

NEPAL MULTI- DONOR TRUST FUND FOR PUBLIC FINANCIAL MANAGEMENT



Nepal MDTF Quarterly Progress Report April-June, 2013



The World Bank
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From the Program Manager's Desk

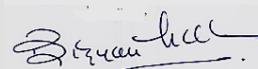
Dear Colleagues,

This quarter observed remarkable progress on several fronts. At the country level, there has been a major breakthrough with the appointment of the Auditor General and the Chief Commissioner of the Commission for Investigation of Abuse of Authority (CIAA), the two constitutional appointments, almost after a gap of seven years. This indeed can be considered as a milestone achievement to set directions to these two key accountability and oversight institutions. Through the MDTF efforts, a diagnostic work on the Operational Risk Assessment in PFM Reforms, has been completed through the independent UK based Overseas Development Institute (ODI) following extensive research and consultations with various stakeholders. The overall fiduciary risk in the country continues to be high, but our active engagement in PFM, and government's continued priority to improving the system would help to mitigate the risks associated with weak PFM environment. Some of the findings of this work which have been integrated in the future work program policy paper for MDTF, will help to lay out the strategy and road map to further enhance our engagement in supporting the PFM improvements. Another development is the finalization of the MDTF Results Framework through which we will be able to monitor the results achieved through the intervention of the MDTF. A mid-term review is planned to commence in September 2013 which will evaluate the MDTF performance and set direction for future programming. Given the fragile environment, there is a need for development partners to stay engaged supporting PFM for several years to come with strong leadership from the government authorities that is needed to incrementally build the country system.

On the sub-project aspect, a mid-term review of Strengthening PFM System is planned in the first week of August which will provide opportunity to restructure areas where things are not progressing well. One of the strong indicators of success in this project is the full roll out of TSA system in all 75 districts beginning FY2013/14, the target being achieved one year in advance. With the appointment of the Auditor General, the reform efforts through Strengthening OAG will be fully owned and institutionalized in OAG. In the absence of the Public Accounts Committee (PAC), some innovative ways of collaborating with civil society organizations with the support of the World Bank Institute (WBI) in experience sharing from other countries, have begun to start. Increased collaboration between supply and demand side interventions has started to happen. Opportunities have been seized beyond the MDTF funding to create awareness amongst the civil society through PRAN – a glaring example is a tele-drama being produced in close collaboration with "MA HA Sanchar" through DFID supported SIAP program. The leadership and coordination at the highest level of the government is crucial to drive the PFM improvement initiatives. We, the development partners, have the opportunity to work closely in contributing to the government's efforts of building basic foundation for a good financial management system.

On behalf of the MDTF Program Management, I would like to sincerely thank all our development partners including the potential partners for their continued support and guidance in the management of the MDTF work program. Sincere thanks are due to Tahseen Sayed (Country Manager, Nepal) and Fily Sissiko (Sector Manager, FM) from the World Bank for their continued guidance and support to the MDTF Team. I would also like to express our sincere appreciation to the new PEFA Secretariat Coordinator Mr. Rajendra Bajracharya and his team for their continued collaboration. Last but not the least, I would like to thank all Task Leaders of various sub-projects and the entire MDTF team for their tireless efforts to move this agenda forward.

With warm regards,



Bigyan Pradhan

OVERVIEW

This report highlights the key activities of the programs supported through the Nepal Multi-donor Trust Fund for Public Financial Management during the period April to June 2013. The report features the progress achieved during the quarter on various subprojects supported by the MDTF. It also provides an overview of the financial position of the MDTF including progress on disbursement of the approved budget for the various subprojects.

During this quarter, many key events were observed. The Operational Risk Assessment of PFM Reform carried out by the Overseas Development Institute (ODI) was completed on schedule. The Program Management team completed the preparation of the Results Framework for the Program as well as proposals for the work program for the coming two years in consultation with the Nepal PEFA Secretariat, Development Partners and the World Bank Task teams implementing the MDTF sub projects. . Several activities under the demand side of PFM were initiated and notably the round-table event on “Advancing Public Participation in the Audit Process” is an excellent glaring example of collaboration between the supply and demand side of PFM. During the quarter, the Strengthening OAG Project was also officially launched. The quarter also observed good progress in disbursements of approved project funds.

The report is organized into three sections: Part One provides an update on the implementation progress of the activities currently supported by the MDTF and is organized under the various components of the MDTF. Part Two provides a brief account and analysis of the financial position of the MDTF and the disbursement performance of the various projects/activities of the MDTF. Part Three provides information on the news and events that have taken place during the quarter.

ABBREVIATIONS AND ACRONYMS

| | |
|--------|--|
| ASB | Accounting Standards Board |
| CECI | Centre for International Studies and Cooperation |
| CSO | Civil Society Organization |
| DFID | UK-Department for International Development |
| DIME | Development Impact Evaluation Initiative |
| DP | Development Partner |
| EU | European Union |
| FCGO | Financial Comptroller General Office |
| GON | Government of Nepal |
| IDA | International Development Association |
| IFMIS | Integrated Financial Management Information System |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| IPSAS | International Public Sector Accounting Standards |
| IT | Information Technology |
| MoFALD | Ministry of Federal Affairs and Local Development |
| MDTF | Multi-donor Trust Fund |
| MOE | Ministry of Education |
| MOF | Ministry of Finance |
| MOHP | Ministry of Health and Population |
| NFRS | Nepalese Financial Reporting Standards |
| NGO | Non Government Organization |
| NPC | National Planning Commission |
| NPSAS | Nepal Public Sector Accounting Standards |
| OAGN | Office of the Auditor General of Nepal |
| PCC | Program Coordination Committee |
| PEFA | Public Expenditure Financial Accountability |
| PETS | Public Expenditure Tracking Survey |
| PFM | Public Financial Management |
| PRAN | Program for Accountability in Nepal |
| SDC | Swiss Development Corporation |
| TSA | Treasury System of Accounts |

PART ONE

PROGRESS REPORT

Component One: Strengthening Public Financial Management Systems

Sub-Project: Strengthening Public Financial Management (PFM) Systems (Treasury System, Financial Reporting and PFM Capacity Building) (Approved Total Budget US\$ 5.15 million)

The Treasury System of Accounts (TSA) rollout continues to be a hallmark of this project. Hardware, software, connectivity and staffing are put in place to cover additional 15 districts planned to roll out beginning FY2013/14 i.e. with effect from July 16, 2013. With this final rollout, the target set for TSA will complete at least a year ahead, which will bring all public expenditures and revenues within the TSA's ambit. Actions are also being taken to further improve the quality, completeness and timeliness of overall fiscal and financial reporting. FCGO has started web-publishing the monthly budget execution reports at an aggregate level/ministry level, providing details of Recurrent/Capital expenditures and financing from May, 2013 onwards. Plans are in place to start publishing the detailed line item-wise details along with revenue data with effect from July, 2013.

Access provided to the Ministry of Education on budget execution and financial reporting through a dedicated server is improving the timeliness and hence the usefulness of the information in the decision making process. Similar set up for other large spending ministries will require separate server capacity for which proposals are under preparation. A detailed proposal for enhancing IT applications in FCGO has been shared with the Bank after an organizational assessment was completed. This proposal has several items, which need to be prioritized after discussion with FCGO, a process that will be completed in the next mission. The government is also proceeding to hire a consultant, to enhance TSA software for critical items like commitment control that will help in preparing the detailed technical design for subsequent development.

Detailed Plan for drafting Nepalese Financial Reporting Standards (modeled on International Financial Reporting Standards) was shared by Accounting Standards Board (ASB). Chartered Accountants were procured to develop 36 draft NFRSs. They have developed the first draft, which was then reviewed by a technical Committee of ASB. These have then been issued as exposure drafts and posted at the ASB's Web site for inviting public comments. This activity will now need close scrutiny from the PEFA secretariat over the next couple of months to ensure adherence to the action plan. Efforts are in place for reaching out to the various stakeholders across the country (to more districts), the demand side stakeholders and the general public. It would, however, be timely to make this effort more strategic and in line with the evolved thinking on PFM efforts that need to be made at the local level.

Frequent change of leadership at FCGO and the PEFA Secretariat has adversely impacted our sector dialogue on PFM. Some of the critical activities which are progressing slowly are the preparation of the Accounting Manual, mapping of financing transactions as per General

Finance Statistics (GFS), hiring of consultants for enhancing FMIS, and hiring of expert technical staff and pilots for implementing International Public Sector Accounting Standards (IPSAS).

The next project implementation support mission, which will also be a mid-term review, is scheduled during the week of July 30 to August 5, 2013 which will take stock of the various activities and possibly decide on a restructuring that will help accelerate implementation and address challenges that have arisen especially in Component 2 of the project.

Component Two: Enhancing Accountability in Public Financial Management

Sub-Project: Strengthening the Office of the Auditor General (OAG) of Nepal (Approved Total Budget US\$ 2.46 million)

A significant achievement in the public sector was observed during the quarter – this was the appointment of the Auditor General, Mr. Bhanu Prasad Acharya, filling a position that had been vacant for almost seven years. He was appointed on May 8, 2013. During the period of June 10-14, he led a 9-person delegation from the Office of the Auditor General on a study tour to the United Kingdom that had been organized as part of the Project activity. The study tour delegation included the Deputy Auditor General and seven Assistant Auditors Generals. Mr. Bandhu Ranjan, Public Finance Program Manager, DFID and Les Kojima, Task Leader, accompanied the tour along with Mike Eastman, Vice President of the consulting firm Cowater International who coordinated this program. The delegation met with the Auditors General and staff of the UK National Audit Office and of Audit Scotland, and with the Chair of the Public Accounts Committee of the British House of Commons. The tour was helpful in clarifying strategic directions for OAG Nepal, including the need to seek greater legislative independence, the need to apply statistical sampling and risk-based concepts in order to shift from detailed compliance-based tests of transactions, the need to consider utilization of electronic working papers and computer-assisted audit techniques, and the need to report to the Parliament more often than annually. The tour also showed how both UK NAO and Audit Scotland are able to generate high impact value for money, or performance, audit reports with relatively few resources. All of these lessons are very much in line with the sub-project's development objectives.

A formal project launch event was held on April 15, 2013 to raise awareness about the OAG reform program being initiated under the Project. The launch was used to continue brainstorming on possible additional collaborations with the sub-project on strengthening Civil Society Organization's (CSO's) use of social accountability to improve PFM in Nepal. The collaborative brainstorming led to a round table conducted at the World Bank on May 17 and attended by senior officials from OAG and the government and the representatives from the civil society. The round table was joined by the Chair of the Philippines Commission on Audit via VC from New York. The highly interactive session reviewed the Philippines experience in involving CSOs in social audit, and explored ways of engaging civil society in the auditing process, especially in disseminating audit findings and recommendations. In this respect, another important development during the quarter was a government decision to establish a cabinet level committee to monitor ministries'

implementation of audit recommendations. The project will continue to explore ways for the Office of the Auditor General to work with CSOs and directly with the executive in order to enhance the impact of audit in the face of a continued absence of a sitting Parliament and functioning Public Accounts Committee.

On a more detailed level, the quarter saw the consultants provide technical comments on the financial audit and performance audit methodologies used by OAG, including the development of a new financial audit planning guideline and a new performance audit checklist. Training to some 30 performance auditors was delivered in collaboration with SAI Norway, a half day workshop on risk based financial audit was delivered to 100 financial auditors, and a two-week training in performance audit was provided to 15 officers from June 24 - July 7 at the National Institute of Financial Management in India. A draft strategic plan for performance audit was also developed, for consideration by the management team which, as noted above, has freshly returned from a study visit to the UK. Finally, agreement in principle was reached for CAG India to conduct a peer review of OAG Nepal using the new SAI Performance Measurement Framework that is being developed by the INTOSAI working group on the value and benefit of SAIs.

Sub-Project : Strengthening CSOs Use of Social Accountability to Improve PFM in Nepal (Approved Total Budget US\$ 1.5 million)

During the quarter, several events were organized and these include:

Orientation to MDTF PFM sub-grantees: An orientation workshop for the 33 MDTF PFM sub-grantees was organized on May 13, 2013, with the purpose of setting a ground for the participants on social accountability and Public Financial Management.

Orientation Workshop on Advancing Public Participation in the Budget Process: PRAN in collaboration with the World Bank Institute organized the workshop on "Advancing Public Participation in the Budget Process - Pro Poor Budget Analysis, Information and Advocacy", in Kathmandu from May 13 to 16, 2013. The objective of the workshop was to orient PRAN's new grant recipients on Public Finance Management issues and to showcase how the tools would best help their projects.

Thirty Three Grants - Contracts Signed in June: PRAN's Grant Making Agency, Centre for International Studies and Cooperation (CECI) signed contracts with 30 CSOs for small grants and three large grants, effective from June 1, 2013. The CSOs will be focusing on four main tools of Social Accountability:

- Budget Demystification and Awareness Raising
- Gender and Pro-Poor Budget Analysis
- Monitoring of Public Procurement and
- Public Expenditure Tracking.

Social Accountability (SAc) School on PFM: In the “The Way Forward Workshop” held in March 2013, PRAN took a decision to call for a separate inclusive round of grant on PFM with the remaining funds from CECI. The PFM School was organized from June 14-19, 2013 in Nepalgunj. The overall objective of the PFM School was to create deeper appreciation and develop capacity of participants to utilize PFM framework to establish SAc mechanisms in their respective working areas. The Sector Manager, of Social Development Unit, Maria C. Correia and Sr. Social Development Specialist Keith Douglas Leslie also attended the part of the training. Interestingly, 27 out of 32 participants were women.

Multi-stakeholder Roundtable on “Advancing Public Participation in the Audit Process in Nepal”

A ground breaking multi-stakeholder round table was jointly organized by The World Bank’s Multi Donor Trust Fund (MDTF), Program for Accountability in Nepal (PRAN) and the World Bank Institute (WBI) in close collaboration with the Office of the Auditor General on **May 17, 2013**. The discussion focused on highlighting the opportunities and challenges to build synergy between the CSOs and the Office of the Auditor General (OAG) in Nepal.

The Roundtable featured critical South-South knowledge exchange. The interaction focused from communication methods of engaging the citizens on auditory process to identifying the channels through which OAG could work with CSOs in the future. A highly interactive session took place between 24 officials from the Office



of the Auditor General, the Government, the Civil Society, the World Bank and the World Bank Institute. The interaction focused from communication methods of engaging the citizens on auditory process to identifying the channels through which OAG could work with CSOs in the future. Starting with the example of public participation in the budget process in the Philippines, Ms Maria Gracia M Pulido Tan, Chairperson of Commission on Audit in the Philippines, emphasized the crucial role CSOs have played in their project of flood management in the Philippines. The conversation with Ms Gracia was linked through video conference from New York.

The roundtable was the first forum of its kind to bring together the OAG and CSOs to facilitate an open discussion on the opportunities and challenges for collaboration to strengthen social accountability in the budget, expenditure and audit processes in Nepal. Representatives of the Nepal OAG and CSOs unanimously cited the absence of parliament in Nepal as giving urgency to CSO engagement. The statement was firmly seconded by Ms. Bimala Subedi, Deputy Auditor General, who said: “CSOs and people-driven accountability is crucial in the Audit process, the main idea is to achieve good governance. However, we should be clear on the selection of CSOs, we should think about our independence as well. For that, we need to follow certain criteria in the selection as well as implementation process”. The workshop was chaired by the MDTF Program Manager Bigyan Pradhan.

A SIX EPISODE TELE DRAMA - "AAN"

(A Nepali expression for opening mouth – metaphor for eating/misusing government resources)

A six- episode TV series produced by Nepal's famous comedy duo Madan Krishna Shrestha and Hari Bansha Acharya will broadcast on Nepal Television from July 19.

Renowned for heavy dose of social morals in their highly creative and hilarious skits, *Aan* has become a comeback project after two year break. The drama infuses thorny issues of social accountability with the dose of comedy.

"The subject is very dry. This is not like soap operas where the characters have highly dramatic lives. We have to heavily rely on artists' performances as it should be technically sound to fetch audience attention," says Hari Bansha Acharya, producer and actor for *Aan*.



Durlav Kumar (Hari Bansha Acharya) during filming of *Aan*..

With the help of the protagonist, a Ward Secretary- Mr Durlav Kumar (translates as Mr. 'unavailable'), played by Hari Bansha Acharya, the drama weaves in practical implications that a whole village has to suffer in his absence and slowly takes the audience to bigger challenges faced by the people in the district, regional and national levels where public service delivery is poor or even non- existent.

On his journey from the village to the district level, Durlav Kumar shows how the government services are being misused (in road construction, water supply to business tender applications) and gives strong messages through comic references on the social accountability tools such as Right to Information (RTI) and Citizen's Charter.

"Aan" is a collective effort of the World Bank Nepal's Program for Accountability in Nepal (PRAN) and MA-HA Sanchar with support from Social Inclusion Action Program (SIAP) funded by DFID. Although this program is not directly funded by MDTF, the theme has a linkage with the demand side of PFM that the MDTF is supporting.

Component Three: Deepening Knowledge related to PEFA

Sub-project : Public Expenditure Tracking Survey (PETS) in the Education Sector (US\$ 150,000)

New ERA has submitted their draft report on Education PETS. The draft report is of a descriptive nature and the PETS team in the Bank will provide further analysis to it. The final report will be delivered by the extended deadline of December 31, 2013.

Sub-project: Operational Risk Assessment of PFM reform in Nepal (US\$ 200,000)

The Operational Risk Assessment of PFM Reform in Nepal has been completed. The next step is to disseminate the report of the Assessment widely. This will involve publication of the report, including a launch event with representation from the Government, development partners, and national stakeholders, including the media. The report



observes that public spending is compromised in Nepal and attributes this to four fundamental factors: (i) ineffective oversight and scrutiny; (ii) dysfunctional budget processes; (iii) weak implementation of capital projects; and (iv) weak organization of central finance institutions. The report has also highlighted some strengths of the system which are as follows: formally defined planning process, sound fiscal management, efforts at innovation, including introduction of TSA and new Chart of Accounts, and gradual adoption of accounting and auditing standards. The institutional context for this is progress in peace process, a fairly professional civil service, and PEFA Steering Committee which brings several PFM actors together. Against this context, the report identifies reform opportunities for the short-, medium-, and long-terms and argues for engagement in 'quick-win' reforms. Fixing the budget and improving accountability are areas of primary attention.

Component Four: Program Management and Administration

Report on the Future Work Program: The work on the preparation of the future work program is in the final stage and the report is being submitted to the PCC meeting on July 18 for discussion and endorsement. The draft report was prepared based on extensive consultations with the PEFA Secretariat and the development partners. The report proposes a list of specific project proposals that could be taken up by the MDTF for the funding in the next two years.

MDTF Results Framework: The preparation of the Program Results Framework was completed by the consultant. The draft Results Framework was shared with the PEFA Secretariat and the MDTF development partners and was finalized based on the comments and feedback received.

Mid Term Evaluation: It is now time to take stock of progress of the MDTF and identify opportunities for improvements through the mid-term review (MTR). The draft TOR for the MTR has been shared with the MDTF partners and comments have been duly incorporated. Currently steps are on for contracting the services of a suitably qualified consultant to carry out the evaluation. It is expected that the evaluation will start in September 2013.

PFM MDTF Website. A PFM MDTF website is now ready. The purpose of the website is to disseminate information on PFM to a wider audience. The website mainly focuses on these objectives:

- Provide an overview of the program,
- Recent updates on the components of MDTF,
- Share news and events related to PFM,
- Share the implementation and the impact of the program.

Following the PCC meeting on July 18, the website will be available for public view.

Proposal on Strengthening Budget Process for Results. A Project Concept Note on Strengthening Budget Process Results was submitted for approval through virtual review during the quarter. Feedback have been received from development partners, peer reviewers and a few Bank colleagues. The revised concept note and the response to various comments have recently been circulated. The implementation is expected to start in August 2013. The main objective of the program is to support the government in policy based budget process.

PART TWO

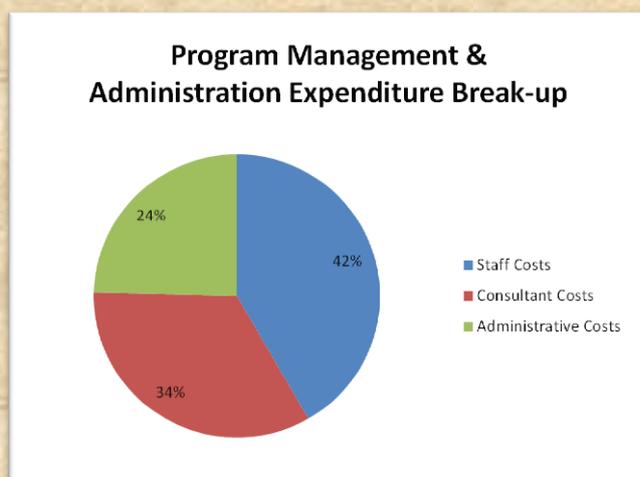
FINANCIAL REPORT

Highlights of the Quarter:

- Total expenditures (including actual and committed) is about 37% of the total MDTF budget.
- 88% of the pledged contributions realized.
- The final contribution of US\$ 0.58 million was received from AUSAID.
- PETS in the education sector disbursed US\$0.06 million, ORA disbursed US\$0.07 million, Strengthening CSOs (RE) disbursed US\$0.11 million and Strengthening PFM Systems (RE) US\$0.41 million.

Summary Financial Report: The quarter started with an opening balance of US\$ 6.84 million. During the quarter there was an inflow of US\$ 0.58 million as receipt from AusAid, outflow of US\$ 0.78 million towards disbursements for the various subprojects and investment income of US\$ 4,337.47 was realized. Program Management costs during the quarter amounted to US\$ 28,227. The closing balance at the end of the quarter was US\$ 6.65 million.

Receipts and Disbursement of Program Funds: Cumulative disbursement of Program funds allocated to individual sub projects stood at US\$ 2.73 million as of April 1, 2013. During the quarter, there was a disbursement of US\$ 0.78 million resulting in an aggregate actual disbursement of US\$ 3.51 million as on June 30, 2013. With the funds already committed, the aggregate disbursement amounts to US\$ 3.72 million (37% of the total budget) (Please see Table 2 for details). The disbursement is expected to continue to improve in the next two quarters as the pace of implementation has now accelerated. As shown in Table 4, projected disbursement for the next two quarters is expected to be US\$ 2.18 million (about 58% of the total budget).



Regarding receipts of pledges from donor partners, US\$ 10.08 million was received as of end of quarter thereby resulting in the realization of 88% donor pledges. It is expected that equivalent US\$ 1.34 million from DFID will be realized (Refer Table 3) within the next quarter.

Quarterly Financial Report

| Table 1 | |
|---|---------------------|
| Quarterly Financial Report (April 01 - June 30, 2013) | |
| Description | Amount in US\$ |
| Sources of Funds- | |
| Opening balance as at April 01, 2013 | 6,839,149.82 |
| Donor Receipts during the quarter | 579,040.00 |
| Investment Income* | 4,337.47 |
| Total Sources of Funds (A) | 7,422,527.29 |
| Uses of Funds- | |
| Strengthening PFM Systems (TSA) | 401,857.56 |
| Strengthening OAG | 24,387.56 |
| Strengthening CSOs' use of SA | 179,950.78 |
| Operational Risk Assessment of PFM reform in Nepal | 69,957.30 |
| NP ED PETS | 61,127.57 |
| Program Management and Administration Costs | 28,227.50 |
| TF Administration Fee charged during the Qtr** | 11,580.80 |
| Total Uses of Funds (B) | 777,089.07 |
| Closing Fund Balance (A-B) | 6,645,438.22 |

Note:

* This relates to income generated from the MDTF Contributions and credited to this program.

** 2% fee charged by the World Bank on donor contributions paid in for costs of administration and other expenses under the TF Agreement.

| Table 2 | | | | | | | | | |
|--|--|----------------------|---|-------------------------------------|---------------------------|-------------------------------------|--------------------|---|---|
| Disbursement Profile of Activities supported by the MDTF | | | | | | | | | |
| S. No. | Activity Name | Total Budget (US\$)* | Cumulative Disbursement Up to March 31, 2013 (US\$) | Disbursement in this Quarter (US\$) | Total Disbursement (US\$) | Disbursement % against Total Budget | Commitments (US\$) | Commitments+ Total Actual Disbursement (US\$) | Total Actual Disbursement + Commitment % against Total Budget |
| 1 | Strengthening PFM Systems (TSA) | 5,150,000.00 | 1,502,873.15 | 401,857.56 | 1,904,730.71 | 37% | 5,376.00 | 1,910,106.71 | 37% |
| 2 | Strengthening OAG | 2,460,000.00 | 421,352.73 | 24,387.56 | 445,740.29 | 18% | - | 445,740.29 | 18% |
| 3 | Strengthening CSOs' use of SA | 1,500,000.00 | 395,700.84 | 179,950.78 | 575,651.62 | 38% | 165,399.73 | 741,051.35 | 49% |
| 4 | Operational Risk Assessment of PFM reform in Nepal | 200,000.00 | 90,050.85 | 69,957.30 | 160,008.15 | 80% | 39,975.60 | 199,983.75 | 100% |
| 5 | NP ED PETS | 150,000.00 | - | 61,127.57 | 61,127.57 | 41% | - | 61,127.57 | 41% |
| 6 | Program Management and Administration Costs** | 490,000.00 | 129,492.54 | 28,227.50 | 157,720.04 | 32% | 4,656.52 | 162,376.56 | 33% |
| 7 | TF Administration Fee*** | 230,000.00 | 189,952.19 | 11,580.80 | 201,532.99 | 88% | - | 201,532.99 | 88% |
| Total | | 10,180,000.00 | 2,729,422.30 | 777,089.07 | 3,506,511.37 | 34% | 215,407.85 | 3,721,919.22 | 37% |

Note:

* Total budget includes both the Recipient Executed and Bank Executed portions of each activity

** 4% of the total contributions pledged by donors

***2% of the contributions paid in by donor partners and used for costs of trust fund administration by the World Bank

| Table 3 | | | | | | |
|--|----------------|------------------|------------------------------|-------------|-----------|------------------|
| Donor Contribution Report | | | | | | |
| Donor Name | Pledged Amount | | Receipts as on June 30, 2013 | | Balance* | |
| DFID | GBP 3.5 m | Eqv. US\$ 5.43 m | GBP 2.6 m | US\$ 4.09 m | GBP 0.9 m | Eqv. US\$ 1.34 m |
| Norway | NOK 15 m | Eqv. US\$ 2.62 m | NOK 15 m | US\$ 2.62 m | - | - |
| Denmark | DKK 2 m | Eqv. US\$ 0.38 m | DKK 2 m | US\$ 0.38 m | - | - |
| AusAID | AUD 2.85 m | Eqv. US\$ 2.99 m | AUD 2.85 m | US\$ 2.99 m | - | - |
| Note: | | | | | | |
| * Pledged contributions to be realized | | | | | | |

Table 4

Projected Receipts and Disbursements for the next two Quarters of FY 2013/14 (July 01, 2013 - Dec 31, 2013)

| Description | Amount in US\$ | Description | Amount in US\$ |
|--|---------------------|--|---------------------|
| Opening Balance as on July 01, 2013 | 6,645,438.22 | | |
| Expected Receipt of Funds- Donor Contributions* | | Expected Disbursement of Funds- | |
| DFID | 1,341,000.00 | Strengthening PFM Systems (TSA) | 1,000,000.00 |
| | | Strengthening OAG | 450,000.00 |
| | | Strengthening CSOs' use of SA | 495,000.00 |
| | | Operational Risk Assessment of PFM reform in Nepal | 40,000.00 |
| | | NP ED PETS | 88,000.00 |
| | | Program Management and Administration Costs | 75,000.00 |
| | | TF Administration Fee | 27,000.00 |
| Sub-Total of Expected Receipts of Funds | 1,341,000.00 | Sub-Total of Expected Disbursement of Funds | 2,175,000.00 |
| | | Closing Balance as on Dec 31, 2013 | 5,811,438.22 |
| Total | 7,986,438.22 | Total | 7,986,438.22 |

Note:

* Expected Donor contributions in equivalent US\$.

PART THREE

NEWS AND EVENTS

Notice Board

- Mr. Narendra Dahal, the Financial Comptroller General, was transferred on June 21, 2013 following the government's decision in the reshuffle of a few Secretaries. Mr. Dahal was transferred in about 9 months after he assumed this position. The government has appointed Mr. Uddhav Baskota as the new Financial Comptroller General. Mr. Baskota was the Regional Administrator in the Central Development Region.
- Ms. Laura Leyser has joined DFID as the PFM Advisor.

Events Diary

- The PFM MDTF thematic group meetings co-chaired by the World Bank and DFID were held on April 29, 2013 and June 25, 2013. The next meeting of the thematic group will be held in the last week of August 2013.
- The Acting Auditor General Ms. Bimala Subedi submitted the 50th Annual Report on April 11 2013 to the President. This report covered the audit of the fiscal year ending July 15, 2012.
- The official launch of Strengthening the Office of the Auditor General Project, "Accountability Nepal" took place in April 15, 2013.
- The Consulting Firm Cowater International in partnership with the SAI Norway conducted an Orientation Training on Performance Audit for OAG staff on April 21, 2013.
- A roundtable event on "Advancing Public Participation in the Audit Process in Nepal" was by the MDTF Program Management Team, the World Bank Institute (WBI) and the Office of the Auditor General on May 17, 2013 focusing on the possibility of supporting the institutional efforts to work with CSOs.