

NEPAL PUBLIC FINANCIAL MANAGEMENT MULTI-DONOR TRUST FUND

PROGRESS REPORT | January – June 2017

Nepal Public Financial Management Multi-Donor Trust Fund

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ACKNOWLEDGMENTS

This progress report has been prepared by Franck Bessette, Pragya Shrestha, Shraddha Shah and Nagendra Nakarmi, on behalf of the World Bank as MDTF Administrator. The report includes inputs and guidance from the MDTF task teams (Yogesh Malla, Akmal Minallah, Luiza A. Nora, and Roshan D. Bajracharya). The MDTF management and team is especially grateful to the PEFA Secretariat Nepal for their continued support.

Cover Photo: David Waldorf
Design by: Rajan Shakya

ABBREVIATIONS AND ACRONYMS

BER	Budget Execution Report
CAAT	Computer-Aided Audit Techniques
CIAA	Commission for the Investigation of Abuse of Authority
CSO	Civil Society Organization
EWP	Electronic Working Paper
FCGO	Financial Comptroller General Office
FMIS	Financial Management Information System
GESI	Gender Equity and Social Inclusion
ICAN	Institute of Chartered Accountants of Nepal
ICGFM	International Consortium of Government Financial Management
ICR	Implementation Completion Report
IFRS	International Financial Reporting Standard
IPSAS	International Public Sector Accounting Standard
ISSAI	International Standard of Supreme Audit Institutions
IT	Information Technology
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
NFRS	Nepal Financial Reporting Standard
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
PFM	Public Financial Management
PRAN	Program for Accountability in Nepal
RMIS	Revenue Management Information System
SAI	Supreme Audit Institution
SOAG	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,

Implementation of the new federal Constitution is now in full swing and the electoral process is moving according to plan and in ways that make us hopeful for the success of the transition. The 2017/2018 Budget has organized the transfer of around 20% of government resources to lower levels of government with the intention to make viable the deep transformation in the structure of the State and in the way public services will be rendered. Budget will also transform profoundly.

The PFM MDTF is trying to respond to these changes. First, the extension of its closing date to January 2022 is now legally and operationally a reality with the signing of all the necessary Legal Agreements. At the PCC meeting held on June 16, 2017 development partners pledged significant support for this second phase. These pledges are now in the process of being carved in stone through the signing of administrative agreement. This process has been somewhat slower than I expected but it is nevertheless moving smoothly. Second, the June PCC has also endorsed the PFM MDTF strategy for phase 2 (2017-2022) which will support the government's PFM Reform Plan (PFMRP2). The documents states that: **"The Nepal PFM MDTF envisions a country where solid foundations for credible and performing PFM systems at federal, provincial and local levels support economic development and service delivery for citizens."**

MDTF partners still believe that strong federal PFM systems are necessary to support the federalism process and that the necessary strengthening of PFM systems at sub-national levels should rely on federal systems to avoid incoherence, divergence, dilapidation of resources and efficiency. Unfortunately, the PFM area in Nepal still suffers from some level of disaggregation since the crucial area of sub-national PFM is still not connected to the main PFM reform agenda and remains a disputed territory between several constituencies. This will be an important obstacle to overcome in the months to come.

During the period covered by this report, important events were held such as the FCGO workshop on modernization and integration of PFM information systems and related roadmap, which has been successful in bringing together stakeholders from the main ministries. Computerization of PFM systems is still high on the agenda of the MoF and FCGO in particular. The Office of the Auditor General joint consultative meeting in March discussed how MDTF could structure its support to meet the various challenges of the current period. Mr. Ole schøyen from OAG Norway (Riksrevisjonen) was invited to the event and provided inputs in the discussion. See workshop report on our website a ([embed www.mdtfpfm.org.np](http://www.mdtfpfm.org.np)) and summary below. An Implementation Completion Review (ICR) mission for SPFM I and II projects was also conducted

during April 2017 to assess the performance of the flagship projects of the first phase. I hope to be able to share the final report early next year.

This report is a bit shorter than usual since most components of the first phase have now closed and only the component “strengthening budgeting process for results” is still active. Our objective is to process the key projects for the new phase before January 2018.

The PFM MDTF is more than ever a useful platform to discuss in a coordinated fashion the PFM reform agenda and to promote alignment to government’s priorities and integration of efforts.

Franck Bessette
Program Manager, Nepal PFM MDTF



PART I

OVERVIEW OF RESULTS

Context Overview

Component Two: Enhancing Accountability in Public Financial Management Subcomponent 1. Strengthening the Office of the Auditor General of Nepal

After the success of the first phase of strengthening the OAG project, the team is progressing with the preparation of the next phase of reforms. The OAGN has demonstrated its full ownership of the next phase through its active participation in the consultation workshop held in March 2017

The discussions during this workshop revolved around the following areas:

- Determining OAGN reform priorities and developing the contours of a broad reform program.
- Seeking feedback from stakeholders on key activities proposed for phase II.
- Establishing consensus on components, timelines and performance indicators for phase II.
- Discussing entry points for citizen engagement by phase II.

The key takeaways from the workshop were:

Mandate of the OAGN: The constitution provides clarity on the role and functions of the OAGN with respect to the newly formed sub-national governments. Going forward, the OAGN needs to complete assessments and identify needs of organization to enable it to perform its new function. This assessment, once complete, should be widely disseminated and communicated through various channels, including consultative sessions.

Leadership: The OAGN team has demonstrated commitment and leadership at an operational level by actively participating in the two day workshop. Two Deputy Auditor Generals (DAGs), four Assistant Auditor Generals (AAGs) and four directors attended these sessions.

Sustaining and Embedding the Reforms: Sufficient tools were developed during the project's first phase, which will be embedded in the routine functions of the OAGN.

In-house capacity for IT, Risk Based Audit and Procurement: A number of procurements will be undertaken during the project's early phase for which the OAGN will need to develop a team of IT professionals and procurement specialists for a seamless implementation of project activities.

Unleashing the potential of INTOSAI: OAGN will benefit from the extensive knowledge that exists in INTOSAI community and actively collaborate with sister SAIs on learning lessons and implementing risk based audit, Computer-Aided Audit Techniques (CAATS), Citizen Participatory Audits, Audit of Reconstruction and Rehabilitation, among others.

Collaboration with SAI Norway and other entities: In the past, SAI Norway has partnered with SAI Nepal in the area of knowledge exchange. The participation of an official of SAI Norway in the consultative session provided continuity

to this engagement. In future, the next phase of reforms will be implemented in close collaboration with SAI Norway team. There is also a possibility of collaboration with the Institute of Chartered Accountants of Nepal (ICAN).

Citizen Participatory Audit (CPA): OAGN successfully piloted CPA during the first phase, which will be further strengthened and scaled up so that SAI Nepal can be a beacon of light for other SAIs who want to test CPA.

The OAGN has requested the World Bank for its commitment on the budget for the next fiscal year. The planning process is ongoing and if they could initiate the process now, they could start some activities under retroactive financing.

There is a new leadership in the office of the Auditor General of Nepal (OAGN). The AG in consultation with stakeholders has finalized the six years' strategic work plan. The GoN's PFM Reform Action Phase 2 in OAG component is aligned with areas of focus of this strategic plan.

The MDTF supported OAGN's media interaction program was well received by the AG and media. The main objective of this program was to highlight the role of the OAGN and PAC in the oversight process along with their challenges. It also gave an opportunity to the media to raise their concerns and identify areas where they can play effective role in supporting good governance.

The OAGN six years' strategic work plan is organized in the following thematic areas:

Improved Organizational Structure and Working Systems	Institutional; establish provincial offices create specialized units for Internal Control, PAC Public engagement, Investigation, Special Sector Audit and Training center. Infrastructure; Construction of Central and Provincial offices, IT center. Human Resource Management and Staff benefits. HR Planing, Performance based Incentives. Improved internal procedures and e-governance.
Improved Legal Framework	Update the legal provisions; update the legal provisions relating to the role, responsibilities and mandate of the Auditor General to make it complaint with the International Standards of Supreme Audit Institutions (INTOSAI)
Enhance Auditing Process	Standard setting; imbed INTOSAI Standards, collaborate with SAIs for capacity building and twining arrangements. Audit under Federal Structure. Develop and implement audit methodology for compliance of enhance mandate of OAGN for audit under federal structure. Improved use of IT. Access to IT systems of other entities, Capacity building in Computer Assisted Audit Techniques (CAATs). Improvements in Compliance, Financial and Performance Audits.
Enhance Audit Effectiveness	Standard setting, methodology and implementatin of Concurrent Audit Approach, Strengthening of Quality Assurance Unit and Implementation of QA guidelines to ensure standard application of INTOSAI Standards. Improvement in Quality Review of Draft Audit Reports and peer review by external agencies.
Improve Internal Governance	Enhanced internal controls and improved follow up of audit observation and its compliance by the line ministries.
Improve Stakeholder relationship	Improved working relationship with the PAC. Timely submission of audit reports, facilitation of hearing of audit reports by the PAC. Improved implementation of the Communication Strategy including media management, citizen participation, Live Chat and Hot line for improved communication with the Citizens and improved communication with the development partners.

Subcomponent Two: Strengthening CSOs Use of Social Accountability to Improve PFM

The Civil Society Engagement for Strengthening the Use of Social Accountability Tools to Improve Public Financial Management in Nepal project (P131860) is coming to an end. In the past six months on the project has focused on finalizing and extracting lessons learned to inform new PFM operations in Nepal. The findings and lessons learned from the project has taken into account the challenges and opportunities for citizen engagement in the context of federalism and PFM reforms. Furthermore, the focus has also been on providing recommendations and options for institutionalizing participation and accountability.

1. Dissemination of Findings and Recommendations on emerging challenges and opportunities for Citizen Engagement (CE) in PFM reform in Nepal.

A consultation was held on emerging challenges and opportunities for CE in PFM reform and potential areas of support under the MDTF. The report was presented to the donors and government in February 2017, and included the following:

- **Citizen Budget:** The meeting discussed the need for GoN to revisit the way financial (budget) information is presented and disseminated to the public. The importance of developing a citizen budget report was also highlighted by experts and donors as a tool that could help improve the OBI score and facilitate CE as seen in other countries.
- **Leverage IT-based platforms for CE:** There was a lot of interest on the possible use of financial data by the public, which is a new possible area of intervention on CE.
- **Citizen Trust in Government:** The workshop also discussed the need for transparency and engagement efforts to address the “trust deficit” between citizens and government. As much as this is a challenge, it also presents an opportunity to collaborate with the government to support the design and implementation of a “Government led Citizen Engagement Strategy” for building citizens’ trust.
- **“Citizen Engagement” as opposed to “Demand Side” interventions:** There was a consensus that support to

the GoN should be framed as “Citizen Engagement in PFM” instead of demand side activities. This distinction focuses on the idea that any future intervention supported by the MDTF needs to be government driven and integrated with the overall government PFM Reform strategy.

- Support to operationalize Constitutional and legal provisions on transparency and CE could draw on global experience and evidence.
- **Capacity Building Support on CE:** There should be targeted support on capacity building of government and other non-state actors (CSOs, think tanks, media) on PFM issues and the CE agenda. The model and experience of the Citizen Participatory Audit in Nepal was highlighted as a “model to follow/replicate” as the support provided technical support to OAGN to engage with the public while also building the capacity of CSOs on external audit.
- **External Oversight and the National Accountability System:** The workshop discussed the need for continued support to the OAGN to advance its CE strategy and the implementation of the Citizen Participatory Audit guidelines. Recommendations from the workshop included providing continuity to the SAI to establish a two-way communication with the public and with the Parliament and PAC.
- **Leveraging good International Practices and support Peer-to Peer Exchange** to provide ideas on how a similar process could be tailored to Nepal’s context. The discussions highlighted experiences in establishing linkages between planning, budgeting and performance and on ways to engage with the public along this process (Philippines Performance and Participatory Budgeting). The workshop also focused on supporting an accountable and participatory devolution process (e.g. Kenya decentralizations process). These country examples showcase ways that improved trust in the Government and enhanced the country performance in international surveys such as the OBI. Possible areas of intervention is attached in the annex.

Component Three: Deepening Knowledge Related to Nepal PFM System Nepal: Strengthening Budgeting Process for Results

1. Background:

Strengthening Budgeting Process for Results had two-year timeframe, including one-year extension, which ended on June 2016. The proposed intervention plan was phased, starting with diagnostic of reforms with an action plan (to update past analyses, identify/confirm the specific areas of assistance and ensure full GoN buy-in around the diagnostic), including completion of various on-going activities. Once agreement was reached amongst key stakeholders (National Planning Commission, Ministry of Finance and key line ministries), other technical capacity strengthening activities were identified and implemented.

Under the deepening of upstream budget planning, formulation and execution components, activity status are as follows, namely: (i) PETS (health) : Vendor selected and contract process to be completed; (ii) Design of

fiscal devolution framework – Chief Secretary identified consultant preparing background note; (iii) Database on economic and social indicators– all districts – being updated, improved , strengthened. Data visualization will be completed by Poverty GP under the existing poverty visualization platform.

In the PCC meeting: Roshan reported that the gap studies are ongoing from the experience of Phase I. Phase II will implement all the discussions of Phase I focusing on policy reforms. PETS in health is being planned around first week of December. He also talked about institutional process point of view what reforms can help capital expenditure; fiscal response budget management Act – designing of the FF framework without disturbing the existing structure in place; looking at revenue with existing tax codes and holistic review of all the codes.

Component Four: Program Management and Administration Program Coordination Committee (PCC) Meeting

The PCC meeting on June 16 endorsed a Phase II strategy (2017- 2022) designed to support the government’s Public Financial Management (PFM) Reform Plan. The strategy recognizes PFM systems as the backbone of the new State and its importance to the successful rollout of federalism. Takuya Kamata, World Bank Country Manager and Kewal Prasad Bhandari, Joint Secretary, Ministry of Finance, co-chaired the meeting, attended by MDTF partners. The Practice Manager Fily Sissoko also attended the meeting. He highlighted four objectives for the next phase of MDTF: (a) strategic objective of phase II of the MDTF (b) strategic priorities of phase II and requested for feedback from all development partners (c) the importance of the continuation of Phase II of the OAGN and (d) conversation on funding requirement.

The PEFA Secretariat presented a snapshot of the PFMRP project and way forward. This program is formulated for ten years with an integrated approach, consulted with all stakeholders and will be evaluated after four years. A development and implementation budget of 1.1 million USD is also allocated for this program in the Red Book. The donors appreciated the level of ownership in designing this project and highlighted the issue of coordination where one platform should be used for PFM reforms.

PART II

FINANCIAL REPORT

As of June 30, 2017, the total pledged amount to PFM MDTF by its six donors was US\$22.92 million (Table 1). A Supplemental Arrangement was signed between Australia DFAT and the World Bank to include an additional contribution of USD 2.02 million. Likewise, EU topped up with additional contribution of USD 3 million. Subsequently, the Trust Fund account TF072582 parallel to the original TF071617 was created to accommodate the new contribution. Current deposits — meaning funds received by the MDTF Administrator — stand at US\$23.01 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, 2017, is USD 15.45 million (about 94% of total fund receipt). For the further details refer to (Table 2).

Table 1: Donor Contribution to MDTF as of June, 2017

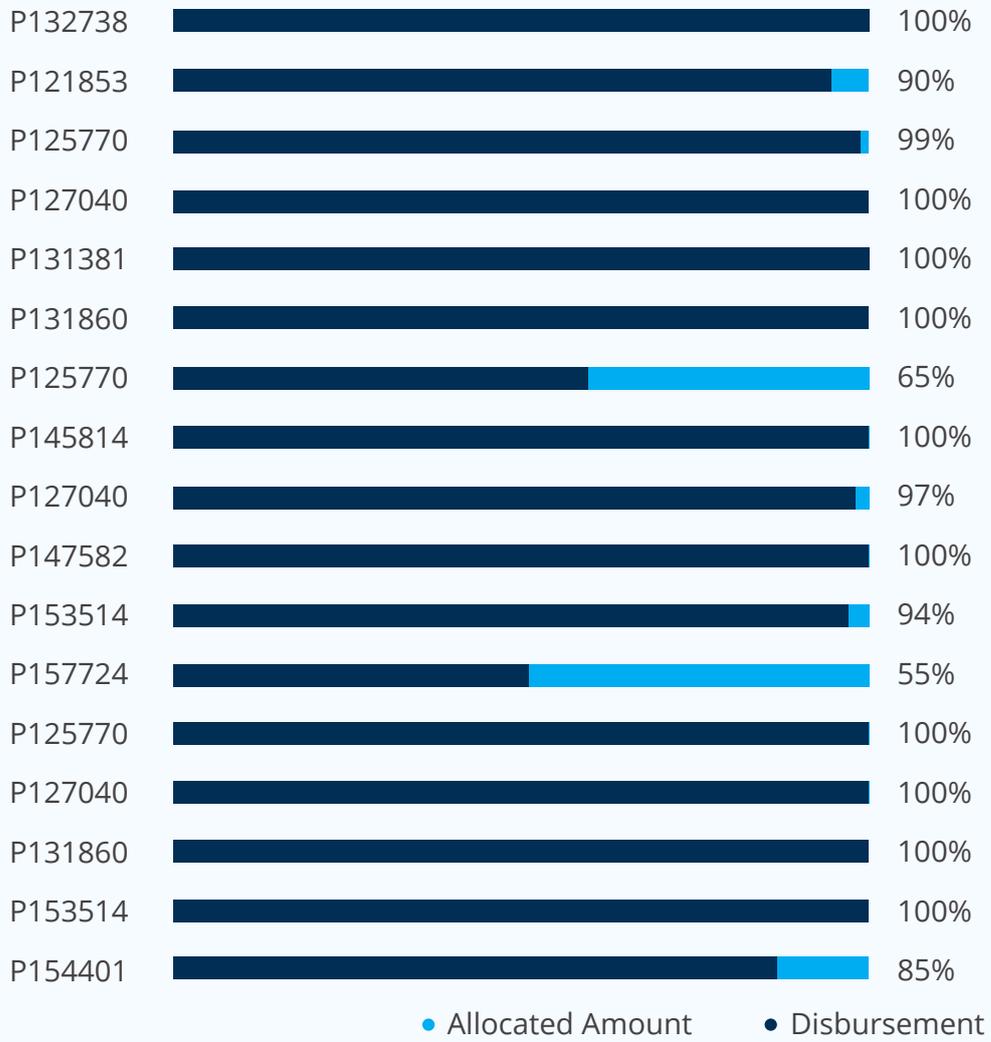
TF071617	In millions					
	Pledged Amount		Receipts		Balance due	
Customer Name	Country currency	Equiv. USD	In Country currency	Equiv. USD	In Country currency	Equiv. USD
United Kingdom- Department for International Development (DFID)	GBP 3.50	5.57	GBP 3.50	5.57	-	-
Royal Norwegian Embassy	NOK 15.00	2.62	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	5.59	EUR 4.05	5.10	EUR 0.45	0.47
Government of the Swiss Confederation	CHF 3.00	3.04	CHF 2.00	2.03	CHF 1.00	0.99
United States Agency for International Development (USAID)	USD 0.71	0.71	USD 0.71	0.71	-	-
Total		20.9		19.40		1.46

TF072582	In millions					
	Pledged Amount		Receipts		Balance due	
Customer Name	Amt. Country currency	Equiv. USD	Paid in Country currency	Equiv. USD	Unpaid in Country currency	Equiv. USD
Department of Foreign Affairs and Trade, Australia	AUD 2.80	2.02	AUD 2.80	2.02	-	-
EU-Commission of the European Communities	EUR .00	3.37	1.5	1.59	1.5	1.77

Table 2: Disbursements as of June 30, 2017

Grant Name	Execution	Legal Status	Project ID	Grant Closing Date	Grant Amount USD	Disbursements USD	% Disbursed	Fund Balance USD	Commitments USD	Available Balance USD
Operational Risk Assessment of PFM reform in Nepal	Bank Executed	CLOSED	P132738	6/30/2013	199,983.75	199,983.75	100%	0.00	0.00	0.00
Program Management and Administration Costs.	Bank Executed	ACTIVE	P121853	12/31/2017	585,411.39	524,115.00	90%	61,296.39	24,634.36	36,662.03
Preparation, appraisal, supervision, monitoring, reporting costs of Strengthening PFM Systems	Bank Executed	ACTIVE	P125770	12/31/2017	550000	542234.19	99%	7765.81	7321.87	443.94
PREPARATION AND SUPERVISION COSTS OF STRENGTHENING OFFICE OF THE AUDITOR GENERAL PROJECT	Bank Executed	CLOSED	P127040	6/30/2016	218757.49	218757.49	100%	0	0	0
NP ED PETS	Bank Executed	CLOSED	P131381	12/31/2014	148346.99	148346.99	100%	0	0	0
Strengthening Civil Society Organisations' Use of Social Accountability to Improve Public Financial Management in Nepal	Bank Executed	CLOSED	P131860	11/30/2015	699283.48	699283.48	100%	0	0	0
NLTA under the SPFM Project to Govt of Nepal	Bank Executed	ACTIVE	P125770	12/31/2017	500000	323666.22	65%	176333.78	0	176333.78
Nepal: Strengthening Budgeting Process	Bank Executed	CLOSED	P145814	6/30/2016	701591.45	701591.45	100%	0	0	0
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	-
Nepal ROSC A&A	Bank Executed	CLOSED	P147582	6/30/2015	7720.19	7720.19	100%	0	0	0
Strengthening Civil Society Organizations' use of Social Accountability to improve PFM in Nepal 2	Bank Executed	ACTIVE	P153514	12/31/2017	550000	515742.23	94%	34257.77	4976.71	29281.06
Nepal-Support for Fiscal Management (TA)	Bank Executed	ACTIVE	P157724	6/30/2018	450000	248023.22	55%	201976.78	50375.69	151601.09
Strengthening Public Financial Management (PFM) System (Treasury System, Financial Reporting and PFM Capacity Building)	Recipient Executed	CLOSED	P125770	6/30/2016	4242311.23	4242311.23	100%	0	0	0
Strengthening the Office of the Auditor General Project	Recipient Executed	CLOSED	P127040	6/30/2016	2219468.89	2219468.89	100%	0	0	0
Strengthening Civil Society Organizations' use of Social Accountability to improve Public Financial Management in Nepal	Recipient Executed	CLOSED	P131860	9/30/2014	800000	800000	100%	0	0	0
Strengthening Civil Society Organizations' use of Social Accountability to improve PFM in Nepal 2	Recipient Executed	CLOSED	P153514	12/31/2016	923734.12	923734.12	100%	0	0	0
Nepal : Strengthening Public Financial Management II	Recipient Executed	ACTIVE	P154401	7/31/2017	3680000	3140755.65	85%	539244.35	539244.35	0
Sub-Total					16,476,608.98	15,455,734.10	94%	1,020,874.88	626,552.98	394,321.90
TF Admin Fee					419156.69					
Unallocated from the Paid-in funds					6,104,234.33			6,104,234.33		6,104,234.33
Total					23.01	15,455,734.10	67%	7,125,109.21	626,552.98	6,498,556.23

Figure 2: Activity-wise Allocation and Disbursement



ANNEX I:

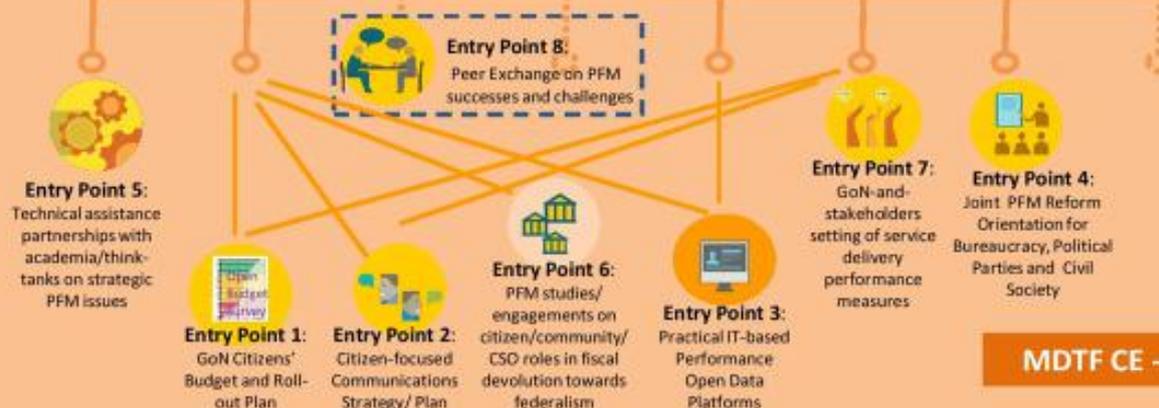
Citizen engagement in PFM, possible areas for intervention

The national budget is an important platform for engagement with citizens and civil society. Therefore, CE has to be embedded in the strategies and goals of PFM. New PFM reforms demand long-term outcome-level strategy on transparency and performance, but wisely needs to use short-term iterative periods where advocacy and engagement skills can be built, and where these efforts can show impact. Possible areas for interventions are as follows:

Level of Engagement	Identified or Possible Areas	Areas where Gov is/ may be open to lead	Areas where CSOs may be open to lead	Feasibility/ Timing
National	<ul style="list-style-type: none"> the need for a “people-friendly” and citizen-focused budget 	<ul style="list-style-type: none"> Publication of a Citizens’ Budget 	<ul style="list-style-type: none"> Identification of priority information needed by, or useful for citizens 	QUICK WIN
		<ul style="list-style-type: none"> Timely release of ministry-level budget data in an open format 	<ul style="list-style-type: none"> Development of technology platforms to use government budget data responsive to citizen demand/interest Budget analysis and SAC work around ministry-level budget data like PETS 	MEDIUM TERM
		<ul style="list-style-type: none"> Clearly articulated policy on a Government-led PFM reform trajectory 	<ul style="list-style-type: none"> Intermediaries and champions for articulating PFM reform goals and challenges both to Gov and to the public 	SHORT TERM
	<ul style="list-style-type: none"> Better public service delivery 	<ul style="list-style-type: none"> Strengthening policy and accountability mechanisms for inter-governmental transfers – both conditional and unconditional 	<ul style="list-style-type: none"> SAC engagements around inter-governmental transfers and/or selected public services (social security allowances, health expenditure, education) 	MEDIUM TERM
	<ul style="list-style-type: none"> Citizen Participation in Audit 	<ul style="list-style-type: none"> Strengthening OAG presence at local level 	<ul style="list-style-type: none"> Citizen Participatory Audits and support to OAG towards audit planning and citizen participation in performance audit 	QUICK WIN

Citizen Engagement Support to PFM

PEFA/ PFMRP - II



MDTF CE - II

Given the rapid decentralization process and the MDTF extension, there has been no consensus on moving forward with specific citizen engagement initiatives under the MDTF. The team focused on informing other PFM operations to ensure that they provide space for public participation and build in transparency and accountability mechanisms

2 Mainstreaming Citizen Engagement in New World Bank Operations

Lessons learned from the MDTF consultations have been used to inform the design of the new upcoming PFM operations:

- Nepal Fiscal and Public Financial Management Development Policy Credit (P160792)
- Nepal: Integrated Public Financial Management Reform Project (P164783)
- Strengthening the Office of the Auditor General of Nepal Project II

The team has participated in the review meetings and provided inputs to inform CE approaches in the new operations. This stems from the recommendations that future CE PFM interventions need to be government driven and that the support must be fully integrated within the overall government PFM strategy and MDTF objectives.

3 Citizen Participation Audit

Following the capacity-building workshop in December 2016, CPA manuals were developed and implemented with eight CSOs in five earthquake-affected districts (Gorkha, Nuwakot, Dhading, Sindhupalchowk and Ramechhap). Specific support was provided to OAGN with the implementation of the CPA guidelines during the performance audits in earthquake affected districts from January to February, 2017. The team worked with OAGN in organizing the participation of selected CSOs in the audit process and supported the preparation of TORs for CSOs'. The main role of participating CSOs was the implementation of Focus Group Discussions, Administration of Questionnaire and Data Processing under the OAGN leadership.

The lessons learned during the CPA implementation were documented and later incorporated into the CPA manual (2073).

Given the remarkable progress achieved in only a few years by the OAGN on Citizens' Participatory Audit into their annual plans and implementation policies and procedures, there is an excellent opportunity for the MDTF to assist OAGN to become one of the practice leaders of CPA and CE in South Asia.

Therefore, given the current restructuring and devolution of authority, and the recent appointment of a new OAGN, there is an excellent opportunity to move citizen's participatory audit agenda forward under SOAGN project II.

4 Finalization of PFM Studies

The Public Expenditure Tracking Survey (PETS) & Quality Service Delivery Survey of Social Security Entitlements

Research (Dhankuta, Bara, Banke, Bardiya&Bajhang) were shared locally and at the Department of Civil Registration, MOFALD in February 2017. This study was designed in close consultation with the Department of Civil Registration, MOFALD. In the process, the report was peer reviewed by Bank Sector Colleagues. The main issues identified were: (i) Funds Flow (Leakage and Delays) and (ii) Eligible Persons not receiving payment. The recommendations included:

- Strengthening of VDC
- Capacity Building of VDC Staff
- Rigorous financial audit and CPA
- Close monitoring and supervision by DDC
- Change in registration deadline and benefit starting date (Note: largely addressed by SSPO 2106)
- For better targeting of SSE beneficiaries, review current eligibility criteria, e.g. consider poverty criteria

Draft **Report on Community Score Card** (Danusha, Siraha, Saptari and Gorkha): "Use of Community Score card for participatory Performance Monitoring" and Public Expenditure Tracking Survey(PETS) on scholarship of Girl and Dalit students at the community primary schools were presented to the Department of the Education. The feedback received from the department of Education were incorporated and the report finalized. The program was designed in close collaboration with Department of Education and the sector colleagues.

A study on local level PFM in selected VDCs of six districts of Nepal. Case studies on Palpa, Kapilbashtu, Dang, Rolpa, Kailali and Bajura Districts were presented at the FCGO. The comments and suggestions received were incorporated into the final report.. The Grievance Redressal Mechanism at the Local level in Nepal, A Case of Selected VDC in Six districts of Western, Mid-Western and Far Western Nepal were also presented at MOFALD for their feedback and comments. This report is being finalized.



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