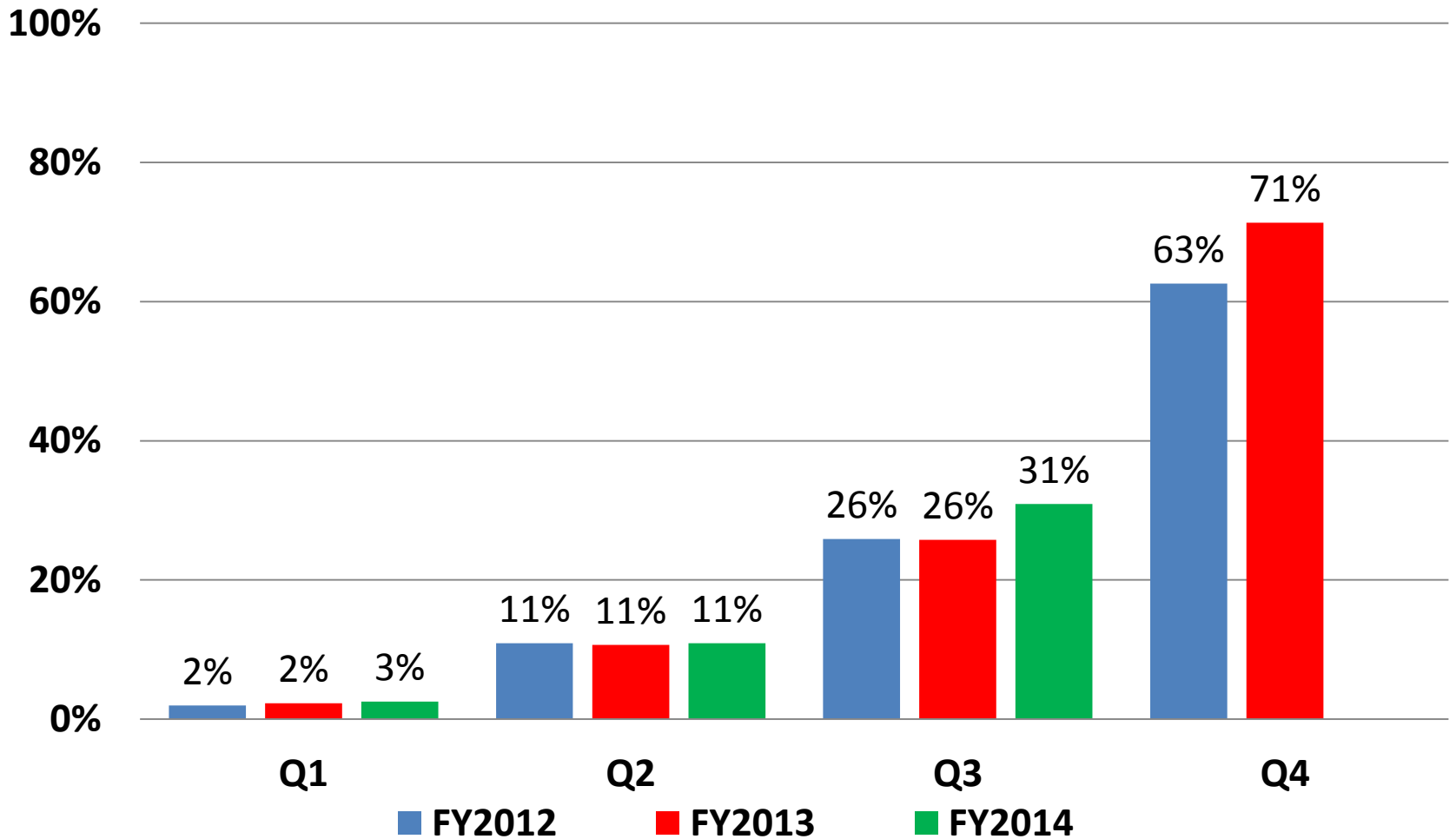
1. Government Capital Expenditure
2. Recent Trend of DP Assistance
3. Portfolio Performance and Challenges
4. Conclusion and Recommendations

# 1. Govt Capital Expenditure



Source: MOF

# 1. Cap. Exp. : Quarterly Cumulative Utilization



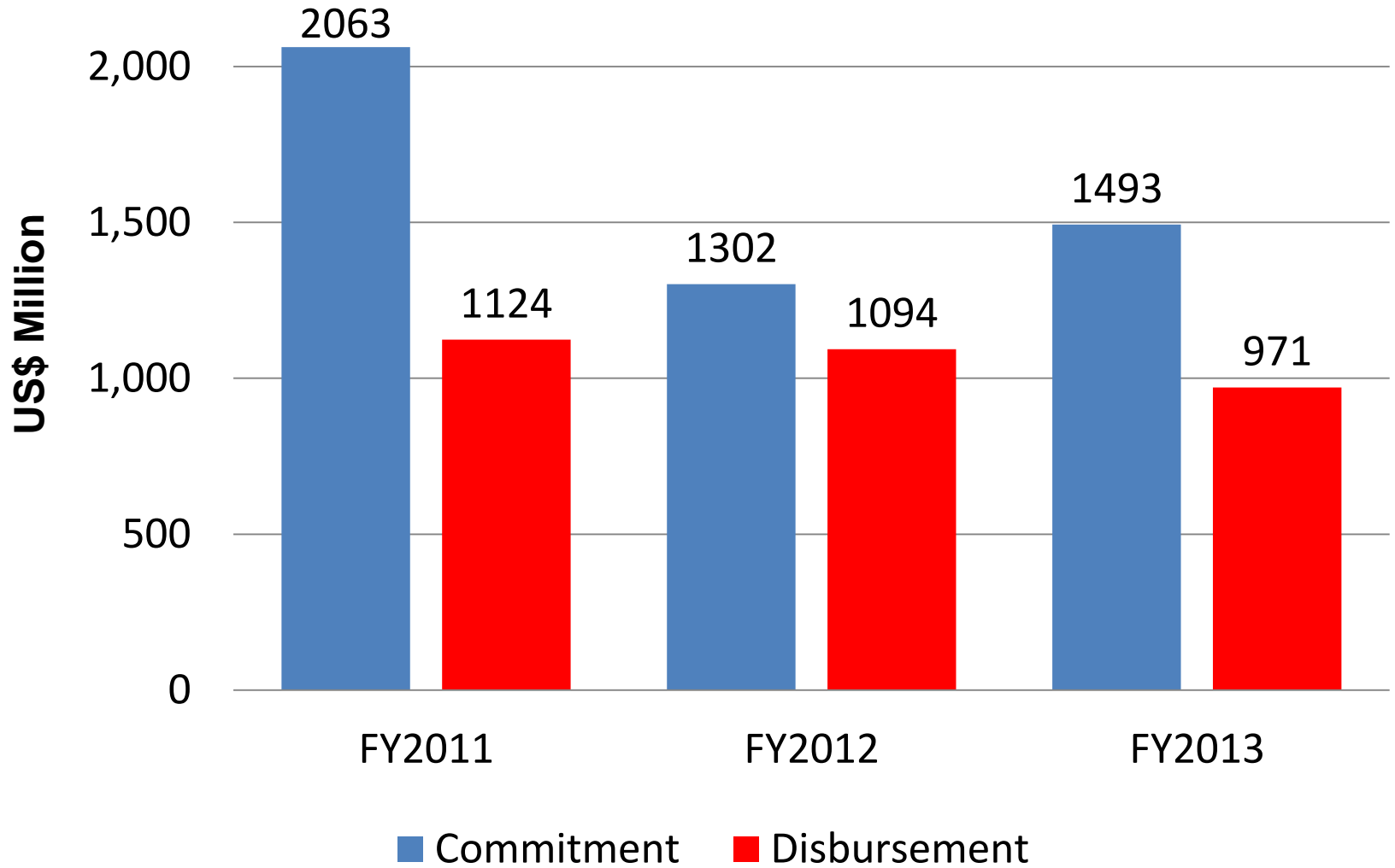
# 1. Govt Capital Expenditure

## Issues

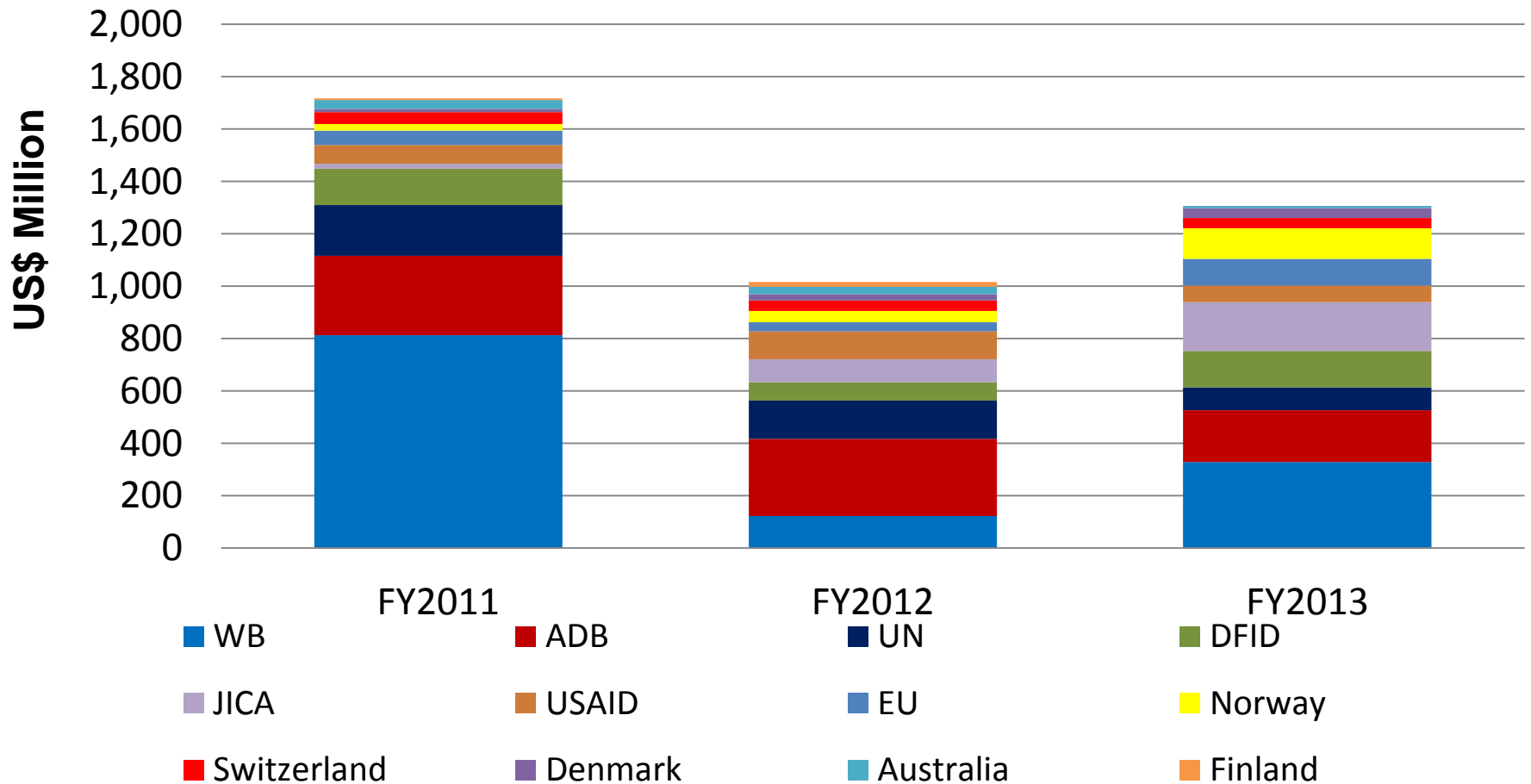
- Overall capital expenditure low
  - ↔ Large gap (to 8-11% of GDP required) to fill infra gap and go into higher growth trajectory
- Timely budget approval as a necessary (not sufficient) condition
- Weakness in government's budget execution process (pursued under NPPR)
  - “**Fiscal Paradox**” : Budget surplus with low investment
    - ↔ Growth opportunities underutilized

# 2. Recent Trend of NPPR DP Assistance

## (1) Annual Commitment & Disbursement (On-budget)



## 2. Recent Trend of NPPR DP Assistance (2-1) Annual Commitment by Core NPPR DPs



Source: MOF (AMP data)

Some DPs indicated the need for data reconciliation.

## 2. Recent Trend of NPPR DP Assistance

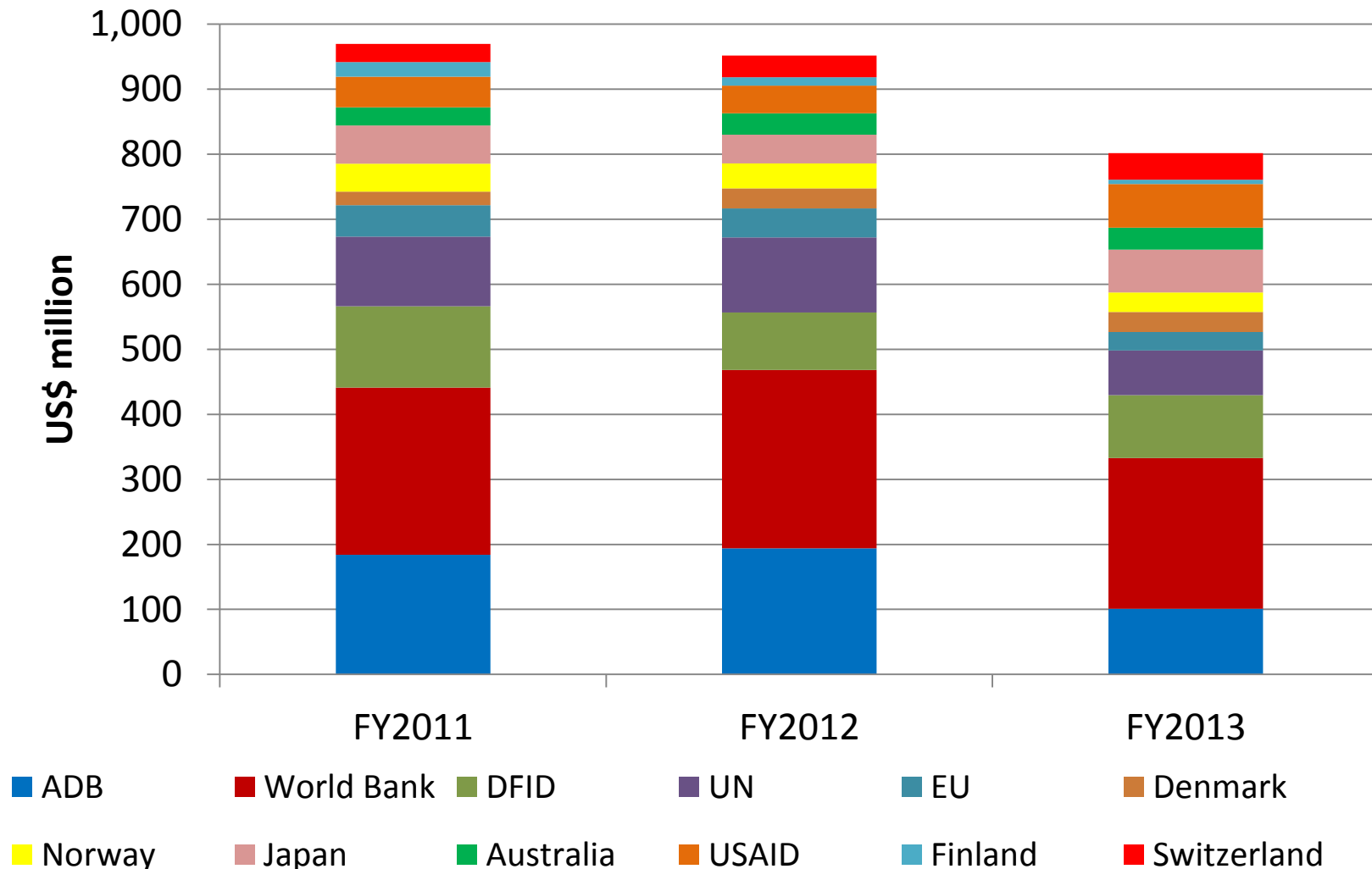
### (2-2) Core NPPR DPs: Assistance Strategy

- Key Pillars
  - Accelerated growth and competitiveness
  - Inclusive growth
  - Peace, HR, R of Law, democratic transition
- Thematic areas: GESI, PFM, governance & A-C, CC, private sector, regional integration
- Harmonization: SWAPs progress vis-à-vis fiduciary risk



## 2. Recent Trend of NPPR DP Assistance

### (3-1) Disbursement of NPPR DPs (On-budget)

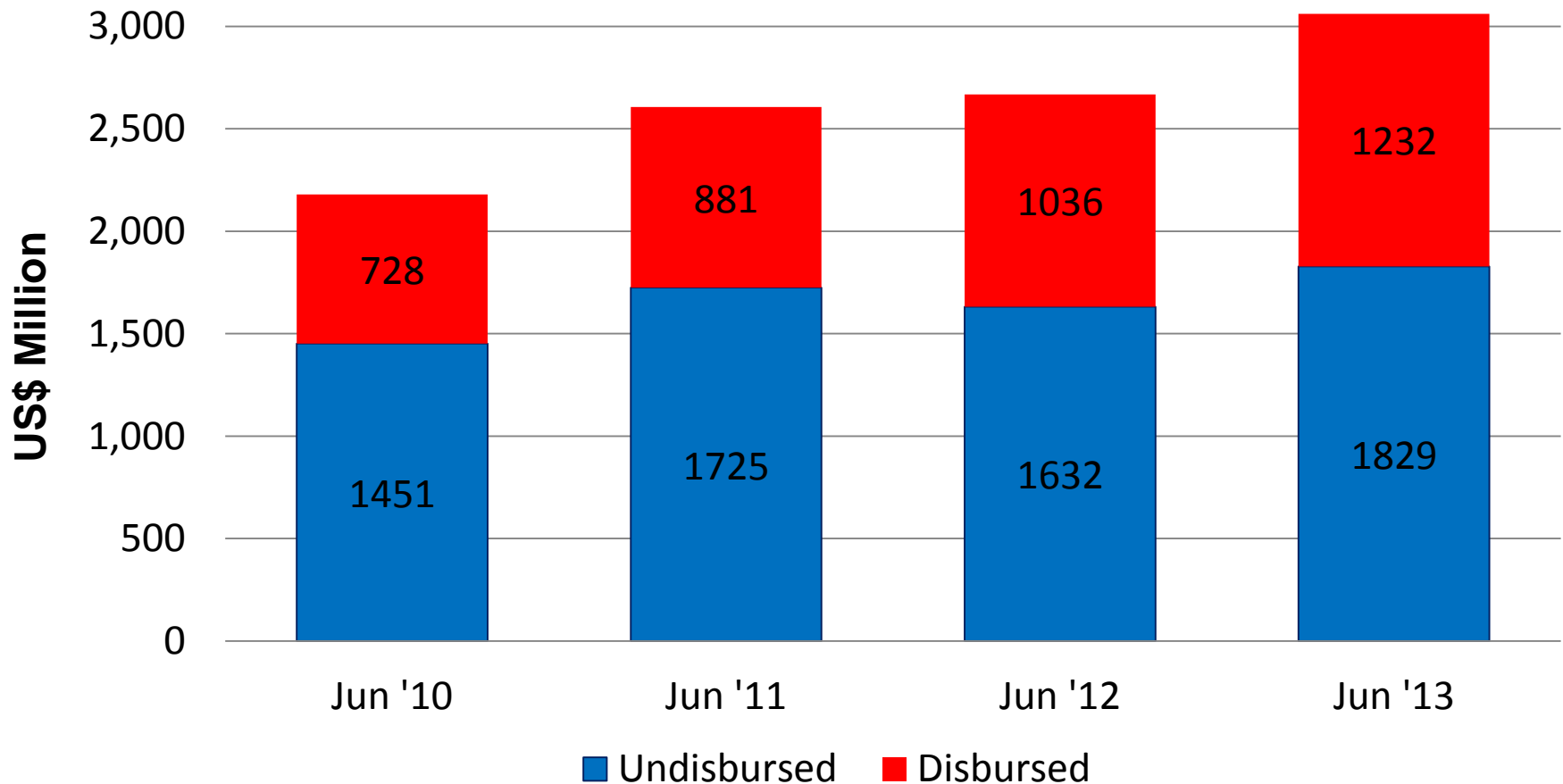


Source: MOF (AMP data)

Some DPs indicted the need for data reconciliation

## 2. Recent Trend of NPPR DP Assistance

### (3-2) Disbursement Status of WB & ADB Projects



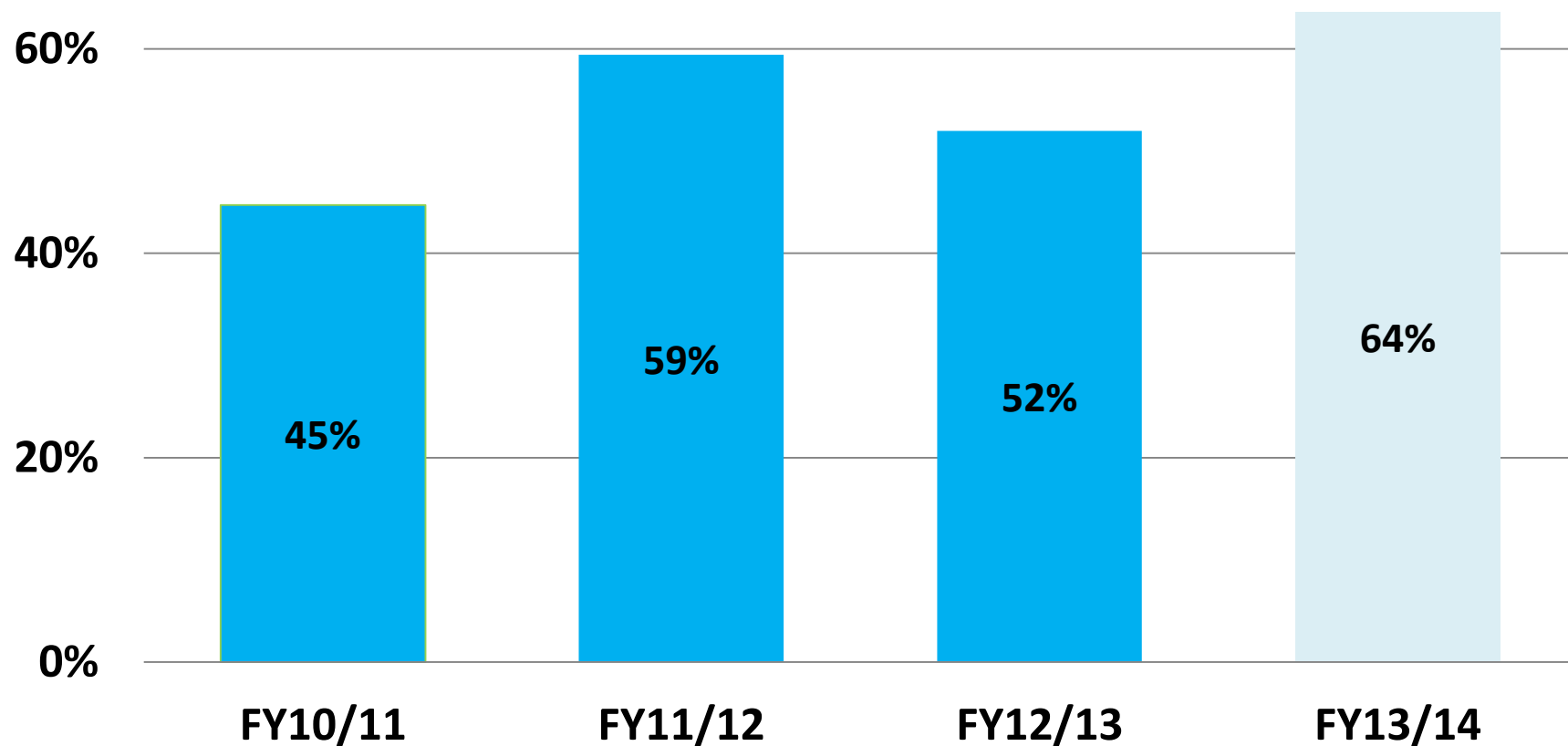
## 2. Recent Trend of NPPR DP Assistance

### Issues and Challenges

- DPs willingness to increase commitment
  - ↔ Stagnant disbursement by NPPR DPs in FY11-FY13
  - ↔ Undisbursed amount increasing for ADB & WB
  - ➔ **Need for urgent actions to enhance absorption level**
- FY2015 budget
  - Advancement of approval (in June) and release (upon NPC approval and MOF release)
  - Timely procurement & execution by sector agencies

# 3. Portfolio Performance & Challenges

## (1) Projects Rated Satisfactory



Source: On-budget on-treasury project data of WB and ADB.

# 3. Portfolio Performance & Challenges

## (2) Common Challenges

### Delay in Budget Execution

- Most DP projects affected in FY2012 and FY2013
- FY2014: Slow execution despite timely approval
- Early approval in FY2015, FABM Act being pursued

### High Staff Turnover

- NPPR Champions & Secretaries (PFM and PP)
- Secretaries in key ministries
  - ↔ Impact on institutional reforms & development
  - Stability in policies, institutions, people, & procedures
- Project level changes with performance impacts (WB: TVET, ADB: Secondary Towns, Irrigation)

## (2) Common Challenges (Contd.)

### Public Financial Management (PFM)

- Some progress (e.g., TSA, oversight agencies)
- Significant weakness in SWAP and other programs: weak field level accounting & internal control
  - ↔ **Constraint for increased use of national system**
- Audit effectiveness also remains an issue for DP projects
- Action plans for central PFM, LDF, education & health

### Public Procurement

- Issue for most new projects: limited expertise; limited efficiency and transparency
- Energy & road (6+ mth) ↔ urban (3mth) [ADB projects]
- PP reforms (under NPPSF) now focus on e-GP: PPMO functionality and roll-out to key infra departments due

## **(2) Common Challenges (Contd.)**

### Land Acquisition and Safeguards Management

- Serious in energy (transmission) & some road projects
- Weakness in EA staffing in implementation & monitoring

### Weak Performance of Contractors & Insufficient Supervision

- Encountered in high proportion of infra projects affecting implementation
- Need for tight procurement & contract management, sufficient supervision (with outsourcing, e.g., NEA)

### Low Level of Readiness at Approval

- Readiness filter adopted in past NPPR, but stronger application is required

# 4. Conclusion & Recommendations

## (1) NPPR Process

- More strategic, focusing on delivery of development results
  - ideally NPPR to report against 3-Year Plan
- Clear tracking of key indicators of mutual commitment
- ↔ Priority to building country systems to address governance

## (2) PFM

- Further improvements in budgetary process
- Oversight & leadership of PEFA SC on PFM action plans for SWAPs (LDF, education, health)

## (3) Public Procurement

- Rollout of e-GP in key infra Depts, sufficient PPMO backup
- Better performance in key sectors: energy & transport

## (4) Staff Turnover

- More effective control to ensure longer-term leadership to pursue reforms at sector, NPPR WGs, and project levels



## **(5) MFDR**

- 13<sup>th</sup> Plan to include clear result frameworks, with linkages to medium-term budgetary frameworks and AWPB

## **(6) Mutual Accountability**

- DCP: sufficient dialogues with DPs and stakeholders, and mutual commitments for using national systems, with latters' substantial strengthening

## **(7) Government Commitment & Leadership**

- DPs expect strong political commitment and leadership of the Govt to advance reforms in NPPR thematic areas
- Follow-up in budget speech and high-level monitoring

## **(8) Reforms of NPPR for the Future**

- NPPR platform to next level → overall budget systems & processes linked with outputs & outcomes in MTBF & 3-5YPs
- Need for policy dialogues on overall development agenda (political, social, economic, sector, etc.) ↔ NDF process

Thank you