



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
INTEGRATED PUBLIC FINANCIAL MANAGEMENT REFORM PROJECT
APPROVED ON JUNE 27, 2018
TO
NEPAL

GOVERNANCE

SOUTH ASIA

Regional Vice President:	Hartwig Schafer
Country Director:	Faris H. Hadad-Zervos
Regional Director:	Zoubida Kherous Allaoua
Practice Manager/Manager:	Hoon Sahib Soh
Task Team Leader(s):	Timila Shrestha, Shambhu Prasad Uprety, Syed Waseem Abbas Kazmi



I. BASIC DATA

Product Information

Project ID P164783	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 27-Jun-2018	Current Closing Date 15-Jul-2022

Organizations

Borrower Nepal	Responsible Agency Ministry of Finance
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Project Development Objective (PDO)

Original PDO

Strengthening the effectiveness of selected PFM institutions and procurement institutions, systems and procedures at the federal and subnational levels

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-A7474	28-Jun-2018	24-Aug-2018	24-Aug-2018	15-Jul-2022	6.12	2.34	3.78
TF-A7475	28-Jun-2018	24-Aug-2018	24-Aug-2018	30-Sep-2021	2.88	1.62	1.26

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

1. Required Extension - A need has arisen to extend TFOA7475 of the Project up to July 15, 2022 aligning with the closing of the other TFOA7474 under the Project. The TFOA7475 could only be extended up to September 30, 2021 through earlier restructuring of July 2021 due to the closing date of its Parent TF of January 2022. As Parent TF has now been extended up to January 2024, the extension of TFOA7475 is proposed to ensure utilization of the remaining balance of USD 838,000, which is net of USD 422,046 currently being processed for reimbursement. The original closing date of TFOA7475 of July 30, 2021 has only been extended once earlier to September 30, 2021.
2. Implementation Progress - While the implementation and disbursement of the Project was initially slow, the disbursement has recently picked up despite the pandemic challenges with the total disbursement of USD 3.96 million (USD 2.34 million for TFOA7474 and USD 1.62 million for TFOA7475) as of September 26, 2021, which is 44% of the net committed amount of USD 9 million (net of USD 5 million cancelled from original commitment of USD 15 million). The approval of currently submitted withdrawal application of USD 422,046 will further increase the disbursement rate to 49% shortly. Given the pandemic situation, the switch to virtual mode for many of the planned activities, e.g. trainings, consultations etc. also resulted in reduction in planned disbursement. Otherwise, those activities would have increased disbursement even further. Such savings are being reallocated to other additional reform activities within the project scope as per the government's needs as the Project has the flexibility of Just-in-time sub-component and has only one category.
3. The components implemented by PEFA Secretariat, Financial Comptroller General Office, Office of the Auditor General and Ministry of Federal Affairs and General Administration are progressing well. The slow moving procurement activities of National Planning Commission, Public Accounts Committee, Ministry of Finance and Institute of Chartered Accountants of Nepal have also now picked up. The Public Procurement Monitoring Office has also amended the ITC/ILO contract to address the pandemic challenges and the capacity building activities have now been resumed. Based on the progress made, the overall implementation progress and procurement performance was upgraded to "Moderately Satisfactory" in July 2021. The government has also committed to expedite implementation and spend the entire remaining balance of USD 5.04 million by the Project closing of July 15, 2022 to the extent possible given the pandemic situation.
4. There is no outstanding audit or financial management and procurement issues. The audit of FY 2019/20 has been received with unqualified audit opinion.
5. Action Plan - The following action plan has been agreed with the government to complete major activities by December 2021 (subject to pandemic risks):
 - (i) Strengthening public expenditure and revenue management in federal and subnational governments – Finalization of Medium Term Expenditure Framework Guidelines for federal and provincial governments, Internal Controls Guidelines for three tiers of the government, Training Needs Assessment for PFM capacity building of three tiers of the government, IFMIS assessment with roadmap for integrating various fragmented PFM systems of three tiers of the government and Citizen Engagement Strategy in PFM for three tiers of the government
 - (ii) Strengthening the capacity of the Office of the Auditor General – Piloting of the various developed audit guidelines and Nepal Audit Management System based on the international standards
 - (iii) Improving public procurement capacity, monitoring and oversight – Completing around 60% of the total planned capacity building activities on procurement for three tiers of government in partnership with ITC/ILO
 - (iv) Strengthening public financial management reform management and coordination – Ongoing



6. The Bank will also enhance and intensify efforts to monitor and support the government to expedite implementation with monthly review meetings and expanded hands-on support.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A7474	Effective	30-Jul-2021	15-Jul-2022		
TF-A7475	Effective	30-Jul-2021	30-Sep-2021	15-Jul-2022	15-Nov-2022