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

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Q2</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Q3</td>
<td>26%</td>
<td>26%</td>
<td>31%</td>
</tr>
<tr>
<td>Q4</td>
<td>63%</td>
<td></td>
<td>71%</td>
</tr>
</tbody>
</table>

Q1: 2012-2013-2014
Q2: 2012-2013-2014
Q3: 2012-2013-2014
Q4: 2012-2013-2014
1. Govt Capital Expenditure

Issues

- Overall capital expenditure low
  \[\leftrightarrow\] 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 \[\leftrightarrow\] Growth opportunities underutilized
2. Recent Trend of NPPR DP Assistance

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Commitment</th>
<th>Disbursement</th>
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<tbody>
<tr>
<td>FY2011</td>
<td>2063</td>
<td>1124</td>
</tr>
<tr>
<td>FY2012</td>
<td>1302</td>
<td>1094</td>
</tr>
<tr>
<td>FY2013</td>
<td>1493</td>
<td>971</td>
</tr>
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</table>

Source: MOF
2. Recent Trend of NPPR DP Assistance

(2-1) Annual Commitment by Core NPPR DPs

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

![Chart showing disbursement status from Jun '10 to Jun '13.](chart-image)
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
  o Advancement of approval (in June) and release (upon NPC approval and MOF release)
  o Timely procurement & execution by sector agencies
3. Portfolio Performance & Challenges

(1) Projects Rated Satisfactory

<table>
<thead>
<tr>
<th></th>
<th>FY10/11</th>
<th>FY11/12</th>
<th>FY12/13</th>
<th>FY13/14</th>
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<tbody>
<tr>
<td>Rating</td>
<td>45%</td>
<td>59%</td>
<td>52%</td>
<td>64%</td>
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</table>

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
  \[\leftrightarrow\] 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
- 13th 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