

NPPR 2015: Opening Session Remarks by DPs

ADB

Australia

Denmark

European Union

FR of Germany

Finland

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JICA

Norway

Switzerland

UK DFID

UN Country Team

USAID

World Bank

Presented by: K. Yokoyama, ADB

NPPR 2015 process witnessed:

1. Earthquakes of 25 April & 12 May 2015
2. Joint rescue, relief, and recovery
3. Post Disaster Needs Assessment (PDNA)
4. International Conference for Nepal Reconstruction (ICNR) – 25 June 2015
5. Timely FY2015/16 Budget – 16 July 2015

FY2015/16 Budget includes:

- Capital budget 8.6% of GDP (from 3.2-3.8% of GDP in past 5 years): **3.7% GDP for reconstruction**

Challenges & Opportunities

- Reconstruction & Development hand in hand
- “Budget Implementation Year” – Remarkable improvements in implementation needed

NPPR 2015 – New Approach

- Leadership by MOF
 - High level participation: FM, VC NPC, CS, Secy's
 - Focus
 - From actions in 5 themes (PFM, HRM, PP, MfDR, MA)
 - To actions in 5 Sectors (Ag, Road, Energy, Education, LG) on 5 themes
- Actions closer to project operations, with clear and measurable result targets

NPPR 2015 – Earthquake Response

- Humanitarian phase yet to complete
 - Upcoming winter challenges → Winterization support for protecting equitable development achievement
 - Reconstruction – \$6.7B needs in 5 years
 - NRA CEO appointed; But legal basis, staff appointment, full operation crucial → **Roadmap?**
 - Need for (i) operational autonomy; (ii) lean setup & MIS for fast-tracking fund and decisions; (iii) NRA/ IA/ NGO relations; (iv) trans & accountability
- ↔ **DPs expect: All goodwill received be rapidly translated into fastest reconstruction**

NPPR 2015 – Desired Outcome & Gap

- Implementation for Results: **higher quality & quantity of public investments to build infra & human capital**
- Public investments face problems of
 - Under utilization of allocated resources: 80% or less disbursed for capital budget
 - Bunching: 70% spent in the last trimester
 - ← Due to a range of implementation constraints
 - **Result: Capital expenditure 4% of GDP, against 8-11% required to address infra gaps**

NPPR 2015 – Public Financial Management

- Budget process & fiduciary risk management essential

Budget process

- Progress: Timely approval in 3 consecutive FYs
- Gaps: Timely fund release, monitoring & enforcement, Budget Mgt & Fiscal Res Act

Fiduciary risk management

- Progress: PEFA results – marked improvements
- Gaps: Weakness beyond district level; Internal control of sector departments; Accountability mechanisms – scrutiny by PAC of pending OAG reports; Clearance of NRs272B backlog irregularities

NPPR 2015 – HR Management

- Stable and dynamic leadership essential for sector reforms and project results
 - Gaps: Frequent transfer & unordinary appointments still major problems for many DP projects
 - Recent initiatives: performance based contracts of Secys & PMs, retention of well performing staff
 - Need full compliance at sector & project levels
- Insufficient skills and human resources base to implement much larger investments
 - Need for (i) effective outsourcing; (ii) building capacities for outsourced agents

NPPR 2015 – Public Procurement

- Timely proc. planning & processing, effective contract management – keys for faster & quality disbursement
 - Progress: e-GP roll out; PPA&R amendments; multi-year contracts
 - Gaps: timely annual proc planning; lengthy procurement timelines; delegation of authority (NEA)
- Contract management insufficient in all sectors
 - Need for (i) sound work plans; (ii) enforcement (personnel, equipment, materials, plants, etc.); (iii) stringent supervision & management

NPPR 2015 – MfDR

- Linkage b/w development projects & sector wide results is critical for result based assistance modality
 - Robust M&E at project & sector levels essential
 - Progress: M&E system well defined, reflected in National M&E guidelines
 - Gaps: Attention, capacity, and incentives at sector and project levels

NPPR 2015 – Mutual Accountability

- Higher aid effectiveness through mutual actions of DPs and Govt
 - Progress: SWAPs in education and health sectors; coordinated PFM support; DCP 2014
 - Further Initiatives: Coordinated support & dialogues for energy (reform & investments), agriculture (ADS), education (SSRP2)
 - DPs keen for strategic dialogues in the process of next medium-term development plan

Conclusion

- FY2015/16 unprecedented challenge towards LDC graduation by 2012 and MIC status before 2030
- Political transition concluding phase—new opportunities
- Earthquake recovery & reconstruction
- Challenges facing NPPR 2015 – New approach pursuing actions closer to operational level, result focus, active sector JS participation
 - Credible action plan presented in background paper
- Need for full implementation of actions, to make “Budget Implementation Year” realized

Thank you