

Nepal

First Programmatic Fiscal and Public Financial Management Development Policy Credit

March 20, 2018

Chair Summary*

The Executive Directors approved the First Programmatic Fiscal and Public Financial Management Development Policy Credit (Report No. 121391-NP) (IDA/R2018-0029; /2) to Nepal in the amount of US\$200 million on the terms and conditions set out in the President's Memorandum.

Directors expressed support for the operation and welcomed its two pillars, namely: (i) enable Nepal to move towards fiscal federalism and (ii) improve public financial management. Directors appreciated the operation's alignment with the government's three-year periodic plan and the 2030 strategy and acknowledged its importance in supporting the government's transition from a unitary to a federal structure and reforms that enhance Public Financial Management.

Directors appreciated the WBG's strategic shift to support federalism which will help improve service delivery in the country, particularly in traditionally underserved regions. Directors took note of the efforts made to ensure an enabling environment for reforms, accountability and transparency of fund use and proper fiduciary arrangements during the country's transition to a federal state.

Directors noted that the DPC was an appropriate use of the IDA 18 Risk Mitigation Resources Window. There were questions around linkages between the new Country Partnership Framework and the DPC, triggers for the second DPC, Domestic Resource Mobilization and remittances issues. They endorsed the operation's additional focus on addressing disaster risks and raising awareness on gender related issues and urged greater efforts towards social inclusion.

Directors noted that the risks associated with the implementation of these reforms, notably, political and governance, technical design, and institutional capacity, particularly in the context of the transition to a federal state. They encouraged the Bank to strengthen technical assistance and capacity building activities and underlined the importance of effective donor consultation and coordination among the Bank, other MDBs and development partners.

*This summary is not an approved record.