



NEPAL PUBLIC FINANCIAL MANAGEMENT MULTI-DONOR TRUST FUND

PROGRESS REPORT | January – June 2016

Nepal Public Financial Management Multi-Donor Trust Fund

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ACKNOWLEDGMENTS

This progress report was prepared by Franck Bessette, Pragya Shrestha and Nagendra Nakarmi, on behalf of the World Bank as MDTF Administrator. The report includes inputs and guidance from MDTF task teams comprising Akmal Minallah, Luiza A. Nora, Carolina Luisa Vaira, Anjalee M. Thakalee, and Roshan D. Bajracharya. The MDTF management and team is especially grateful to the PEFA Secretariat Nepal for their continued support.

ABBREVIATIONS AND ACRONYMS

BMIS	Budget management information system
CAAT	Computer-aided audit techniques
CPA	Citizen Participatory Audit
CSO	Civil society organization
DDC	District Development Committee
DFAT	Department of Foreign Affairs and Trade (Australia)
DfID	Department for International Development (United Kingdom)
DTCO	District Treasury Controller Office
EWP	Electronic Working Paper
FCGO	Financial Comptroller General Office
FMIS	Financial Management Information System
GoN	Government of Nepal
GRM	Grievance redressal mechanism
IPSAS	International Public Sector Accounting Standard
ISSAI	International Standard of Supreme Audit Institutions
IT	Information Technology
LGAF	Local Government Accountability Facility
LGCD	Local Governance and Community Development
LMBIS	Line Ministry Budget Information System
M&E	Monitoring and Evaluation
MDTF	Multi-Donor Trust Fund
MoFALD	Ministry of Federal and Local Development
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
NAMS	National Accounting and Management Service
NPSAS	Nepal Public Sector Accounting Standard
OAGN	Office of the Auditor General (of Nepal)
PAC	Public Accounts Committee
PCC	Program Coordination Committee
PEFA	Public Expenditure Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PRAN	Program for Accountability in Nepal
RMIS	Revenue Management Information System
SAI	Supreme audit institution
SOAGN	Strengthening the Office of Auditor General of Nepal (Project)
SPFM	Strengthening PFM System (Project)
TSA	Treasury single account
USAID	United States Agency for International Development
VDC	Village Development Committee

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FOREWORD

Dear PFM MDTF Partners and Friends,

In early January 2016 I had the honor and privilege to be appointed Program Manager of the Nepal PFM MDTF. Immediately settling in Kathmandu, my base in Nepal, I have been discovering a country which is full of ambitions and willingness to reap the benefits of a newfound peace and a new political balance enshrined in a new Constitution. But the country has also been plagued with terrible natural catastrophes that have slowed its path to development and economic growth. It was immediately obvious to me that Nepal's many challenges would be confronted with success only if it could rely on a solid public sector, committed to performance and integrity, for the benefits of its citizens.

The PFM MDTF is building on a legacy of success. This is especially evident in areas of budget preparation and planning; treasury management with an improved cash management system; and the successful implementation of a budget implementation system covering expenditure and revenue-automated tracking, increased performance of the external audit function as well as the piloting of a creative and successful program of community-level citizen participation in PFM.

There are still daunting challenges ahead for PFM MDTF on behalf of Nepal.

The 2015 Nepal Constitution will necessitate a deep re-engineering of the State and, particularly, in the way public resources are mobilized and used. This will be a challenge for newly created local and provincial governments but also for central agencies that will have to reinvent their mandate and working processes, sometimes moving from a management

role to a supervisory, monitoring, and support role. Accountability mechanisms will have to be adapted to this new context. This process brings opportunities for increased performance in service delivery for citizens and for democratic life at the local level. Important risks would nevertheless have to be addressed in terms of corruption and disruption in administrative processes, especially in the transition period.

The major weaknesses of the PFM systems in Nepal will have to be addressed if the country wants to fulfill its ambitions in terms of economic development. There are many areas of potential progress, but they can be summarized in a single question: How is it possible to promote performance orientation in the use of public moneys? This question encompasses (a) more efficient use of public expenditures; (b) better monitoring of service delivery indicators; (c) accountability mechanisms involving citizens, Parliament, OAGN, Commission for the Investigation of Abuse of Authority, and other accountability institutions in order to rectify or fine-tune policy decisions or their implementation mechanisms; and (d) increased performance in public investment management.

Success of these challenges will be conditional on establishment of a renewed and modernized PFM legal and regulatory framework. Current laws and regulations that govern PFM are largely outdated and do not take into account the recent evolutions and reform achievements of recent years. They will soon need to be amended to reflect the evolutions enshrined in the Constitution. The MDTF partners stand ready to provide resources in support of this essential work stream that will impact directly on how public resources are managed in the country. This framework should encapsulate all the advances made

in recent years as well as constitute a programmatic blueprint for the reforms to come.

The new legal and regulatory framework's success will also depend on the capacity of the administration to rely on a credible budget process that allocates resources according to policy objectives within a planned and controlled fiscal envelop, a solid intergovernmental fiscal framework, accurate and comprehensive financial information based on a modern IT system, and an efficient accountability framework. The PFM reform successes that have been achieved recently have to be strengthened and moved to the next level.

Overcoming the described challenges with success will depend most of all on a strong leadership in the PFM reform agenda and a strong coordination between all stakeholders involved in PFM reform. In the period covered by this report, the Government's National PFM Reform Strategy (2016-2025), under the leadership of the PEFA Secretariat, has been developed on the basis of the 2015 PEFA assessment. It was endorsed by the National PFM Steering Committee in February 2016. The process was extensive and included several internal and external consultations. A long-term design/strategy is important to help plan and commit funding from various sources for the next phase. The MDTF partners, as agreed in the last Program Coordination Committee (PCC) meeting, have developed an MDTF work plan for which it has started program funding in support of the new phase of the National PFM Strategy. This major achievement was recognized at the April 2016 PCC meeting where the Government of Nepal thanked all MDTF development partners for their support and highlighted some of the most notable achievements. Partners expressed

satisfaction to see MDTF supporting a robust PFM system where fiscal discipline, allocation, and operational integrity are maintained with transparency and accountability.

I am saddened that the Danish Embassy, which has been an active and supporting partner of this collective undertaking, has announced closure of its programs in Nepal and therefore exit from MDTF. I would like to bid them farewell from MDTF and wish them success in their continuing endeavors.

I am pleased that the Australian Embassy has approved an additional grant of US\$2.2 million for the current phase of MDTF. I am also pleased to announce that PFM MDTF partners agreed at the April 2016 meeting to extend the duration of the MDTF to June 30, 2022, which will allow for the design of more ambitious and comprehensive reform programs.

Franck Bessette
Program Manager, Nepal PFM MDTF



INTRODUCTION

Public financial management (PFM) is a key element of the Government of Nepal's strategy for ensuring effective resource allocation, strengthening public service delivery, and creating inclusive and broad-based development. The PFM agenda has also been a top priority for development partners to promote efficient and effective public service delivery. As part of this effort, the PFM Multi-Donor Trust Fund (PFM MDTF) was established in December 2010.

The MDTF is administered by the World Bank and jointly funded by seven donors —European Union, United Kingdom Department for International Development (DFID), Government of Denmark, Government of Norway, Australian Government Department of Foreign Affairs and Trade (DFAT), Government of the Swiss Confederation, and United States Agency for International Development (USAID).

The MDTF objective in Nepal is to strengthen PFM performance, transparency, and accountability. And in so doing, the MDTF supports activities that will:

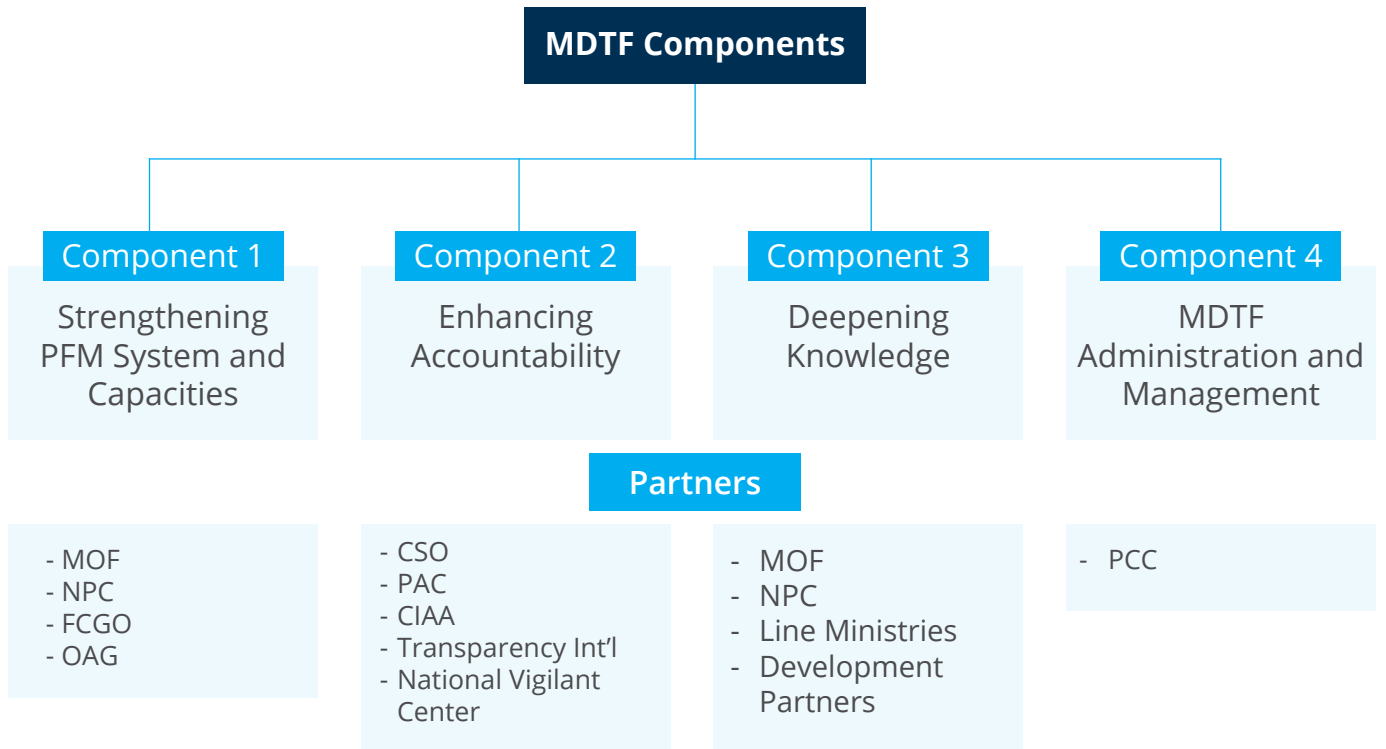
- Strengthen PFM systems and processes (supply side);
- Strengthen institutions of accountability and civil society to enhance their oversight of PFM processes and performance (demand side), and
- Deepen knowledge about current PFM practices and options for improvements (analytical assessments).

Following are the four components under the PFM MDTF.

- **Component 1, Strengthening PFM System and Capacities**, has one main operation and three sub-components: (a) supporting implementation of treasury single account (TSA) system, (b) implementation of public sector accounting standards, and (c) strengthening the PEFA Secretariat.
- **Component 2, Enhancing PFM Accountability**, has two sub-project operations that relate to (a) strengthening the Office of the Auditor General Nepal (OAGN) and (b) strengthening civil society organization (CSO) use of social accountability to improve PFM.
- **Component 3, Deepening PFM-related Knowledge**, carries out analytical work for knowledge dissemination. Two analytical works have been completed: the Public Expenditure Tracking Survey (PETS) in the education sector and the Operational Risk Assessment in the PFM sector.
- **Component 4 deals with program management and administration.**

The four components are illustrated in Figure 1.

Figure 1: MDTF Components



PART I

OVERVIEW OF RESULTS

Part I covers progress on each component of the PFM MDTF Program.

Component 1: Strengthening PFM (SPFM) System and Capacities

The development objective of Component 1, comprised of SPMF 1 and 2, is “to improve expenditure control and enhance government accountability and transparency by strengthening the treasury system, improving financial reporting, and building PFM capacity”.

A. Context overview

Key areas of progress since the last reporting period include (a) near completion of SPFM 1 activities, (b) finalization of PEFA report and approval of Government’s PFM Reform Strategy and Program by National PFM Steering Committee, (c) sustained rollout of the Revenue Management Information System (RMIS) in 15 districts with 90 percent of revenue coverage (District Treasury Controller Offices or DTCOs and banks collect the revenue), (d) preparation of financial statements based on Nepal Public Sector Accounting Standards (NPSAS) in 15 line ministries/economic entities and rendering them for audit, (e) providing access to treasury single account (TSA) system and financial management information system (FMIS) to both line ministries/agencies and OAGN, (f) posting of IT director, and (g) initiation of PFM advanced diploma course for 30 students in association with the Association of Certified Chartered Accountants and Nepal Administrative Staff College (NASC).

The TSA system continues to be well sustained in spite of issues with respect to poor infrastructure, staff transfers, frequent power cuts, and connectivity issues. Real-

time budgetary control continues to be exercised for all expenditures across Nepal. Successful implementation of TSA and its results are evident in the entire PFM cycle, which contributed to upgrade of PEFA II ratings in 19 indicators. Monthly budget executions reports (ministry-wise, spending district-wise, economic classification-wise) continue to be made available, but these could be further improved. Under Component 2, NPSAS has made good progress in the last few months.

Efforts continue to be made in reaching out to various stakeholders across the country – those in more remote districts, demand-side stakeholders, line ministries, departments, financial sector, media, and general public – to increase PFM awareness and build a solid foundation for ensuing PFM reform processes. Research work has been completed for “off-budget items” with its report finalized and published.

B. Challenges and issues

The IT procurement under SPFM 2 (which forms the bulk of the project) is delayed as per the agreed milestones. Some procurements have been started but have yet to be completed while several others have yet to be initiated. Some of this can be attributed to the post-earthquake and fuel blockade that affected the whole of Nepal, but there has also been a general slippage in terms of planning and coordination by the Financial Comptroller General Office (FCGO). While some activity in this respect has been visible in this reporting period, there is a need now to expedite so as to complete the upgrade of IT infrastructure for TSA/FMIS at the earliest.

The commitment rollout has also been going slower than anticipated. Although design changes recommended in the previous reporting period have been initiated in terms of report structure, a problem exists in initiating budget/cash control because commitments are being recorded ex post in a stand-alone mode and, therefore, are not available to be used as a control measure on an on-line basis. Even if there is a sense that the Government is not yet facing cash constraints (except year-end rush), it is committed to achieving these objectives. The finalization of an accounting manual has moved forward, albeit at a slow pace, and needs to be expedited. It has been agreed during the mission of April 2016 that the Government will expedite implementation of these actions.

C. Project performance

A summary of results as compared to development objectives is summarized in Table 1. Agreed actions for the next reporting period are provided in Table 2. SPFM 1 closed on June 30, 2016. The Implementation Completion Review will be conducted when SPFM 2 closes on June 30, 2017, because of the continuity of the two projects.

Table 1: MDTF Program Progress

Indicators	Unit of measurement	Baseline	Year 4 target	Status as of June 2016 and Comments
Percentage of overall budget executed through DTCOs where TSA system has been implemented.	%	7	98	Nearly 100%. Target achieved a year in advance.
Budget Execution Reports and financial statements produced by TSA system on a real-time basis.	No of districts	Nil	75	For all 75 districts.
Preparation of consolidated financial statements for PILOT ministries in accordance with Part 1, Cash IPSAS.	No	Nil	2 for SPFM 1 and 7 for SPFM 2	15 central economic entities have prepared consolidated financial statements based on Part 1, Cash NPSAS.
Numbers of research studies into high priority PFM areas completed and disseminated.	No	Nil	5 for SPFM 1 and 8 for SPFM 2	7 reports completed (2 earlier and 5 in current year) .
Improved sustainability of TSA system.	Enhanced network and infrastructure	Nil	Under implementation	Procurement delayed under SPFM2 as per agreed targets; needs to be expedited.

Table 2: Agreed Action (July-December 2016)

Agreed Actions (July-December 2016)	Agency
Utilization of SPFM 1 funds: FCGO will send a plan to utilize savings (about US\$200,000) under the SPFM 1, which closes on June 30, 2016.	PEFA Sec
Sub component 1	
<p>Commitment recording: Necessary consultations within Ministry of Finance and with line ministries/agencies would need to be conducted in next few months. The budget authorization letter for next year should include the commitment format of reporting to enable implementation. The budget division should also include this in their budget discussions with line ministries/agencies.</p> <p>FCGO to enhance the Commitment Module to record/enforce commitment against the released budget for better control and reporting against budget (both for commitment and expenditures). FCGO to complete the above process in next few months to start the new fiscal year (FY16/17) with full implementation of the commitment module as per envisaged design.</p> <p>FCGO to ensure that final enhancements in the reporting module - development of linkage of commitment with the budget, revised FMR/Budget Execution Report, and multi-year commitments - be completed.</p> <p>FCGO to further strengthen the cash planning process in terms of system enhancements. Institutional arrangements for cash management committee and cash release process should be strengthened.</p>	<p>FCGO</p> <p>FCGO</p> <p>FCGO</p> <p>FCGO</p>

Agreed Actions (July-December 2016)	Agency
RMIS: FCGO to roll out plan RMIS in additional 35 districts. FCGO to roll out plan RMIS in additional 25 districts.	FCGO FCGO
Accounting Manual: FCGO to finalize manual, get approved from Cabinet (as may be required), and start implementation.	FCGO
TSA access: FCGO to provide further support (excel export) and adequate training.	FCGO
Cost sheets and associated technical details: Revised cost sheet and backend calculation worksheets for IT equipment in line with procurement plan line items to be submitted.	FCGO
IT security audit: TOR will be revised to accommodate installation of new equipment. The consultant hiring process and conduct of security audit to be timed with installation of new equipment (verification of last payment under various IT contracts)	Bank
Procurement of IT equipment under SPFM 2: The detail status of IT and power backup equipment procurement as of March 31, 2016, to be submitted to the World Bank.	FCGO
Application systems: SRS (System Requirement Study), Systems Technical and User Manuals to be prepared for all applications developed by FCGO.	FCGO
Training of existing IT staff by IT consultants to bring them on par. Complete hiring of IT staff as per GoN approval -- One computer engineer (GoN position)	FCGO GoN
IT organization structure: The organization structure along with job responsibilities to be reviewed by new IT Director (with the Bank's recommendations); director will submit the revised chart.	FCGO
Asset register: A freeware software for asset management will be explored. Assets will be maintained using this software rather than on Excel spreadsheet. To be completed by May 15, 2016.	FCGO
Link to DC: FCGO to upgrade link to 15 Mbps based on utilization review and analysis of bandwidth. Upgrading to be done by April 30, 2016.	FCGO
To rationalize use of servers as planned.	FCGO
Websites SSL protection: All FCGOs websites should run using HTTPS with Secure Socket Layers (SSL) certification.	FCGO
Sub component 2	
Hire consultants for training and assisting economic entities in preparation of NPSAS-compliant financial statements for FY15/16.	FCGO
Provide further training to economic entities and OAGN on NPSAS.	FCGO
Finalize NPSAS users' manual.	FCGO
No cost extension to consultants' contract for NPSAS financial statements of FY14/15.	FCGO
Provide to IDA, English-translated, NPSAS-compliant financial statements of FY14/15 for balance of 15 economic entities.	FCGO
Conduct audit and provide opinion on NPSAS-compliant financial statements of FY14/15 of 13 economic entities.	OAG
Sub component 3	
A study on overall IFMIS strategy of GoN will help streamline disjointed IT/PFM initiatives across the spectrum. Procurement process to be decided.	PEFA Sec
Implementation arrangements	FCGO
Submit (i) a costed list of procurement activities for consulting services, goods and non-consulting services; (ii) updated procurement plan based on costed list. Manual version of these documents will be submitted for the Bank's review.	FCGO and PEFA Sec
The procurement plan in SEPA (online procurement plan) will be submitted for the World Bank's review.	FCGO, PEFA Sec

Table 3: Financial Progress for SPFM

Activities	Total Budget	Actual Expenditure (Jan- June 2016)	Cumulative Expenditure up to June 2016
RE	3.68 mil	1.9 mil	1.9 mil
BE	1.05 mil	0.044 mil	0.064 mil

Component 2: Enhancing Accountability in Public Financial Management

Subcomponent 1. Strengthening the Office of the Auditor General of Nepal

(Approved total budget, US\$2.46 million)

A. Context overview

Strengthening the Office of the Auditor General of Nepal (SOAGN) Project was launched in an effort to enhance the quality and impact of public sector audit and all the activities undertaken under SOAGN project that support this objective. A primary focus of the project was to help the Office of the Auditor General of Nepal (OAGN) to modernize audit methodologies and introduce computer audit technologies in line with international auditing standards and good practice approaches. The project concluded activities on June 30, 2016.

Despite the disastrous earthquakes in April and May 2015 and access issues faced by Nepal, OAGN achieved all milestones of the project with exceptions of a few procedural delays relating to the Public Accounts Committee (PAC). A comprehensive, risk-based financial audit methodology, aligned with International Standards of Supreme Audit Institutions (ISSAI), and standard audit working papers were developed and translated in Nepali. Geared toward solution, a National Audit Management System (NAMS) along with robust Electronic Working

Papers (EWP) were designed, developed, and deployed in OAGN. To further support this system, NAMS manuals were developed; 30 officials were trained as trainers, and 181 OAGN staff received end-user training. In 2014 and 2015, 28 pilot financial audits were carried out, along with complete quality assurance, and hands-on training of auditors on the use of EWP in field audits. Targets for in-depth performance audits were also met paving the way for meaningful future audits and better performance accountability. The OAGN became one of the pioneers in use of the INTOSAI Performance Management Framework. Peer review of OAGN was done by SAI India on the basis of the PMF framework, leading to dissemination of a comprehensive report and preparation of a strategic plan by OAGN. In addition to the peer review through SAI India, a South-South exchange program was undertaken with several SAIs, including Malaysia and Indonesia that encompassed knowledge sharing on risk-based audit practices and use of IT, citizen participatory audits with the Philippines, and audit of recovery and rehabilitation with Pakistan.

B. Challenges and issues

In country contexts such as in Nepal with frequent staff turnover and no professional PFM-related cadres (other than accountants), the focus of a risk-mitigating strategy should be on building institutional capacity (alongside individual capacity) to ensure that there is sufficient depth to provide continuity with staff turnover.

In addition, it is important to establish a capacity-building plan from the outset to avoid a piece-meal approach. There is also a need to establish a well-considered approach to assess the application of new skills and knowledge, for instance, through tracer studies to assess the impact and value-for-money of capacity-building activities and provide evidence to support adaptive approaches. Financial incentives for staff can also provide a powerful motivator for PFM technical reforms as witnessed during the rollout of the TSA system.

Finally, it is important to be realistic and manage expectations with PFM reforms. Introducing new tools and systems into an environment where old tools and systems are entrenched requires behavioral changes, alongside technical capacity building. Communicating the benefits of PFM reforms is key for overcoming any resistance.

C. Project Performance

Table 4 summarizes the program targets and accomplishments (for the reporting period) and the cumulative progress made in the SOAGN Project. Annex I presents the progress as per the Results Framework.

Table 4: Program Progress of SOAGN

Activities	Target for reporting period (Quantitative/ qualitative)	Accomplishments for reporting period (Quantitative/ qualitative)	Cumulative Progress
<p>Objective1</p> <p>Subcomponent 1: <i>Enhancing the Quality of Financial Statement Audit</i></p> <p>Subcomponent/ project: <i>Financial Audit Manual</i></p>	<p>Translate Financial Audit Manual and Working Paper in Nepali language</p>	<p>Financial Audit Manual translated and approved by the OAGN</p>	<ul style="list-style-type: none"> Financial Audit Manual approved and adopted by the OAGN. ISSAI-compliant Electronic Working Papers approved, adopted, and tested during pilot audits. 7 financial statement audits were completed, and ISSAI-compliant financial audits of 21 spending units were also completed. Case studies from pilot financial prepared for purposes of training. Debriefing workshops on pilot financial audits completed. NAMS developed and applied during the pilot audits. Audit Command Language software procured for CAAT. CAAT applied to live TSA data generated from country IFMIS. Peer review from SAI India undertaken. 300 auditors trained in use of Financial Audit Manual. Training of Trainers provided to a core group of 30 auditors. 181 auditors participated in NAMS Training of Trainers in Financial Audit Manual and Electronic Working Papers. Financial audit training provided to 20 government internal auditors. OAGN strategic plan approved. IT strategic plan developed and adopted. Quality assurance of 28 financial audits completed.
<p>Objective 2</p> <p>Subcomponent 2: <i>Upgrading the Capacity to Conduct Performance Audits</i></p>	<p>No activity planned for the period</p>	<p>No activity planned for the period</p>	<ul style="list-style-type: none"> Performance Audit Manual was updated and aligned with ISSAI 300, 3100, and 3200. Training conducted in performance audit in collaboration with SAI Norway. 6 indepth performance audits undertaken. 3 workshops on performance audits held. Quality Assurance of Performance Audit Reports done. 60 OAGN staff trained in performance audit in Malaysia. 45 OAGN staff training in performance audit in Philippines. 20 OAGN staff trained in audit of recovery and rehabilitation. Performance Audit Strategic Plan delivered. Auditor Generals visit to Philippines organized to get information on Citizen Participatory Audit in collaboration with the demand-side project. Citizen participatory audit introduced in performance audits. External training on performance audit was organized at National Institute of Financial Management in India. A group of 27 performance auditors attended the one-week training, which covered practices of performance audit in SAI India.
<p>Objective 3</p> <p>Component 3: <i>Enhancing Impact of Audit.</i></p>	<p>No activity planned for the period</p>	<p>No activity planned for the period</p>	<ul style="list-style-type: none"> Strategic Plan for Public Accounts Committee developed. Internal and External Communication Strategy developed. Report on database for past audit observations developed. Software developed for database for past audit observation.

Table 5: Financial Progress for SOAGN

Activities	Budget for reporting period	Actual expenditure for reporting period	Cumulative expenditure
Objective 1: Component 1: Subcomponent/project (name) Activity 1 Activity 2 Activity 3	Nil	Nil	Total allocation = US\$2.3 million. Cumulative expenditure = US\$2.24 million (as of June 30, 2016). Expenditure covers all components.

Note: Comment on variances >10% on each activity.

Subcomponent 2: Strengthening CSO Use of Social Accountability to Improve PFM (Approved total budget, US\$2.46 million)

The MDTF-funded Program for Accountability in Nepal (PRAN) 2 concentrated on linking PRAN's grassroots and community empowerment strengths with MDTF national supply-side PFM objectives. PRAN 2 work has been working on three dimensions:

- Empowering communities, especially marginalized people, to hold local governments accountable for participatory, pro-poor- and gender-inclusive budgeting and accurate budget execution;
- Improving citizen's access to individual social security entitlements, specifically old age and single women's entitlements, and basic education service delivery, including scholarship entitlements for girls and Dalits; and
- Improving the national enabling environment for transparent, inclusive, and accountable PFM.

The main activities of PRAN 2 seek to accomplish the following:

- Strengthen citizens' involvement in local governance budgeting and expenditure;
- Expand the use of citizen's participatory audits with OAGN;
- Ensure greater accountability and transparency in administration of social security through PETS; and
- Assess methodologies on grievance redressal mechanisms (GRM) and TSA systems.

A. Context Overview

Based on responses to findings of the most recently completed PEFA assessment,¹ the Government of Nepal has developed a new PFM reform action plan that adopts a holistic approach to PFM reforms encompassing both institutional and technical aspects. The National PEFA Steering Committee approved the comprehensive PFM plan in March 2016. The objectives of the demand-side components are broadly aligned with the new plan and have the potential to contribute to strengthening the overall system in the country.

B. Challenges/Issues

Planning for PRAN 2 within MDTF began in early 2014; however, due to various unavoidable constraints (including delays in new funding cycles, restructuring the project to align with MoFALD LGCDP/LGAF program, and the April 2015 earthquake), the actual funding for PRAN 2 was approved in July/August 2015. Actual field implementation began in September 2015 with a number of important activities launched in January 2016.

During the reporting period, PRAN 2 faced delays in implementation of some activities due to political unrest and unofficial blockade. The bandhs/strike called for by the agitating groups in Terai hampered the activities in Eastern

¹ The PEFA report concluded that Nepal's PFM system has been well designed and "Nepal made substantial progress in deepening the structures and processes of PFM". The report, nonetheless, noted that the PEFA reform "implementation has been uneven". Some specific areas requiring further attention include: budget preparation did not always adhere to its detailed guidelines and procedures while budget execution faced major challenges including a delayed appropriation of the annual budget. The report noted that the GON has a highly bureaucratic and centralized authorization process involving complex procurement processes.

Terai region for almost five months. For example, the PRAN 2 review meeting had to be postponed because the travel plans of many participants were affected by the strikes, curfew, and fuel crisis (resulting from the blockade). The program work closed with the CSOs in the most affected districts and waited for the blockade to subside and then made travel plans; safety of participant was one of the most important issues and well-considered and addressed in the planning process. With some initial delays, the activities were completed within the reporting period.

Some principal social accountability practitioners and assistant practitioners resigned from their post altering the smooth implementation of some activities in the field. The Village Development Committee (VDC) secretaries of Terai and many other hill districts were assigned responsibility of multiple VDCs. Therefore, it was difficult to conduct VDC-level activities on a stipulated date and time. Similarly, change of VDC secretaries also hampered the smooth implementation of field-level activities.

C. Project Performance

Despite the challenges described above, as of June 30, 2016 (end of reporting period), activities of the demand-side component were implemented and/or scheduled for completion as planned (see details in Table 6), and the program has continued to achieve its set goals.

Table 6: Program Progress for Subcomponent 2 (Component 2)

Activities	Target for the reporting period (Quantitative/ qualitative)	Accomplishments for reporting period (Quantitative/ qualitative)	Cumulative Progress
<p>Subcomponent 2: Strengthening CSOs Use of Social Accountability to Improve PFM</p> <p>Objective 1: Local Budget</p> <p>Communities in the program areas, especially disadvantaged groups, are empowered to hold local governments accountable for participatory, pro-poor-/ gender-inclusive budgeting and accurate budget execution</p> <p>Activity 1: Capacity-building, programs, technical assistance, and deployment of tools and review meetings</p>	<p>1. First round of training to Social Mobilizers (SMs) on new IEC materials, including budget literacy, gender and pro-poor budgeting.</p>	<p>1. All 300 SM in 300 VDCs of 15 districts. 60 VDCs of 6 DDCs where budget tracking is done by CSOs based on training received.</p>	
	<p>2. Citizens training on budget literacy.</p>	<p>2. About 6,000 citizens trained (i.e., 20 citizens per 300 VDCs) have been trained by CSOs around budget literacy through IEC materials</p>	
	<p>3. Technical support to VDCs in conducting annual integrated planning meetings with WCFs and documenting it as per MoFALD guidelines.</p>	<p>3. 300 VDCs in 15 PRAN districts covered.</p>	
	<p>4. Workshops for CSOs and mentors on GRM and VDC /DDC spending tracking and analysis based on real-time TSA data from District Treasury Office.</p>	<p>4. 12 social accountability practitioners and 12 assistant social accountability practitioners trained on GRM, which is emerging as a new area of government focus and priority, evinced by issuing of new GRM Guidelines in mid-2015.</p>	
	<p>5. Technical support on analysis of grievances/TSA at VDC/ DDC level and Focus Group Discussion on GRM/TSA.</p>	<p>5 and 6. TSA and GRM reviewed and information/data collected from 60 VDCs. Initial draft reports on TSA and GRM submitted by CSOs and district-level validation meeting conducted. CSOs are now finalizing district-level TSA and GRM reports.</p>	
	<p>6. Social security entitlement, grievance, user committees formulation at local level and Dalit, girl scholarship-related PSAs developed and aired in 15 districts.</p>		
	<p>7. Capacity-building activities and technical support for local media engagement and reporting on PFM issues.</p>	<p>7. 6 regional-level (Dhangadi and Hetauda) and national-level (Dhulikhel) workshops for media persons on PFM accomplished.</p> <p>PSAs on social security entitlement developed and aired from local FM radios for 90 hours.</p> <p>8 PSAs on GRM developed and aired from local FM and Radio Nepal (center) for 1,434 hours (and continuing).</p>	
	<p>8. Capacity building at the local level for social mobilization.</p>	<p>8. 300 SMs provided IEC training materials on PFM-related budgetary matters.</p>	

Activities	Target for the reporting period (Quantitative/ qualitative)	Accomplishments for reporting period (Quantitative/ qualitative)	Cumulative Progress
	9. <i>Training and piloting of mechanism with CSOs involvement in performance audits at local level (CPA).</i>	9. CSOs from Dhankuta, Palpa, Janakpur, and Dhankuta participated in the workshop on performance audit in joint OAG/CSO familiarization. CSO participation in the implementation of performance audits was piloted in Janakpur, Dhankuta, Palpa, and Kailali (CSO/OAG mobilization/ participation – this excluded Kailali and Palpa where the pilot was not possible due to lack of clarity of role of CSO/OAG officials)	
Objective 2: Entitlements <i>Improving citizen's access to individual social security entitlements, specifically old age and single women's entitlements, and basic education service delivery, including scholarship entitlements for girls and Dalits</i> Activity 1 Capacity Building, Deployment of Tools and Review Meetings	1. <i>PETS training to CSO social accountability practitioners by trainers (experts)/mentors on additional social accountability tools – and technical assistance on data collection in 100 VDCs from 5 districts.</i>	1. 10 social accountability practitioners trained on use of PETS enabling CSOs to conduct research involving 5,000+ citizens to assess receipt of social security entitlement on right time and right amount./a Local capacity created to design and implement the questionnaires. 100 VDC PETS conducted by trained CSOs. Consultations held with DCR/MoFALD for budgetary information about social security entitlement from the Center.	
	2. <i>Capacity-building training at VDC level to SMs, WCFs (Ward Citizen Forums), and CACs (Citizens Awareness Center on management of social security entitlements.</i>	2. CSC training conducted for CSOs to provide them skill on CSC process and scholarship tracking. First round CSC conducted in CSC districts, and Dalit and girls scholarship tracked.	
Objective 3: National PFM Environment Evidence-based analysis and feedback provided to national agencies to enable them to make informed decisions around PFM-related issues. Activity 1: Support to OAGN with its citizen engagement efforts, and engagement with Ministry of Education	1. <i>One Guideline for Citizen Participatory Audits developed and presented to OAG for clearance and approval.</i>	1. The Citizen Participatory Audit Guideline was approved by OAGN on June 19, 2016./b Implementation of guidelines (including training and piloting of CSOs and OGAN staff) planned for Jul-Dec 2016.	
	2. <i>Training, technical assistance and field work on the use of CSC to assess quality of basic education services including scholarship entitlements</i>	2. 8 social accountability practitioners were trained on scholarship tracking and Community Score Card. Community Score Card and Dalit/girls scholarship tracking held. 24 primary schools in 4 districts of Gorkha, Dhanusha, Siraha and Saptari were selected for Community Score Cards, and another 24 primary schools were selected in 4 districts for scholarships tracking. The first round scholarships tracking and Community Score Cards are completed. The final round will be completed in August 2016.	

Note:
/a These 10 CSOs are becoming instrumental in prompting some serious changes in the way VDC Secretaries managed the distribution of social security entitlements, notably the documentation, and the tendency to distribute these to eligible citizens on time and in the right amount. The very process of survey conduction is seen as an empowering experience by CSOs, a fact that is also echoed by the citizens who often said, "Your asking us questions has prompted us to ask questions of the VDC Secretary (about our entitlements)".
/b The guideline, a collaborative effort of PRAN and the Program on Advancing Public Participation in the Budget and Audit Process (PPBA), sets out standards and procedures aimed to guide implementation of OAGN Participatory Performance Audits. It enumerates enabling laws and policies that provide legal basis as to why citizen participation in the conduct of audits is possible. It also provides users with a set of standards and procedures that cover the performance audit stages where citizens and CSOs can be engaged by OAGN. The guideline is available on the OAGN website: http://www.oagnep.gov.np/downloadfile/CPA%20Karyabedi%20%202073_1466321850.pdf

Table 7: Financial Progress of Subcomponent 2 (Component 2)

Activities	Total budget	Actual expenditure (Jan- June 2016)	Cumulative expenditure (up to June 2016)
<i>Subcomponent 2: Strengthening CSOs Use of Social Accountability to Improve PFM – TFA0369 (RE)</i>	US\$0.95 million	US\$0.25 million (approx.)	US\$0.76million
<i>Strengthening CSOs Use of Social Accountability to Improve PFM – TFA0370 (BE)</i>	US\$0.55 million	US\$0.065 million (approx.)	US\$0.475 million (including US\$0.29 million in current commitments)

Comment on variances >10% on each activity

Table 8: Plan for Next Reporting Period of Subcomponent 2 (Component 2)

Activities	Target for reporting period (Quantitative/qualitative)	Budget for reporting period
<i>Capacity-building activities in support of: Strengthening transparency, accountability, efficiency, and inclusiveness of PFM systems in 15 districts of Nepal by fostering the use of social accountability tools such as Community Score Card, budget analysis, GRM, including PETS with support of local Nepali CSOs</i>	<ol style="list-style-type: none"> 1. Program Review Meeting – extraction of lessons learned from 30 projects (2 days) followed by closure of grants with CSOs. 2. Joint field visit to Banke and Dang Districts of Nepal mainly to see GRM and TSA at ground level. 3. Based on lessons learned, final training of CSOs on selected social accountability tools. 4. Multistakeholder national-level sharing workshop on PETS, GRM, TSA and Community Score Card. 5. Final deliverables and project completion reports to be submitted by implementing CSOs. 6. Review of deliverables and final project completion report of CSOs and final tranche disbursement. 7. Publication of PETS, GRM, and TSA findings for wider dissemination. 8. Final project completion Report submission by CECI to WB. 9. Mini-case studies from the MDTF PFM work will be produced Semi-Annual Reports of PRAN under MDTF. 	US\$0.22 million remaining funds for the RE TFA0369 will be allocated for the remaining activities.
<i>Community Score Card and tracking of Dalit and girl child scholarship to address different issues at primary school level (enrollment, availability of textbooks, infrastructure, and other facilities)</i>	<ol style="list-style-type: none"> 1. Implementation of second round of Community Score Card focused on tracking of scholarship for girls and Dalit education in selected primary Schools (Dhanusha, Shiraha, Saptari and Gorkha). 2. Finalization of analytical report on lessons learned from implementation of the Community Score Card and Dalit and girl child scholarship tracking. 	

Activities	Target for reporting period (Quantitative/qualitative)	Budget for reporting period
<p>GRM to address issues at grassroots level at VDCs or at DDCs, including: (a) how GRM could best be institutionalized at VDC or DDC to provide better services at the local level; (b) how GRM process could be simplified so that a common victim of policy and or implementation could register his/her grievances and get timely response; (c) how to make it more functional for attaining pre-set objectives; and (d) what role the local-level CSOs can play in educating people about GRM and improve effectiveness of its service delivery.</p>	<ol style="list-style-type: none"> 1. Follow-up GRM activities at VDCs (Dang, Kailali, Rolpa, Bajura, Kapilbastu, and Palpa). 2. Produce final analytical report on GRM with evidence-based recommendations. 	
<p>Public Expenditure Tracking Survey (PETS) (Dhankuta, Bara, Banke, Bardiya & Bajhang) PRAN Phase 2 has decided to conduct Social Security Entitlement (SSE) PETS in 100 VDCs of five PETS cluster districts.</p>	<ol style="list-style-type: none"> 1. The results of PETS on social security entitlements will be reviewed. 2. The final analytical report on PETS will be produced. 	
<p>Monitoring and evaluation PRAN: Phase 2 Results Framework has identified outcome and impact indicators to assess changes in PFM practices of VDCs and how citizens perceive these changes. Baseline and endline surveys will be a key part of the overall M&E approach conducted to assess changes in transparency, accountability, efficiency, and inclusiveness in PFM/PFM-related indicators.</p>	<ol style="list-style-type: none"> 1. Baseline report finalization and sharing. 2. Endline report survey, analysis, and report preparation and finalization. 3. Year-end monitoring report for Results Framework of PRAN (Annexes 1 and 2). 	
<p>Activities in support of advancing public participation in the audit process in Nepal</p> <p>Strengthening OAG – CSO partnership in the audit process of Nepal.</p>	<ol style="list-style-type: none"> 1. Capacity building and technical assistance for implementation of newly adopted Citizen Participatory Audits guidelines for OAGN staff and relevant CSOs. 2. Technical assistance for implementation of the Citizen Participatory Audit guidelines: (a) a preparatory phase for selecting audits to pilot Citizen Participatory Audits; and (b) training on social accountability tools to be used for supporting data collection to inform the audit report and training new “citizen auditors”. 3. Technical assistance and South–South knowledge exchange on use of web platform for communicating with the public. 4. National-level workshop on newly adopted Citizen Participation in Audits guidelines 	

Component 3: Deepening Knowledge Related to Nepal PFM System

Component 3 carries out analytical work for knowledge dissemination. Two analytical works, PETS in the education sector and the Operational Risk Assessment in the PFM sector, have been completed. Strengthening Budgeting Process for Results had a two-year timeframe, including one-year extension, which ends on June 2016.

Strengthening Budgeting Process for Results

A. Background

The proposed intervention plan for Strengthening Budgeting Process for Results was phased, starting with a diagnostic of reforms vis-à-vis an action plan (to update past analyses, identify/confirm the specific areas of assistance, and ensure full Government buy-in around the diagnostic), including completion of various on-going activities. Once agreement was reached among key stakeholders (National Planning Commission, Ministry of Finance, and key line ministries), other technical capacity-strengthening activities were identified and implemented.

B. Objective of the technical assistance

The objective of the intervention was to improve policy-based budget process.

C. Deliverables

Guided by three pillars (Credible Budget, Linkage of Plan to Budget, and Program Performance), 13 activities anchored the work plan and their outputs and outcomes. Of the 13 identified activities, two activities, namely (a) BOOST and (b) Training to Parliamentarians on Budget Preparation, were dropped at the request of the Ministry of Finance. In lieu of these two dropped activities at the request of the Ministry of Finance, two activities were added, namely (a) drafting of Fiscal Responsibility and Budget Management Act and (b) Public Financial Management Information System (PFMIS). PFMIS was developed and completed upon final digitization and operationalization of the Line Ministry Budget Information System (LMBIS).

Discussion of the outputs and outcomes of the 13 activities under the 3 pillars follows:

Pillar One: Credible Budget

- **Activity 1, Consensus building on capacity-building action plan.** With the transition government focused on the elections agenda, it was a tall order to achieve bureaucratic coordination around a shared platform and agreement upon a capacity-building action plan to improve budget formulation, tax revenue administration, budget execution, and monitoring and release of budgetary performance and fiscal information. To facilitate this outcome, MTEF and PFM Gap analysis reports were presented to the stakeholders at close door workshops.
Results. (a) Guidance given to draft Fiscal Responsibility and Budget Management Act; (b) Budget Speech announced numerous budget execution improvement policies.
- **Activity 2, PFM gap identification.** Since there was no diagnostic available in Nepal after the 2007 PEFA, the PFM Gap Report was completed and findings shared with stakeholders. A holistic look of the PFM system was completed and recommendations made on 9 PFM areas.
Results. Output -- Report became basis for drafting Fiscal Responsibility and Budget Management Act. Outcome -- Budget date submission to the Parliament enunciated in the Constitution itself, while the details left for the Parliament to approve the Act.
- **Activity 3, LMBIS completed.** Nepal has institutionalized 'output-based budget' planning at the ex ante stage but is still far from 'performance-based budgeting'. In Nepal, this process is known as approval of the Annual Work Program Budget and is central to budget formulation and release of capital funds. This whole process is now digitized, and budget request is made on-line using the LMBIS. Upon completion of this process, information so generated feeds into the

Budget Management Information System (BMIS). The aggregation of approved budget request against ceiling is the annual budget.

Results. (a) LMBIS platform is now central to budget formulation process at the ex ante stage and, at ex post, anchors the comparative budget execution reports downstream. (b) LMBIS anchors the National Reconstruction Authority real-time verification process of housing subsidy transfer to the authenticated beneficiary.

- **Activity 4, Piloting of tax expenditure and quasi-fiscal expenditure reports.** Public expenditure at the current state of information disclosure is, likely, significantly under-estimated. Substantial amount of public expenditure through tax code exemptions are in practice; this level could be as high as 3-5 percent of GDP. If quasi-fiscal activities are included, public expenditure from these two channels could be in the neighborhood of 10 to 12 percent of GDP. To get a good handle of total public expenditure, a tax expenditure study was completed. A note on quasi-fiscal activities was also completed.

Results. FY16 and FY17 Budget Speeches announced government's intention to institutionalize Tax Expenditure Reports as part of budget presentation.

- **Activity 5, Improving the linkages of budget priorities with resources.** The Government of Nepal has announced the graduation of MTEF to MTBF, even when MTEF implementation is incomplete. Having a medium-term framework, although helpful, must take into account actual inflation, assess donor fund predictability, and focus on intersectoral resource allocation that has forward expenditure estimates aggregated by sector or ministry. The framework should become the basis upon which to discuss budget policy and be used to frame the annual budget preparation. This is not the case in Nepal although some form of MTEF has been implemented for the past decade. A MTEF Gap Analysis Study was completed.
Results. Output -- Report for drafting Fiscal Responsibility and Budget Management Act.

- **Activity 6, Operationalizing MTBF on an incremental coverage.** The major building blocks for implementing MTBF are already in place. Taking guidance from Gap Analysis Reports, MTBF was piloted.

Results. Fiscal Framework was presented to National Planning Commission along with new prioritization criteria to anchor the next budget preparation.

- **Activity 7, Fiscal Devolution.** The new Constitution in the making has enunciated principles for fiscal devolution but remains short on specifics on fiscal devolution policies.
Status. On-going activities, design of (a) Single Tax Code and (b) Fiscal Devolution Framework.

- **Activity 8, Strengthening macro accounting framework.** Technical assistance was provided to prepare a macro accounting framework to anchor the 14th Periodic Plan.
Status. Macro accounting framework prepared in GEMPACK.

Pillar Two: Linkage of Plan to Budget

- **Activity 9, Preparation of sectoral MTEFs.** The 13th Periodic Plan sector strategies are to be anchored by sectoral sectoral MTEF to bring back realism in the sector budgets.
Status. With the change in Government, these sectorial plans were diluted to respond to reconstruction needs of the country and better alignment to the 14th Periodic Plan.
- **Activity 10, Annual budget anchors result focused Three-Year Plan.** The 13th Periodic Plan is expected to improve existing sectoral business plans and sectoral strategies that are under preparation. These key sectoral outputs are to be costed, and a bridge established between the strategies and annual budget within realistic resource envelope.
Status. With the change in government, the prioritization criteria and costing framework guidance were not adhered to in the preparation of budget.

- **Activity 11, Program performance, accountability, and ensuring demand for fiscal information from civil society.** Annual work plan, performance-based budgeting, will be digitized. With completion of this activity, three separate MIS platforms, namely BMIS, FMIS, and LMBIS can be synchronized to obtain real-time expenditure data to improve budget management and governance. Beyond digitization of budget forms, performance can be tracked.

Status. Completion of the LMBIS and its rollout has enabled annual budget formulation transparency and rationalization of budget allocation across all economic heads.

Pillar Three: Program Performance:

- **Activity 12, Public Financial Management Information System (PFMIS) development.** At the request of the Government, PFMIS was developed and

operationalized.

Status. PFMIS provides real-time expenditure data by functional, economic, sectorial, and geographical locations. The value added from this analytical data platform is in the government's interest to conduct a Public Expenditure Review. These sectorial Reviews are planned to be completed in the month of October 2016 and become part of the mid-term budget review process.

- **Activity 13, Fiscal Responsibility and Budget Management Act.** At the request of the Government and in partnership, Fiscal Responsibility and Budget Management Act was drafted.

Status. Draft is under discussion at the Ministry of Finance. In an early budget presentation to Parliament, one of many clauses in the current draft Act was enshrined in the Constitution.

Component 4: Program Management and Administration

Component Four deals with MDTF program management and administration.

Program Coordination Committee (PCC) Meeting

The 10th PCC meeting was chaired by Fily Sissoko, Practice Manager, Governance Global Practice, World Bank, and attended representatives from the Budget Division (Ministry of Finance), PEFA Secretariat, and MDTF development partners. The meeting attendees discussed the eight high-level expected outcomes of Phase II of the PFMPRP Plan and the draft MDTF Strategy. The PCC endorsed the extension for MDTF phase II until 30 June 2022. The development partners also put forward their commitment for additional pledges to support the next phase of MDTF.

Technical Review Meeting

The Technical Review Meeting held on June 15, 2016, provided an in-principle approval to the proposal for the Deepening Public Expenditure Management Reform Project. The reporting format and structure of the MDTF Progress Report was also finalized during this meeting.

PART II

FINANCIAL REPORT

As of June 30, 2016, the total pledged amount to PFM MDTF by its 7 donors is US\$22.95 million (Table 9). A Supplemental Arrangement was signed between Australia DFAT and the World Bank to include an additional contribution of US\$2.02 million. Subsequently, the trust fund account (TF072582) parallel to the original trust fund (TF071617) was created to accommodate the new contribution. Current deposits — meaning funds received by the MDTF Administrator — stand at US\$21.42 million, with the balance of pledged funds to be paid into the MDTF account, administered by the World Bank as per the Administration Agreements.

The total disbursement as of June 30, 2016 is US\$13.55 million (about 63 percent of total fund receipt). For the further details refer to (Table 10).

Table 9: Donor Contribution to MDTF as of June 30, 2016

Trust Fund Account #TF071617	In millions					
	Pledged Amount		Receipts		Balance due	
Customer Name	Country currency	Equiv. USD	Country currency	Equiv. USD	Country currency	Equiv. USD
United Kingdom- Department for International Development (DFID)	GBP 3.50	5.57	GBP 3.50	5.57	-	-
Royal Norwegian Embassy	NOK 15.00	2.62	NOK 15.00	2.62	-	-
Embassy of Denmark	DKK 2.00	0.38	DKK 2.00	0.38	-	-
Department of Foreign Affairs and Trade, Australia	AUD 2.85	2.99	AUD 2.85	2.99	-	-
European Union	EUR 4.50	5.61	EUR 4.05	5.11	EUR 0.45	0.50
Government of the Swiss Confederation	CHF 3.00	3.05	CHF 2.00	2.03	CHF 1.00	1.02
United States Agency for International Development (USAID)	USD 0.71	0.71	USD 0.71	0.71	-	-
Total		20.93		19.40		1.53

Trust Fund Account #TF072582	In millions					
	Pledged Amount		Receipts		Balance due	
Customer Name	Country currency	Equiv. USD	Country currency	Equiv. USD	Country currency	Equiv. USD
Department of Foreign Affairs and Trade, Australia	AUD 2.80	2.02	AUD 2.80	2.02	-	-

Table 10: Disbursements as of June 30, 2016

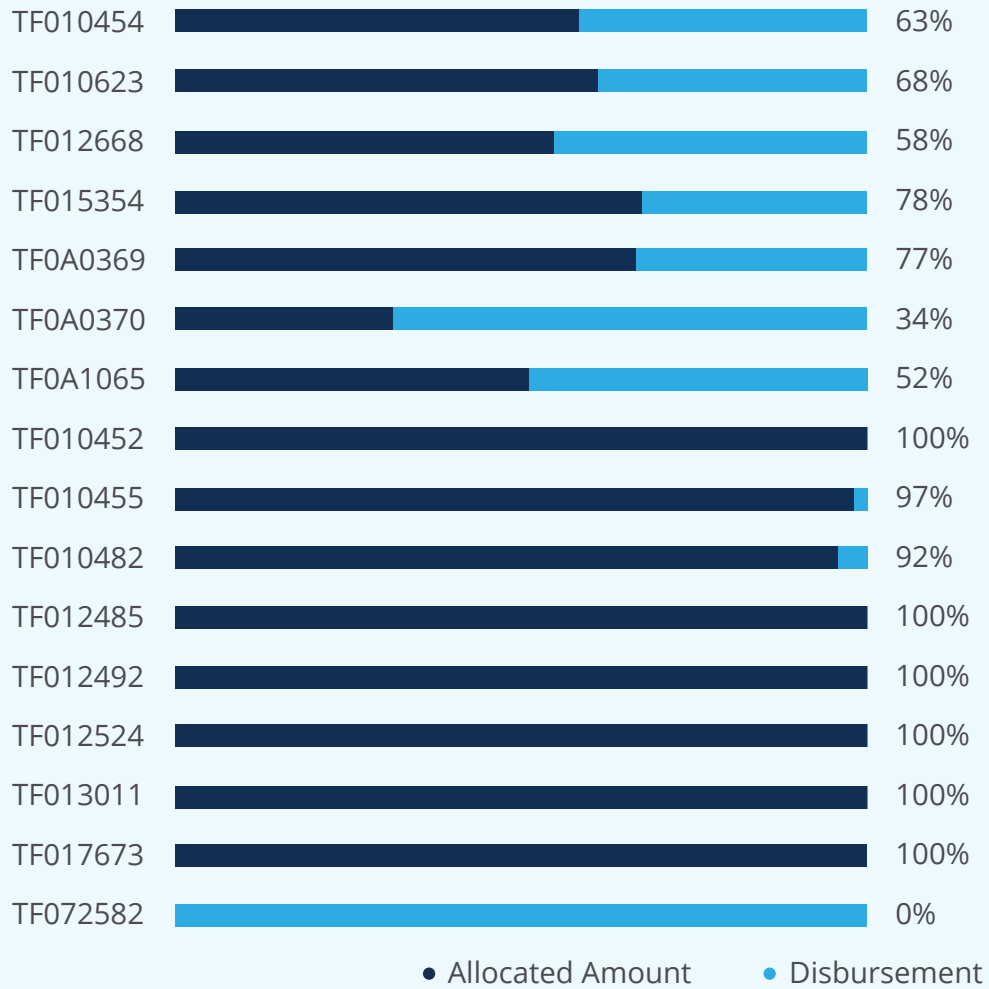
Grant Number	Grant Name	Project ID	Grant Closing Date	Grant Amount USD	Disbursements USD	% Disbursed	Fund Balance USD	Commitments USD	Available Balance USD
TF010454	Preparation, appraisal, supervision, monitoring, reporting costs of Strengthening PFM Systems	P125770	6/30/2017	550,000.00	347,165.57	63%	202,834.43	-	202,834.43
TF010623	Program Management and Administration Costs	P121853	6/30/2017	585,411.39	400,920.41	68%	184,490.98	2,549.72	181,941.26
TF012668	NLTA under the SPFM Project to Govt of Nepal	P125770	6/30/2017	500,000.00	290,505.97	58%	209,494.03	406.44	209,087.59
TF015354	Nepal: Strengthening Budgeting Process	P145814	6/30/2016	905,000.00	701,591.45	78%	203,408.55	36,769.12	166,639.43
TF0A0369	Strengthening Civil Society Organizations' use of Social Accountability to improve PFM in Nepal 2	P153514	12/31/2016	950,000.00	731,416.44	77%	218,583.56	218,583.56	-
TF0A0370	Strengthening Civil Society Organizations' use of Social Accountability to improve PFM in Nepal 2	P153514	12/31/2016	550,000.00	185,814.75	34%	364,185.25	289,570.67	74,614.58
TF0A1065	Nepal : Strengthening Public Financial Management II	P154401	7/31/2017	3,680,000.00	1,906,310.84	52%	1,773,689.16	1,773,689.16	-
Sub Total Active TFs				7,720,411.39	4,563,725.43	59%	3,156,685.96	2,321,568.67	835,117.29
TF010452	Strengthening Public Financial Management (PFM) System (Treasury System, Financial Reporting and PFM Capacity Building) (C)	P125770	6/30/2016	4,300,000.00	4,281,528.06	100%	18,471.94	18,471.94	0.00
TF010455	Strengthening the Office of the Auditor General Project (C)	P127040	6/30/2016	2,300,000.00	2,241,428.68	97%	58,571.32	58,571.32	-
TF010482	PREPARATION AND SUPERVISION COSTS OF STRENGTHENING OFFICE OF THE AUDITOR GENERAL PROJECT (C)	P127040	6/30/2016	235,000.00	215,236.19	92%	19,763.81	1,077.01	18,686.80
TF012485	Strengthening Civil Society Organisations' use of Social Accountability to improve Public Financial Management in Nepal (C)	P131860	9/30/2014	800,000.00	800,000.00	100%	-	-	-
TF012492	NP ED PETS (C)	P131381	12/31/2014	148,346.99	148,346.99	100%	-	-	-
TF012524	Strengthening Civil Society Organisations' Use of Social Accountability to Improve Public Financial Management in Nepal (C)	P131860	11/30/2015	699,283.48	699,283.48	100%	-	-	-
TF013011	Operational Risk Assessment of PFM reform in Nepal (C)	P132738	6/30/2013	199,983.75	199,983.75	100%	-	-	-
TF017673	Nepal ROSC A&A (C)	P147582	6/30/2015	7,720.19	7,720.19	100%	-	-	-
Sub Total Closed TFs				8,690,334.41	8,593,527.34	99%	96,807.07	78,120.27	18,686.80
	Admin Fee			388,092.96	388,092.96	100%	-	-	-
	Unallocated from the Paid in Funds			2,605,809.17			2,605,809.17		2,605,809.17
Total				19,404,647.93	13,545,345.73		5,859,302.20	2,399,688.94	3,459,613.26
Parallel Trustee Account									
TF072582	Nepal Public Financial Management Support Multi Donor Trust Fund (successor of TF071617)			2,019,360.00	-	0%	2,019,360.00	-	2,019,360.00
Grand Total				21,424,007.93	13,545,345.73	63%	7,878,662.20	2,399,688.94	5,478,973.26
							Inclusive Investment	8,033,138.16	

Notes:

The total paid in contributions from DPs is USD 21,424,007.93.

Investment Income till this period is USD 154,475.96 (Trustee 1 USD 152,784.50 + Trustee 2 USD 1,691.46) is not included in the above table.

Figure 2: Activity-wise Allocation and Disbursement



ANNEX I:

Progress Status of SOAGN as per Revised Result Framework

Indicator	Baseline		Cumulative Target Values	
	Actual December 2013	Actual December 2013	June 2015	June 2016
Project Development Objective-Level Indicators				
Project Development Objective: To enhance the quality and impact of public sector audit in Nepal				
Audit of financial statements completed in accordance with ISSAI Standards.	Nil	2	7	7
By June 2016, Financial statement audit of 7 entities were completed in accordance with ISSAI framework. Electronic Working Paper and Computer-Assisted Audit Techniques were applied by auditors during the audit engagement.				
Financial Audit of Spending Units completed in accordance with ISSAI.	Nil	11	21	21
By June 2016, Financial Audit of 21 spending units was completed in accordance with ISSAI framework. Additionally in all audits Electronic Working Papers were used to document audit engagement.				
Performance Audit conducted in accordance with ISSAI framework and submitted for transmission to the parliament.	1	3	6	6
By June 2016, 6 in-depth performance audits were conducted in accordance with ISSAI framework. The Performance Audit Reports of the Health Sector and Kathmandu Valley Road Improvement Project were incorporated in the 51st Annual Report of the Auditor General. The report on LGCDP and Social Security Program is being incorporated in the 52nd Annual Report of the Auditor General. Remaining 3 Performance Audit Reports are ready for incorporation in Annual Report of the Auditor General. OAGN also applied techniques of Citizen Participator Audit in conduct of these audits.				
Audit observations contained in ISSAI compliant audit reports (pilot audits) acted upon by the executive within 90 days.	<10%	10%	20%	30%
More than 30% of audit observations contained in ISSAI-compliant audit reports (pilot audits) were acted upon by the Executive within 90 days.				

Indicator	Baseline		Cumulative Target Values	
	Actual December 2013	Actual December 2013	June 2015	June 2016
Intermediate Results (Component One): Enhance the quality of financial statement audits				
Office-wide audit plan implements risk-based concepts (Note: planning and conduct of all audits are risk based).	Partly	Partly	Fully	Fully
All entities are categorized according to the risk profile which is determined by a set of indicators. NAMS supports risk based profiling of audit entities.'				
Peer Review Assessment using the SAI PMF framework.	Peer Reviewer (Sister SAI selected).	Assessment using SAI PMF completed.	Action plan drafted initiated.	Next long-term OAGN Strategic Development Plan prepared and agreed on basis of peer-review report.
Number of person-days of classroom training (including ToT in new financial audit procedures).	200	400	500	600
Intermediate result (Component Two) : Upgrade the capacity to conduct performance audits				
Lessons learned from current year pilots documented and reflected in revised audit manuals, guides and training material.	Not done	Not done	Process initiated.	Documented and reflected in audit manuals, guides.
After pilot performance audits, workshops were held in which auditors shared lessons learned with other participants. Workshop findings were published in a report. Performance Audit Manual was updated.				
Enhanced public participation of CSOs and other stakeholders in performance audit process (number of participants/CSOs at the events).	Not done	Not done	15	30
In collaboration with the demand-side project, a number of consultative workshops were arranged with CSOs. More than 30 CSOs were engaged in consultative process. In addition, a study tour of high-ranking OAGN officials, including Auditor General, was arranged to study CPA in the Philippines. As a result of the study tour, CPA is included in the Strategic Plan (2016-2020).				

Indicator	Baseline		Cumulative Target Values	
	Actual December 2013	Actual December 2013	June 2015	June 2016
Number of times press meetings were arranged to disseminate the results of performance audits with extensive coverage by media.	Nil	3	6	6
Press briefing are done frequently.				
Person days of classroom training in performance audit.	100	200	250	300
Three workshops were held in addition to classroom training. 17 officials of OAGN received training in audit of relief and rehabilitation in Pakistan.				
Intermediate result (Component three): Enhance the impact of audit.				
Audit observations contained in ISSAI-compliant audit reports (pilot audits) accepted by Executive with 35 days.	<30%	30%	40%	50%
All audit observations are recorded in NAMS and tracked. More than 50% of audit observations contained in ISSAI compliant audit reports were accepted by the executive within 35 days.				
Strategy document prepared with actions for improving relations with Executive, PAC, media, and other stake-holders.	No	No	Strategy document prepared.	Strategy document implemented.
Strategic documents on collaboration with PAC and Communication Strategy developed and partially implemented.				
Computerized databank of audit observations to produce monthly status reports.	No	Software for audit management customized.	Software implemented and used in pilot audits and customized databank.	Software implemented and databank populated for last 2 years audit observations.
Software developed and populated with audit observations of pilot audits.				



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