

Direct Funding
Steering Committee

Minutes
of the 15th
Steering Committee meeting

April 17, 2009

11:00 – 13:00

Ministry of Education

The Extraordinary Steering Committee meeting was attended by:

Steering Committee Positions.	Designation at Office	Name	Attendance
Chairperson	Acting Secretary, MoE	Dr. Ram Swarup Sinha	Present
Member	Joint Secretary, MoE	Mr. Arjun Bahadur Bhandari	Present
Member	Joint Secretary, MoE	Mr. Janardan Nepal	Present
Member	Joint Secretary, MoE	Dr. Lava Deo Awasthi	Present
Member	Executive Director, CDC	Mr. Hari Bole Khanal	Present
Member	Director General, DoE	Mr. Mahashram Sharma	Present
Member	Executive Director, NCED	Mr. Harkha Prasad Shrestha	Present
Member	Director, NFEC	Mr. Sushil Pandey	
Member	Controller, OCE	Mr. Birendra Kumar Jha	Present
Member	Minister Counsellor, EOD	Mr. Ove Fritz Larsen	Present
Member	Sr. Prog. Officer, EOD	Mr Shiva Bhusal	Present
Member - Secretary	Under Secretary	Dr. Lekha Nath Poudel	Present
Regular Invitee	CTA, ESAT	Mr. Frank Jensen	Present
Observer	Programme Officer, JICA	Mr. Krishna Lamsal	Present
Observer	Embassy of Norway		
Observer	ADB		
Observer	EC	Mr. Saurav Rana	Present
Observer	Finland		
Invitee	Finance Section, ESAT	Ms. Ratnaa Maharjan	Present
Representative	Technical Officer, NCED	Mr. Shiva Sapkota	Present
Invitee	Section Officer, FACS	Mr. Narayan Krishna Shrestha	Present
Invitee	Section Officer, FACS	Mr. Mukunda Mani Khanal	Present
Representative	Section Officer	Mr. Indra Bahadur Kunwar	Present
Invitee	Section Officer	Mr. Rudra Hari Bhandari	Present
Invitee	Under Secretary	Mr. Deepak Sharma	Present
Invitee	Director	Mr. Chitra Prasad Devkota	Present
Invitee	Section Officer	Mr. Anuj Bhandari	Present
Invitee	Section Officer	Mr. Chandra Karki	Present
Invitee	Deputy Director	Mr. Laxman Khanal	Present
Invitee	Section Officer	Mr. Dattatray Dahal	Present

The meeting started: 11:00.

The meeting ended: 13:00

The meeting was convened according to the following agenda:

Proposed Meeting Agenda

- 1 Approval of Proposed Agenda
 - 2 Approval of Minutes of 14th Meeting held February 16, 2009
 - 3 Status of Outstanding Advances
 - 4 Status of Progress
 - a) Financial Progress
 - b) Physical Progress
 - 5 Requests for revision
 - 6 New proposals
 - 7 Information from members
 - a) Ministry of Education
 - b) Embassy of Denmark
 - 8 Next SC Meeting
- AoB
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Item 1: Agenda for Steering Committee meeting April 17, 2009

It was agreed that the proposed meeting agenda would serve the purpose of the meeting.

Decision 1:

The Proposed Agenda was approved

Item 2: Approval of Minutes of the 14th Steering Committee Meeting held on February 16, 2009

Decision 2:

The minutes of the 14th SC meeting were approved without comments.

Item 3: Status of outstanding advances

The Secretariat presented the status of outstanding advances to the SC. The presentation focused on two issues:

- The critical outstanding advances from the previous financial year 2007/08, and
- The amount of outstanding advance from the current fiscal year that is older than 3 months by implementing agency and activity area.

The information to the SC members is presented in the tables below.

Table 1: Outstanding Advances from the Financial Year 2007/08

Output #	Line Agency	Description Detail	Balance
1.4.2.4	NFEC	VEP: Sindupalchowk	136,000
1.2.6.7	DOE	Child Tracking	672,867
Total Outstanding Advance			808,867

Table 2: Outstanding Advances older than 3 months from the Financial Year 2008/09

Output #	Line Agency	Description Detail	Balance
2.2.2.3	CDC	Distribution of Specification Grid	12,419
2.2.2.4	CDC	No. of Information Campaigns on Grid	60,942
2.4.7.11	NFEC	CLC Chitwan	26,112
2.4.23.02	CDC	CDC's Visual Dissemination	107,040
Total Outstanding Advance			206,513

It was pointed out that the SC in its earlier meetings instructed the concerned agencies to settle the outstanding advances from the previous financial year 2007/08 before end of December 2008 or return the money to ESAT. It was noted that although the amount of outstanding advances has been reduced from a total of NRs 2.1 million to NRs 808 thousand since the last SC meeting held in February; the concerned agencies have not returned any funds to ESAT.

The meeting noted that the amount of outstanding advance older than 3 month within the current financial year has been reduced to a more reasonable level. It was pointed out that apart from advances paid out as part of construction activities there is no need for agencies to request advances that will not be utilised and accounted for within a 3 months period.

Decision 3:

It was agreed that:

NFEC and DOE will within one week prepare and submit to the Secretariat a report explaining the status of the outstanding advance from the financial year 2007/08, including an explanation of where the funds are, what they are intended used for, and when they can be fully used and accounted for or returned to ESAT.

Item 4: Status of Progress

Background

During its earlier meetings the SC has noted that both financial and physical progress continue to fall short of expectations.

Following the SC meeting in December 2008, the Secretariat has been requested to prepare a brief presentation on the status of financial and physical progress in order to keep the SC members up-to-

date and to facilitate the SC's work of taking appropriate actions to ensure the optimal utilisation of the DF facility.

Presentation

a) Status of Financial Progress

The Secretariat presented the status of financial progress after the completion of the first two trimesters. The total Direct Funding budget for the fiscal year 2008/09 amounts to NRS 244.4 million following the Steering Committee's decision in its meeting on February 16, 2009. The total budget for EFA is NRS 82.7 million and the total budget for SESP is 161.7 million.

The total recorded expenditure for Direct Funding by end of the second trimester amounts to NRS 96.3 million amounting to 39% of the approved budget. The total expenditure under EFA was NRS 33.5 million and the total expenditure under SESP was NRS 62.8 million.

For the EFA programme the budget utilisation rate by end of the second trimester was 41% (NRS 33.5 Million / NRS 82.7 million * 100%), falling short of the targeted budget utilisation rate. For the SESP programme the budget utilisation rate by end of the second trimester was 39% (NRS 62.8 million / NRS 161.7 million*100%), also falling short of the target budget utilisation rate.

The SC agreed that financial progress remains low and far below what should be expected at this point in time. A summary of the financial rate of implementation by agency and programme is shown in Table 3 below.

Table 3: Summary of Financial Progress by Programme and Implementing Agency

Implementing Agency	Financial Progress	
	EFA	SESP
DOE	39%	4%
CDC	60%	51%
NFEC	23%	26%
MOE	0%	64%
NCED	-	20%
OCE	-	0%
Average	41%	39%

In accordance with the decision during the 14th SC meeting, the Secretariat presented an assessment of the balance of funds that is likely to remain unspent by end of the year. Assuming that all activity areas with more that 50% financial progress after the first two trimesters will be able to complete their activities and produce the planned outputs before end of the year, the Secretariat prepared Table 4 below showing current balance of funds remaining from activity areas with less than 50% financial implementation and a rough estimate of the funds that is likely to remain by end of the year, and therefore can be transferred to the Red Book..

Table 4: Summary of approved budget and remaining balance of activity areas with less than 50% financial progress by beginning of the 3rd Trimester

#	Agency	Budget (NRS)	Balance (NRS)	!	Red-Book
1.2.3	DOE	3,800,000	3,060,526	!!!	3,060,526
1.2.4	DOE	690,788	690,788	!!!	690,788
1.2.5	DOE	4,550,000	4,550,000	!!!	4,550,000
1.2.7	DOE	12,900,000	7,743,227	!!	3,871,614
1.3.1	NFEC	450,000	450,000	!!!	450,000
1.3.2	DOE	9,650,000	6,645,197	!!	?
1.4.1	NFEC	1,695,000	1,695,000	!!!	1,695,000
1.4.2	NFEC	10,050,000	7,272,277	!!	7,272,277
1.5.1	MOE	300,000	300,000	!!!	300,000
1.6.1	DOE	450,000	450,000	!!!	450,000
2.2.3	CDC	1,924,950	1,924,950	!!!	1,924,950
2.4.1	NCED	36,524,800	29,261,704	!!	14,630,852
2.4.2	MOE	17,450,000	13,789,225	!!	6,894,613
2.4.3	DOE	7,735,971	7,660,303	!!!	7,660,303
2.4.6	DOE	7,800,000	6,915,270	!!	3,457,635
2.4.10	DOE	10,812,911	10,662,500	!!!	10,662,500
2.4.13	MOE	1,110,000	704,140		
2.4.17	DOE	1,700,000	1,700,000	!!!	1,700,000
2.4.22	OCE	4,000,000	4,000,000	!!!	4,000,000
2.4.25	MOE	1,000,000	971,559	!!	
Total		134,594,420	110,446,666		73,271,057

Table 4 above lists all approved activity areas with a financial implementation rate below 50% at the beginning of the final 3rd trimester. The table shows that these activity areas have a combined budget of NRs 134.6 million out of which a balance of NRs 110.4 million remains unspent. Further assuming that activities that have not incurred any expenditure till date can be cancelled, and that activity areas with only little financial progress only will be able to utilise a maximum of 50% of the remaining balance, the Secretariat assess that a total of NRs 73.3 million is likely to remain unspent at the end of the financial year.

b) Status of Physical Progress

The Secretariat explained that the continued poor information on the status of progress of activities in general and the failure to submit properly filled-in P&M sheets means that it is difficult to develop a good overview of the physical progress. It was shared that out of 32 received status of progress reports 31 reported that progress was '*on-track*'. However, in a number of cases the reporting of the activity area as being '*on-track*' was contradicted by the low level of financial progress and the observation that according to the earlier submitted implementation plans these activities were supposed to be completed or nearly completed.

Discussion

It was pointed out that with only three months left of the financial year the above low financial progress is a serious cause for concern. It was noted that the persistent low financial progress could mean that a considerable amount of funds would be left unspent by end of the plan period.

It was pointed out that some of the activity areas listed above are progressing, although expenditures have not been incurred till date; but also that the situation nevertheless remains serious and actions need to be taken to ensure optimal utilisation of the funds.

It was pointed out that the reporting of activities as being 'on-track' when all other indicators show otherwise is misleading and not conducive to the optimal utilisation of the available funds. It was agreed that in order for the Secretariat to keep the SC fully informed about progress, it is essential that the implementing agencies take the task of preparing and submitting status of progress reports, including properly filled-in P&M sheets, seriously.

Decision 4:

The Steering Committee agreed that:

1 - The implementing agencies responsible for the activity areas listed in Table 4 above should report back to the Joint Secretary of Planning Division before close of business of Friday the 24th with an updated and justified plan of implementation and required budget by output, including an updated Planning & Monitoring sheet in the standard format.

2 - Activity areas for which the Joint Secretary does not receive such justification and updated plans and budget requirements by Friday the 24th, will be cancelled and the budget will be made available for other urgent activities, request for revisions, involving a budget increase, financing of the received new proposals or for transfer to the Government of Nepal's Red Book.

Item 5: Requests for revision

The Secretariat had received six requests for revisions summarised in Table 5 below.

Table: 5: Summary of requests for revisions and net budgetary effect

Activity Area	Line Agency	Revision Details	Budget Effect
1.3.2	DOE	Update of work plan and budget based on recommendations of RIVER	?
2.4.1	NCED	Update of work plan with re-allocation between output budgets due to delays in implementation of advanced studies	0
2.4.2	MOE	Re-allocation between output budget lines	0
2.4.5	MOE/FACS	Adjustment of output targets and budgets	0
2.4.7	NFEC	Re-allocation of budget between output due to CASP/JICA support	165,000
2.4.20	MOE	Increase in cost of procuring generator due to upgraded specifications	250,000
Total budget effect of approving revision requests			415,000

The Secretariat explained that the budget implication of approving the revision request for activity area 1.3.2 was unclear and would need to be sorted out in consultation with the Responsible Officer from the Department of Education.

The SC agreed that the budget neutral revisions like 2.4.1; 2.4.2; and 2.4.5 where budget was transferred from one output budget line to another was justified and approved as long as it didn't mean compromising the expected outcome and results of the activity area.

Requests for additional budget should be submitted to the Joint Secretary of Planning Division where these requests will be assessed and prioritised together with the revised plans and budget for activity areas with less than 50% financial progress and agreed to only if there is a similar reduction in the budget of other activity areas so as to ensure that the total programmed budget stays within the resources available.

Decision 5:

The Steering Committee agreed that the budget neutral revision requests 2.4.1' 2.4.2; and 2.4.5 above are approved, whereas requests involving additional budget will be subject to the budget availability following decision 4 above.

Item 6: New Proposals

The Secretariat has received 3 new proposals, that if approved will increase the total programmed budget with NRs 5,290,590.

A brief overview of the received proposals and their budget requirements is provided in Table 6 below.

Table: 6: Summary of New Proposals

#	Proposing Agency	Activity	Budget (NRS)
1	CDC	Printing and distribution of 25,000 copies of primary curriculum 2008 for Grade 4-5	3,322,500
2	MOE	Completion of the MOE's water proofing and leakage prevention activities initiated earlier	925,000
3	Teacher Record Office	Procurement and installation of furniture and equipment for new TRO building	1,968,090
Total budget effect of approving revision requests			5,290,590

The SC discussed the proposals and agreed in principle to their approval if funds could be made available following the implementation of Decision 4 above.

It was pointed out that the printing and distribution of primary curriculum ought to be part of the regular budget of CDC; but there was appreciation of the current situation with shortage of funds in the regular budget for this purpose.

Decision 6:

The Steering Committee agreed that the approval of the new proposals will depend on the budget made available after implementing Decision 4 above and subsequent prioritisation of the new proposals.

Item 7: Information from Members

None

Item 8: Next Steering Committee Meeting

The SC discussed the date for the next SC meeting in view of the SC's need to keep track of the current over-programming and closely monitor how the approved activities progress over the coming months.

It was agreed that a brief SC meeting will be held during the first week of June. The focus of this SC meeting would be on:

- 1) Reviewing the status of outstanding advances;
- 2) Reviewing the status of financial progress; and
- 3) Agreeing to any follow-up actions and possible transfer of estimated unspent funds to the Red Book.

Decision:

It was agreed that the next SC meeting will be held during the first week of June 2009. The Secretariat will inform the SC members on the exact date, time and venue of the meeting after consulting with the new Nepali calendar.

Item 9: AOB

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Dr. Ram Swarup Sinha
Acting Secretary
Chairman, Direct Funding Steering Committee

Date: 20 April 2009

Dr. Lekha Nath Poudel
Under Secretary, FACS MoE

Frank Jensen
CTA, ESAT

The Secretariat, Direct Funding Steering Committee

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Item 9: AOB



Dr. Ram Swarup Sinha
Acting Secretary
Chairman, Direct Funding Steering Committee

Date: 20 April 2009



Dr. Lekha Nath Poudel
Under Secretary, FACS MoE



Frank Jensen
CTA, ESAT



The Secretariat, Direct Funding Steering Committee

