Report Number: ICRR0022824

1. Program Information

Country
Nepal

Practice Area (Lead)
Macroeconomics, Trade and Investment

Programmatic DPF

Planned Operations
0

Approved Operations
0

Operation ID
P160792

Operation Name
Nepal Fiscal Reforms DPC

L/C/TF Number(s)
IDA-61950

Closing Date (Original)
28-Feb-2019

Total Financing (USD)
194,864,399.14

Bank Approval Date
20-Mar-2018

Closing Date (Actual)
28-Feb-2019

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	200,000,000.00	0.00
Revised Commitment	200,000,000.00	0.00
Actual	194,864,399.14	0.00

Country
Nepal

Practice Area (Lead)
Macroeconomics, Trade and Investment

Operation ID
P168869

Operation Name
Nepal Fiscal and PFM Management DPC II (P168869)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-61950,IDA-64400	30-Jun-2020	99140708.21
Bank Approval Date	**Closing Date (Actual)**	
13-Jun-2019	30-Jun-2020	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	99,140,708.21	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Shahrzad Mobasher Fard	Judyth L. Twigg	Jennifer L. Keller	IEGEC

2. Program Objectives and Pillars/Policy Areas

a. Objectives

The program development objectives (PDOs) of the Nepal Programmatic Fiscal and Public Financial Management Development Policy Credit (II) were to support the Government to: (i) establish a framework to move towards fiscal federalism; and (ii) improve the policy framework for public financial management at all levels of government.

Objective One: Establish a framework to move towards fiscal federalism

Objective Two: Improve the policy framework for public financial management at all levels of government

b. Pillars/Policy Areas

The programmatic series was structured around two pillars (policy areas): (i) establish a framework to move towards fiscal federalism; and (ii) improve the policy framework for public financial management. Table 1 below presents the policy actions and triggers for FPFM-DPC1 and FPFM-DPC2.

Table 1: Policy Actions and Triggers for FPFM-DPC1 and FPFM-DPC2

Prior Actions for FPFM-DPC1	Triggers in FPFM-DPC1	Prior Actions for FPFM-DPC2
PILLAR 1: **Establish a Framework to Move Towards Fiscal Federalism**		

<u>PA1:</u> To implement fiscal federalism the Parliament has approved the Intergovernmental Fiscal Arrangement Act which provides the legal framework for resource allocation among the three tiers of government.	**Trigger 1**: The Parliament has approved the Federal Financial Procedures Bill which provides guidance on budget execution.	**<u>PA2</u>**: The Cabinet has endorsed and submitted to Parliament the Federal Fiscal Procedures and Financial Responsibility Bill which governs budget execution and increases fiscal discipline and accountability. **<u>PA3:</u>** "**New**" The Finance Act 2018 has been enacted, which clarifies revenue allocation by amending: (i) provisions in Intergovernmental Fiscal Arrangement Act related to tax administration and revenue assignment for motor vehicle tax, land and building registration fee, entertainment tax, advertisement tax; and (ii) provisions in the Local Government Operations Act related to the local tax base for property tax and land tax.
<u>PA4</u>: The Parliament has approved the Local Government Operations Act - 2017, which will govern the operation and management of local governments.	**Trigger 2**: Local governments have (i) Established the Local Consolidated Fund; and (ii) issued regulations to authorize the Chief Administrative Office to initiate spending within seven days of approval of the annual budget by the local assembly.	**<u>PA5:</u>** "***Changed to***" All Local Governments have established Local Consolidated Funds and at least 25 percent of Local Governments have delegated spending authority to the Chief Administrative Officer within seven days of approval of the annual budget as certified by letters issued by the Ministry of Finance.
<u>PA6</u>: The Parliament has approved the National Natural Resources and Fiscal Commission Bill which will govern federal transfers to state and local governments.	**Trigger 3**: The National Natural Resources and Fiscal Commission has (i) adopted the framework for the calculation and devolution of two grants (equalization and conditional) and has made the formula for the equalization grant public; and (ii) issued climate resilient infrastructure investment guidelines to the sub national governments.	**<u>PA7:</u>** The National Natural Resources and Fiscal Commission has (i) adopted the framework for the calculation and devolution of the equalization grants and the conditional grants, and (ii) included forest cover as one of the indicators in the motor vehicle tax revenue sharing formula between Local Governments and Provincial Governments to mitigate carbon emissions.
<u>PA8</u>: The National Women Commission has adopted an integrated platform that provides a comprehensive response system	**Trigger 4**: National Women Commission has (i) established a 24-hour Helpline manned by trained staff; (ii) established a	**<u>PA9</u>**: "***Changed to***" The 2017 Federal Guidelines for Gender Responsive Budgeting have been issued to: (i) the Provincial Governments through a letter

and coordinates and expands access to services for Gender Based Violence cases.	case processing system to track service provision; and (iii) issued protocols and guidelines for survivor support, case prioritization and service access.	by the Ministry of Finance and (ii) the Local Governments through a letter by the Ministry of Federal Affairs and General Administration.
PILLAR 2: **Improve Policy Framework for Public Financial Management**		
PA10: To strengthen public financial management systems, the MoF has: (i) integrated all public financial management systems onto one platform - Public Financial Management Information System and (ii) provided access to the PFMIS to all federal ministries.	**Trigger 5**: To strengthen state and local governments' public financial management, (i) the Local Governments have adopted the Local Finance Procedures Bill and its directives and the Local Administrative Revenue Bill and its procedural directives; and (ii) to increase transparency and support citizens' engagement the government has instituted a system of public disclosure of local government expenditure reports by making them available on the website of the FCGO's Office.	**PA11**: "***Changed to***" To strengthen the PFM framework: (i) Two-thirds of all Local Governments have adopted Budget Management Legislation governing their own budget processes as certified by a letter issued by the Ministry of Federal Affairs and General Administration; and (ii) the Financial Comptroller General's Office has made the consolidated report of Local Governments' expenditure publicly available.
PA12: To strengthen budget realism: (i) the Recipient has issued guidance to the federal ministries to guide their preparation of the draft three-year MTEFs for the FY2019 budget cycle; and (ii) the National Natural Resources and Fiscal Commission has issued its circular to the local governments to guide their preparation of the annual budgets, to be part of the Local Government Development Plan	**Trigger 6**: To ensure budget realism at the local level, the local governments' council has mandated the preparation of a 3-year MTEF in line with the Local Government Development Plan. **Trigger 7**: The Cabinet has endorsed and submitted to Parliament the Fiscal Responsibility and Budget management Bill to ensure fiscal discipline and increase accountability (merged into PA1).	**PA13**: "***Changed to***" The National Planning Commission has issued MTEF guidelines as part of the Plan Formulation Guidelines for Provincial Governments and Local Governments that take into account sustainable development goals including climate change.
PA14: To improve budget execution, the MoF has: (i) issued a decree which requires all new aid funded and national priority projects to have secured project filter clearance for issuance of budgetary funds; (ii) adopted the System for Automatic Spending	**Trigger 8**: To strengthen expenditure control: (i) the Financial Comptroller General Office has adopted the new internal control guidelines (2018); and (ii) the cabinet has submitted the 2018 Audit Bill to the	**PA15**: To strengthen expenditure controls (i) the Cabinet has endorsed and submitted to the Parliament the Audit Bill 2018; and (ii) the Ministry of Finance has approved the new internal control guidelines.

Authorization and Program Approval for all spending units which will assist in budget execution from day one of new fiscal year; and (iii) adopted a system of payments by account payee only to expedite payments.	Parliament for approval.	
PA16: The Parliament has approved Disaster Risk Reduction and Management Act - 2017, which will govern coordination and management of all activities pertaining to disaster management, disaster risk reduction, disaster recuperation and disaster response as well as monitoring and mitigation measures on climate change and global warming.	**Trigger 9**: To strengthen disaster management response and initiate disaster risk reduction actions, the federal government has (i) established the National Disaster Risk Reduction and Management Centre; (ii) approved the disaster management national policy and plan; and (iii) issued disaster management policy guidelines to state and local governments, taking current risk profile and future climate change into consideration.	**PA17**: The Ministry of Federal Affairs and General Administration have issued disaster management policy guidelines to local governments taking current risk profiles and future climate change into consideration.
PA18: The MoF has established the Revenue Management Information System at the federal level to provide real time information on revenue collections.	**Trigger 10**: The MoF has established the Revenue Management Information System at the state and local level to provide revenue collection information.	**PA19**: For revenue data collection: (i) the Ministry of Finance has established a Revenue Management Information System at the Provincial Government level to provide real time information on revenue collections; and (ii) the Office of the Auditor General has approved a template for revenue data collection at the Local Government level.

c. Comments on Program Cost, Financing and Dates

This Programmatic Development Policy Operation of two operations was approved for SDR137.3 million (equivalent to USD 200 million) under the first operation (FPFM-DPC1) on February 20, 2018, and SDR 72.2 million (USD 100 million) under the second operation (FPFM-DPC2) on May 10, 2019. The actual amounts disbursed were USD 194.9 million under DPDM-DPC1 and USD 99.1 million under FPFM-DPC2. The difference between the disbursed and the approved amounts is explained by fluctuations in the SDR to USD exchange rates between the time of project approval and the time of disbursement.

FPFM-DPC1 and FPFM-DPC2 were both financed through the International Development Association (IDA-61950 and IDA-64400).

FPFM-DPC1 and FPFM-DPC2 closed as scheduled on February 28, 2019, and June 30, 2020, respectively.

3. Relevance of Design

a. Relevance of Objectives

In 2015, Nepal was struck by a severe earthquake which took 9,000 lives and significantly damaged critical infrastructure. This was compounded by India's imposition of a trade blockade which prohibited Nepal from importing goods from India, leading to an acute shortage of fuel, raw materials and other essential supplies.

Meanwhile, there was an ongoing transition from a centralized government to a three-tier federal structure and a worsening situation with budget under-implementation, most notably, as it pertained to capital spending. This was a cause for concern, especially in light of the significant reconstruction needs following the earthquake. Government revenues exceeded budget expectations due to one-off telecommunication sector collections. The fiscal accounts were consequently in a surplus position for a fourth consecutive year and net public debt fell to 22 percent of GDP in FY 2015/16, down from 34 percent of GDP in FY 2011/12.

The country's exports of primary commodities and manufactured goods, as well as imports, fell due to the trade disruption with India along with under-implementation of public capital spending. Growth in remittances declined to 1 percent in FY2015/16, from an annual rate of 15 percent, on average, over the preceding five years, due to weak economic growth in oil-producing host countries. The weakening of domestic economic conditions led growth in Nepal's real gross domestic product (GDP) to decelerate year-on-year to 0.6 percent in FY2015/16 in mid-July.

Nepal’s reconstruction efforts began in FY2017, with gross fixed capital formation rising from 28.2 percent of GDP in FY2016 to 37.3 percent of GDP in FY2017 and to 39.5 percent of GDP in FY2018. The fiscal balance fell into deficit, leading total public debt to rise to 26.5 percent of GDP in FY2018, from 24.1 percent of GDP in FY2016. With additional staff and facilities required for fiscal devolution, total government recurrent expenditures increased by 3.3 percentage points of GDP in FY2018. Revenue sharing from the federal to the provincial and local governments, as well as from the provincial to local governments started in FY2019.

The objectives pursued by this program were responsive to the country context which envisaged a shift in the responsibility for delivery of public services to sub-national levels, requiring devolution of functions, functionaries, and funds. To do so, adequate inter-governmental institutions for fiscal devolution needed to be established in earnest, and the devolution of expenditure and revenue required an adequate public financial management system at both the provincial and the local government levels.

Relevance to Government Priorities. The program objectives were relevant to Nepal's development priorities.

- Nepal's new constitution envisaged a shift in responsibility for public service delivery to sub-national levels, which implied a devolution of functions, public servants and funds. At the time of the appraisal, political devolution had largely taken effect, with elected officials in their respective functions across all three tiers of government. Administrative devolution was also underway with the approval of the Employees Adjustment Act in 2017 through the reallocation of 100,000 existing public servants across the three tiers of government. The staffing needs of local governments remained unmet, however. Sub-national governments required reliable access to public revenues in order to execute their spending responsibilities, along with an effective public financial management (PFM) framework to ensure that spending was financed adequately, executed efficiently, and with transparency and accountability. It was therefore necessary for fiscal devolution to be initiated in parallel to the political and administrative devolution that had already been initiated.

- As such, designing inter-governmental fiscal arrangements, developing consensus on such designs, enacting umbrella laws, and operationalizing these was needed. While the constitution provided the broad architecture for fiscal federalism, the details of the legal framework, intergovernmental fiscal relations, such as the unbundling of expenditure responsibility, sharing of federal revenues, assigning of revenue-raising powers, adoption of criteria for various grants and transfers, limits of sub-national borrowing and so on, had to be agreed upon, legislated and implemented.
- Similarly, while a PFM Information System (PFMIS) existed at the federal government level, such a system needed to be institutionalized at the provincial and local government levels as well. The PFMIS, which was used at the federal government level, had to be made operational in all provincial and local governments such that it delivers reliable and timely fiscal information at all levels of government.
- The reforms in fiscal devolution and PFM pursued by this programmatic development policy series were also consistent with the government's three-year periodic plan and its 2030 long-term strategy.

Relevance to Bank Group-supported Strategy. The program objectives were consistent with the Bank Group-supported strategy in Nepal.

The strengthening of Nepal's public institutions constituted one of the three pillars of the Country Partnership Strategy FY2014-2018, which included support for fiscal devolution, improvement of PFM across all three levels of government and the restructuring of civil service administration. The DPO series was consistent with the ongoing World Bank-supported program in Nepal, which included, the Integrated Public Financial Management project financed by the Multi-donor Trust Fund, the Federalism Implementation Support Platform and the Federalism Capacity Needs Assessment which provided the building blocks required to lead the transition to fiscal federalism and ensure that the reforms implemented were sustained over time.

b. Relevance of Prior Actions

Rationale

There were nine PAs under Pillar I and 10 PAs under Pillar II. There were changes made to four PAs for FPFM-DPC2 relative to their triggers in FPFM-DPC1, namely, on PA5, PA9, PA11 and PA13. Moreover, PA3 was added to FPFM-DPC2, with no trigger associated to it.

Relevance of Prior Actions for Pillar I - Establish a framework to move towards fiscal federalism

- **PA1** established the legal framework which assigned expenditure responsibilities, revenue-raising powers, intergovernmental transfers and the authority to borrow for sub-national governments to borrow. Furthermore, this PA established an intergovernmental fiscal council tasked with coordinating fiscal relations across the three tiers of government. This PA is rated **Satisfactory** as it lays out the legal framework required across the three tiers of government for proper fiscal management.
- **PA2** consolidated the budgeting process which includes the preparation of macroeconomic forecasts, multi-year plan projections, budget proposals and prioritization, budget execution, accounting and

reporting, as well as implications for extra-budgetary funds, if any. This was intended to replace the ad-hoc Financial Directives which were in place prior to the enactment of the law. This PA is rated as **Moderately Satisfactory** as it induced through the passage of a law in Parliament, the voluntary submission of budget preparation and execution documents rather than a mandatory submission of these documents.

- **PA3** established the allocation of revenues for six taxes (i.e., motor vehicle tax, land and building registration fee, entertainment tax, advertisement tax, property tax and land tax) which, as per the Constitution, were to be shared by the provincial and local governments. The amendments to the Intergovernmental Fiscal Arrangement Act and the Local Government Operations Act clarified the allocation of revenues for six taxes which were deemed concurrent (i.e., shared by Provinces and local governments) as per the Constitution. These taxes include: (i) land and building registration fee, levied by provinces and collected by local entities; (ii) entertainment tax, levied by provinces and collected by local entities; (iii) advertisement tax, levied by provinces and collected by local entities; (iv) motor vehicle tax, levied and collected by provinces to help incentivize a reduction in carbon emissions; (v) property tax levied and collected by the local government and (vi) land tax also levied and collected by the local government. The amendments, effected through the Finance Act 2018, require local entities to deposit 60 percent of the tax collected from (i), (ii), and (iii) at their local reserve funds and the remaining 40 percent to provincial reserve funds every month. Additionally, the amendments require the creation of the provincial divisible fund for the allocation of the tax collected from (iv), whereby 60 percent will be deposited at the provincial reserve fund and 40 percent at the local divisible fund. Funds from the local divisible fund will be allocated to the various local governments as per formulas developed by the National Natural Resources and Finance Commission (NNRFC) and deposited at local reserve funds every month by provincial governments. The amendment also clarifies the tax base for the property tax and land tax (levied by local government), which the Constitution allocates to local governments under the Local Government Operations Act. Given the fact that this PA established the revenue allocation across provincial and local government for six taxes, its relevance is rated **Satisfactory**.
- **PA4** mandated the creation of local consolidated funds with provisions regarding the types of deposits for the fund. The provisions of this Act effectively ended the existing practice of off-budget activities that limited the transparency of funds use. The LGO Act also established institutional processes for local governments with regard to tax policy, budget prioritization, expenditure ceilings, spending authority, etc. Relevance of this PA is rated **Satisfactory** as it made a significant contribution to the achievement of the objective by establishing guidelines for administrative processes and for tax policies for local governments.
- **PA5** sought to ensure that local governments relied on local consolidated funds and provided the spending authority to the Chief Administrative Officer within seven days of approval of the annual budget. PA5 was intended to ensure that the Local Government Operations Act 2017, which mandated the creation of local consolidated funds and which was supported by PA4, was effectively relied upon by local governments to enhance transparency and accountability. As such, relevance of PA5 is rated **Satisfactory**.
- **PA6** established the National Natural Resources and Fiscal Commission (NNRFC) as an independent body tasked with: (i) advising the government on the distribution of revenue and grants; (ii) overseeing the use of the country's natural resources as well as the choice of investments on the extraction of these natural resources; and (iii) resolving disputes that may arise among the different tiers of government with respect to either revenue and grant allocation and/or uses of natural resources and/or investments in natural resources. The NNRFC would facilitate the country’s governance over natural resource revenues. It would also help resolve disputes if they were to arise. The creation of

the NNRFC is a key contribution toward establishing a framework to move towards fiscal federalism and as such, its relevance is rated **Satisfactory**.

- **PA7** mandated the NNRFC to establish the equalization formula for fiscal transfers and conditional grants. This would provide clarity and predictability with regard to the allocation of transfers and conditional grants from the federal government to provincial governments. Furthermore, the obligation to maintain a certain level of forest cover would help offset some of the carbon emissions from vehicles from which vehicle taxes are being collected. The relevance of PA7 is rated **Satisfactory**.
- **PA8** institutionalized an integrated platform at the National Women's Commission to handle gender-based violence cases. While important for broader development goals, it is not clear how this PA contributes to the achievement of the objective and as such, is rated as **Unsatisfactory**.
- **PA9** ensured that the gender-responsive budgeting (GRB) guidelines used by the federal government during budget preparation were adopted by provincial and local governments. This PA supports the achievement of the objective to move towards fiscal federalism by ensuring the adoption of gender-responsive budgeting in all three tiers of governments. As such, its relevance is rated **Satisfactory**.

Relevance of Prior Actions for Pillar II - Improve the policy framework for public financial management at all levels of government

- **PA10** required multiple budget management systems to be streamlined under a public financial management information system (PFMIS) which can generate real-time data on actual spending by the federal government. Given the large reconstruction costs imposed by the earthquake and the upward pressure on the public sector wage bill through fiscal devolution, a streamlined database providing real-time data on actual spending by the federal government was crucial to ensure that expenditures remained on track and that there was sufficient oversight by authorities. As such, the relevance of this PA to the achievement of the objective is rated **Satisfactory**.
- **PA11** sought the adoption of budget management legislation (i.e., the Local Budget Appropriations Act, the Local Financial Procedures Act and the Local Finance Act) so that local governments could access relevant fiscal data and generate consolidated reports in a timely manner which could be made public for greater transparency. Given the fact that this PA only targets FY2019, the relevance of this PA is rated **Moderately Satisfactory**.
- **PA12** mandated the preparation of medium-term expenditure frameworks (MTEFs) at the federal government level and provided guidance to local governments on the preparation of their annual budgets. This PA was intended to support the sustainability and predictability of federal fiscal accounts over time and ensure that the preparation of annual budgets by local governments adequately responded to local priorities within the budget envelope that was available to them. As such, the relevance of this PA is rated as **Satisfactory**.
- **PA13** mandated the National Planning Commission to share MTEF guidelines with provincial and local governments, which would include aggregate expenditure and revenue projections for two years beyond the ongoing fiscal year, along with sectoral plans, the achievement of the UN sustainable development goals and climate change considerations. While this PA sought to promote the sustainability and predictability of provincial and local governments' fiscal accounts over time, the fact that it did not impose the adoption of the MTEF guidelines by sub-national governments, warrants a **Moderately Satisfactory** rating on the relevance of this PA. Furthermore, the ICR does not elaborate on the substance of the MTEF guidelines which would promote the sustainability and the predictability of sub-national governments’ fiscal accounts over time.
- **PA14** required the adoption of the following budget execution measures: (i) a system to streamline the budget approval and spending approval process such that funds are available from the very first day

of the new fiscal year for all spending units; (ii) a system of payments by account-payee checks only to expedite payments; and (iii) the issuance of funds to aid-funded and national priority projects only after they had obtained project-filter clearance certifying that they have adhered to the pre-requisites for project implementation. This PA aimed to improve the budget execution rate for sub-national governments and increase the transparency in local government spending by making the consolidated budget execution data available in the public domain. The relevance of this PA is rated as **Satisfactory**.

- **PA15** sought to improve expenditure controls, most notably, through annual expenditure audits across all three tiers of government. The relevance of this PA is rated as **Satisfactory** as expenditure audits are expected to improve public financial management.
- **PA16** required the enactment of the Disaster Risk Reduction and Management Act to manage and coordinate across all government tiers all activities pertaining to disaster management, disaster risk reduction, disaster recuperation, and disaster response, as well as monitoring and mitigation measures to combat climate change and global warming. Relevance of this PA to the achievement of improving the policy framework for public financial management is rated **Satisfactory**.
- **PA17** provided guidance to local governments on the passage of local level laws on disaster risk management, the creation of coordinating committees and the establishment of disaster risk management funds at the local level. These measures were essential given Nepal's vulnerability to natural disasters and the need for local government to have adequate funds and the ability to rely on such funds if they are struck by natural disasters. The relevance of this PA is rated **Satisfactory**.
- **PA18** established a Revenue Management Information System at the federal level, which would be essential for budget execution and budget preparation, as well as the timely information about deviations between revenue collections and budget targets to inform spending, revenue collection and borrowing decisions. As such, the relevance of this PA to the achievement of the objective to improve the policy framework for public financial management is rated **Satisfactory**.
- **PA19** established a Revenue Management Information System at the provincial and local government levels, for budget execution and budget preparation, as well as the timely information about deviations between revenue collections and budget targets to inform spending, revenue collection and borrowing decisions. The relevance of this PA is rated **Satisfactory**.

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

The program included 13 Results Indicators (RIs). Pillar included six RIs which were associated to all PAs under Pillar 1. Pillar 2 included seven RIs which were associated to all PAs under Pillar 2. (Table 1)

RI1 (associated with PA1, PA2, PA3, PA4, PA5, PA6, PA7) (share of the education budget devolved to the provincial and local governments) has a target of at least 60 percent of the education budget being devolved to provincial and local governments. The education budget constitutes one of the key spending areas in which local government knowledge of local preferences could be expected to lead to preference matching and allocative efficiency and is consequently a type of public spending that is often devolved to sub-national governments. The increase in the share of the education budget devolved to the provincial and local governments would therefore be one of the key result indicators to measure the extent of the transition to fiscal federalism as it pertains to public spending on education. The indicator was well defined. Data were available to measure achievement of the target. This RI associated to the above-mentioned PAs measures progress toward the achievement of the objective as the devolution of the education budget would allow sub-national governments to be responsible for delivering education services to their populations. (relevance of RI1=S)

RI2 (associated with PA4, PA5) (consolidated expenditure produced on an annual basis, one fiscal year prior to the budget) establishes a target for consolidated expenditure statements being produced for all three tiers of government and for these to be submitted to Parliament along with the annual budget. (relevance of RI2=S)

RI3 (associated with PA1, PA2, PA3) (own revenue sources of provincial and local governments increases by at least 10 percent) measures the improvement in the provincial and local governments' ability to raise own source revenue. This RI measures the capacity of provincial and local governments to generate own source revenue to support the delivery of public services. The indicator was well defined, had a clear target and had data available to measure achievement of the target. This RI associated to the above-mentioned PAs measures progress toward the achievement of the objective through a clear and credible results chain as it monitors sub-national governments’ own-source revenues. (relevance of RI3=S)

RI4 (associated with PA1, PA2, PA4, PA5, PA6, PA7) (share of federal transfers spent by local governments) measures the extent to which federal transfers was spent by local governments in delivering public services. This RI is difficult to monitor over time given the fungibility of these resources. This RI measures sub-national governments’ capacity to execute expenses through federal government transfers. Since it does not measure the quality of public service provision at the sub-national government level, and the funds are fungible and not earmarked to the delivery of public services, the relevance of this RI is rated Moderately Unsatisfactory. (relevance of RI4=MU)

RI5 (associated with PA4, PA5) (equalization and conditional grants in FY20 budget made as per the formula) measures whether or not equalization and conditional grant payments were based on the established formula by June 30, 2020. This RI is clearly defined and can be monitored over time. This RI associated to the above-mentioned PAs measures progress toward the achievement of the objective of adhering to the equalization and grants formula. (relevance of RI5=S)

RI6 (associated with PA8, PA9) (number of provinces that have adopted gender-responsive budgeting) was changed to align with the change in PA5 under FPFM-DPC2. This RI associated to PA8 and PA9 measures progress with regard to the adoption of gender-responsive budgeting, which was previously adopted by the federal government, by provincial governments. This supports the achievement of the objective of establishing a framework to move towards fiscal federalism by allowing gender-responsive budgeting guidelines to be applied by provincial governments through the budgeting process in order to promote greater gender equality in the policies and measures which are being proposed and adopted by provincial governments every fiscal year.. It is not clear from the ICR document how the adoption of gender-based budgeting is measured in actual fact and as such, the relevance of this RI is rated as Moderately Satisfactory. (relevance of RI6=MS)

RI7 (associated with PA10, PA11) (consolidated public expenditure data made publicly available within 6 months of the end of FY) measures the extent to which provincial and local governments have adopted the PFMIS that is used by the federal government and that consolidated public expenditure data are publicly available to strengthen transparency and accountability in public financial management. This RI tracks the degree of budgetary transparency of sub-national governments through the public disclosure of expenditure data, thereby promoting accountability to the population. While the ICR states that “The Treasury Single Account, a component of the platform, also captures expenditure data at the provincial level”, it is not clear how reliance on PFMIS by local governments can be verified. For this reason, the relevance of this RI is rated Moderately Satisfactory. (relevance of RI7=MS)

RI8 (associated with PA12, PA13) (number of provinces adopting the MTEF guidelines) measures the achievement with regard to the adoption of MTEF guidelines in the seven provinces in Nepal . The adoption of MTEF guidelines is one input along the results chain toward improving the policy framework for public financial management, and as such, does not measure the actual output or the outcome associated to the PAs. A result indicator which measures the extent to which provinces have implemented MTEF guidelines would have been an appropriate result indicator as it would have measured progress in the adoption three-year spending plans by provincial governments, which would have led to benefits such as the allocation of resources to priority services, the more efficient planning and management, a framework within which policy proposals can be assessed, more transparency in government, a reduction in roll-overs, and a clear demonstration of how fiscal targets will be met, which would have contributed to the objective of improving the policy framework for public financial management. As such, this RI is rated Moderately Unsatisfactory (relevance of RI8=MU)

RI9 (associated with PA15) (deviation between consolidated revised budget estimates and actual consolidated spending) monitors the deviation between consolidated revised budget estimates and actual consolidated spending to measure the efficacy of expenditure controls. This RI is not well defined, nor can it be easily monitored over time. In order to measure progress toward improving the policy framework for public financial management, the RI should have focused on measuring the deviation between the estimated and actual consolidated spending across the provincial and local governments, rather than across all three tiers of government. Furthermore, as indicated in the ICR document, revised budget estimates data were not available for all local governments. This would have imposed a significant impediment to measuring this RI over time. As such, this RI is rated Moderately Unsatisfactory. (relevance of RI9=MU)

RI10 (associated with PA1, PA2, PA4, PA5, PA10, PA11, PA14) (proportion of federal capital expenditure undertaken in last quarter) measures the share of total capital expenditures undertaken by the federal government in the last quarter of the fiscal. The last quarter is being used as a reference period given the fact that a substantial amount of capital expenditures is incurred in the last quarter of a given fiscal year, averaging 59.9 percent of actual spending over the FY15-FY19 period. This RI is clearly defined and can easily be monitored over time. This RI associated to the above-mentioned PAs measures progress toward the achievement of the objective through a clear and credible results chain from the passage of the Intergovernmental Fiscal Arrangement Act which provides the legal framework for resource allocation across the three tiers of governments to the implementation and the adoption of the PFMIS by sub-national governments which established rules and procedures for executing budgets. (relevance of RI10=S)

RI11 (associated with PA15) (audit irregularities reported by the OAG report) is intended to measure the extent to which audit irregularities are reported in the OAG report. This RI is clearly defined and can easily be monitored over time. This RI associated to the above-mentioned PA measures progress toward the achievement of the objective through a clear and credible results chain as it strengthens the expenditure controls for sub-national governments through the enactment of the *Audit Act 2019,* the development of internal control guidelines for that Act by the Office of the Auditor General (OAG), as well as actual audits being completed in line with the new Act for each of the three tiers of government. (relevance of RI11=S)

RI12 (associated with PA16, PA17) (adoption of disaster risk management by local governments) sought to measure the adoption of disaster risk management frameworks by local governments in terms of establishing a Coordinating Committee and a Disaster Fund with funding being allocated to it. This RI is clearly defined and can easily be monitored over time by establishing whether or not the Coordinating Committee and the Disaster Fund remain effective. This RI associated to the above-mentioned PAs measures progress toward the achievement of the objective of improving the policy framework for public financial management through the adoption of disaster risk management frameworks by local governments to help them coordinate and manage all activities pertaining to disaster management, disaster risk reduction, disaster recuperation and disaster response, as well as monitor and adopt mitigating measures on climate change. (relevance of RI12=S)

RI13 (associated with PA18, PA19) (availability of information on revenue collections) measures the extent of information on revenue collection that is made publicly available for all three tiers of government through the establishment of the Revenue Management Information System at the federal and provincial government levels, and through a template for revenue data collection at the local government level, and the delay in making these publicly available. Given the fact that this RI supports greater transparency for revenues collected, its relevance to the achievement of the objective of improving the policy framework for public financial management is rated Satisfactory. This RI associated to the above-mentioned PAs measures progress toward the achievement of the objective through a clear and credible results chain as it raises transparency on revenue collections for all three tiers of government. (relevance of RI13=S)

Table 2: Results Indicators

RIs	Associated PA(s)	RI Relevance	Baseline (including date)	Target (including date)	Actual value as of target date	Actual change in RI relative to targeted change	RI achievement rating
Pillar 1: Establish a framework to move towards fiscal federalism							
RI1: Share of the education budget devolved to the provincial and local governments (measured as the amount of conditional grants to PLGs as a share of federal budget and conditional grants to PLGs)	PA1, PA2, P3, PA4, PA5, PA6, PA7	S	0 percent (30-Jun-2016)	60 percent (30-Jun-2020)	FY20 Budget: 60.1 percent (provincial governments: 2.6 percent; local governments: 57.5 percent)	Over 100 percent of targeted change	High
RI2: Consolidated expenditure	PA4, PA5	S	Not applicable	Consolidated expenditure	FY20: consolidated	100 percent of targeted	Modest

produced on an annual basis, one fiscal year prior to the budget			(30-Jun-2016)	produced one fiscal year prior to the budget	public expenditure for all three tiers produced, but not submitted to Parliament with annual budget	achieved, but not submitted to Parliament with annual budgets	
RI3: Own revenue sources of provincial and local governments increases by at least 10 percent	PA1, PA2, PA3	S	2 percent (30-Jun-2016)	10 percent (30-Jun-2020)	FY20: LGs and PGs own revenue sources was 4.8 percent of total revenue. This reflects an increase of 94.8 percent relative to FY18.	Over 100 percent of targeted change	High
RI4: Share of federal transfers spent by local governments (federal transfers include equalization, conditional complementary, special and other grants from federal government to local governments)	PA1, PA2, PA4, PA5, PA6, PA7	MU	0 percent (30-Jun-2016)	40 percent (30-Jun-2020)	FY20: Local governments spent 81.2 percent	Over 100 percent of targeted change	High
RI5: Equalization and conditional grants in FY20 budget made as per the equalization formula	PA4, PA5	S	Not applicable (30-Jun-2016)	Equalization and conditional grants in FY20 made as per the formula (30-Jun-2020)	(i) Equalization grants in FY20: to LGs NPR 89,947 million (5.9% of total budget); to PGs NPR 55,299 million (2.9% of total budget)	100 percent of targeted change	High
RI6: Number of provinces that have adopted gender	PA8, PA9	MS	0 (30-Jun-2016)	7 (30-Jun-2020)		100 percent of targeted change	High

responsive budgeting (PGs prepared the annual Redbook/Budget with gender budget codes)							
Pillar 2: Improve the policy framework for public financial management							
RI7: Consolidated public expenditure data publicly available within 6 months of end-FY	PA10, PA11	MS	Not available (30-Jun-2016)	FY2019 expenditure data on FCGO's website	FY19: Public expenditure data published on website within 6 months of end of FY for each tier of government.	100 percent of targeted change	High
RI8: Number of provinces adopting the MTEF guidelines	PA12, PA13	MU	0 (30-Jun-2016)	7 (30-Jun-2020)	The provinces of Bagmati and Gandaki prepared MTEFs in FY19, and the provinces of P1, Lumbini, Karnali and Sudurpashchim prepared MTEFs in FY20.	100 percent of targeted change	Substantial
RI9: Deviation between consolidated revised budget estimates and actual	PA15	MU	Not available (30-Jun-2016)	20 percent or less deviation (30-Jun-2020)	FY20: Consolidated revised budget estimate not available and hence the deviation	Change has not been measured	Negligible

consolidated spending					cannot be computed.		
RI10: Proportion of federal capital expenditure undertaken in the last quarter	PA1, PA2, PA4, PA5, PA10, PA11, PA14	S	75 percent (30-Jun-2016)	65 percent (30-Jun-2020)	FY20: Last quarter federal capital expenditure: 45.4%	Over 100 percent of targeted change	High
RI11: Audit irregularities reported by the OAG report	PA15	S	Audit irregularities of 7 percent for federal government agencies (OAG 2016 report). (30-Jun-2016)	Audit irregularities of 6 percent or less across all 3-tiers of government (OAG 2020 report) (30-Jun-2020)	FY20: Audit irregularities for three-tier government is 3.5% (federal: 2.9%; provincial: 2.7%; local: 5%)	Over 100 percent of targeted change	High
RI12: Adoption of DRM framework by local governments	PA16, PA17	S	No framework in place (30-Jun-2016)	At least one municipality in each province (30-Jun-2020)	About 400 municipalities (at least one municipality per province) are reported to have adopted DRM frameworks	Over 100 percent of targeted change	High
RI13: Timely availability of information on revenue collection (Availability means publicly available).	PA18, PA19	S	Data on 90 percent of tax collection available with a lag of two months (30-Jun-2016)	Data on 100 percent of revenue collection for federal government available real-time, 60 percent of revenue collection for provincial governments available real-time and	FY20: federal revenue data are publicly available at the aggregate level with a lag of one day. Provincial and local revenue data are publicly available at the aggregate level with a lag of six months.	Over 100 percent of targeted change	Substantial

				40 percent of local government revenue collection available by mid-Jan following the concerned fiscal year. (30-Jun-2020)			

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Establish a framework to move towards fiscal federalism

Rationale

Outcomes. The program met five of the six outcome targets for the objective of establishing a framework to move towards fiscal federalism, with the remaining target being partially achieved.

- RI1 on the share of the education budget devolved to provincial and local governments (measured as the amount of conditional grants to provincial and local government as a share of the federal budget) rose from 0 percent in the baseline to 60.1 percent (2.6 percent for provincial government and 57.5 percent for local governments), meeting the target of 60 percent which was established for this indicator. (rating of RI1=High)
- RI2 on producing consolidated public expenditures for all three tiers of government in FY20 was achieved. These were, however, not submitted to Parliament along with the annual budget. As such,

this target is judged to have been partially achieved. Moreover, this ICRR did not find this to be a sufficiently relevant RI. (rating of RI2=Modest)

- RI3 on raising provincial and local governments' own-source revenue from 2 percent of consolidated revenues in FY16 was achieved, with sub-national government's own source revenue comprising 4.8 percent of consolidated revenues in FY20. This largely surpassed the target of a minimum 10 percent increase. (rating of RI3=High)
- RI4 on local governments meeting a target of at least 40 percent in spending relative to federal transfers (which includes, equalization, conditional, complementary, special and other grants) was met, with local governments spending 81.2 percent of federal transfers in FY20. (rating of RI4=High)
- RI5 on the amount received by provincial and local governments in equalization and conditional grants being determined based on a formula was achieved. Equalization transfers constituted 3.6 percent of the total budget of provincial governments and 5.9 percent of the total budget of local governments. Conditional grants comprised 2.9 percent of the total budget of provincial governments 8.1 percent of the total budget of local governments. (rating of RI5=High)
- RI6 on all seven provinces in Nepal adopting gender-responsive budgeting, which entailed preparing the annual Redbook/Budget with gender budget code, was achieved. (rating of RI6=High)

Rating

Satisfactory

OBJECTIVE 2

Objective

Improve the policy framework for public financial management

Rationale

Outcomes. The program met four of the seven outcome targets for the objective of improving the policy framework for public financial management.

- RI7 on having public expenditure data published on the FOGA website within six months of the end of FY19 was achieved. This allowed the consolidated public spending figures for all three tiers of government to be compiled based on these data. (rating for RI7=High)
- RI8 on six of the seven provinces adopting medium-term expenditure frameworks was partially achieved, with the provinces of Bagmati and Gandaki adopting it in FY19, and the provinces of P1, Lumbini, Karnali and Sudurpashchim adopting it in FY20. (rating for RI8= Substantial)
- RI9 on the deviation between consolidated revised budget estimates for FY20 and the actual consolidated spending could not be computed as data on the former were not available. The lack of data for this RI leads to a negligible rating on efficacy (rating for RI9=Negligible)
- RI10 on reducing the proportion of capital expenditure undertaken by the federal government from 75 percent under the baseline to 65 percent or less was achieved, with capital expenditure undertaken by the federal government comprising 45.4 percent of total capital expenditure in the last quarter of FY20. (rating for RI10=Substantial)

- RI11 on audit irregularities decreasing from 7 percent for federal government agencies (AOG 2016) to 6 percent or less was achieved, with the actual achievement standing at 3.5 percent in FY20 (federal government: 2.9 percent; provincial governments: 2.7 percent; local governments: 5 percent). (rating for RI11=Substantial
- RI12 on at least one municipality per province adopting the disaster risk management framework by establishing a Coordinating Committee and a Disaster Fund with funding allocated to it was achieved, with roughly 400 municipalities having adopted such a framework. (rating for RI12=Substantial)
- RI13 on 100 percent of revenue collected by the federal government to made available in real-time, 60 percent of revenue collected by provincial governments to be made available in real-time, and 40 percent of revenue collected by local governments to be made available by mid-January in the subsequent fiscal year was partially achieved. (rating for RI13=Substantial)

Rating

Moderately Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

The achievement of the objectives under Pillar 1 is rated as Satisfactory. The achievement of the objectives under Pillar 2 is rated as Moderately Satisfactory. As a result, the overall achievement of the objectives is rated as Satisfactory.

The ICR document also provides the outcome of the program with regard to the devolution of actual revenue and expenditure to sub-national governments, which are featured in Table 3 below. The data featured in the table indicate that the devolution of revenue and expenditure to sub-national governments consistently expanded over FY18-FY20.

Table 3: Devolution of Actual Revenue and Expenditure

	Total Expenditure (NPR, millions)	% of Total Exp by PGs	% of Total Exp by LGs	% of Total Exp by SNGs	Total Revenue (NPR million)	% of Total Rev by PGs	% of Total Rev by LGs	% of Total Rev by SNGs
FY18	956,047	0.3	23.7	24	740,958	0	1.9	1.9
FY19	1,039,645	9.2	29.5	38.7	872,287	1.4	3.5	4.9
FY20	1,073,452	12.2	29.8	42	833916	1.5	3.3	4.8

Note: Total expenditure= General government expenditure which excludes intergovernmental transfers; Total revenue= General government revenue which includes only own-source revenues

Overall Efficacy Rating

Satisfactory

6. Outcome

Rationale

The relevance of prior actions is rated as satisfactory. The prior actions were linked to the achievement of the program objectives in a convincing and credible manner, which supported the causal chain between the implementation of the prior actions and the actual outcomes achieved. The relevance of results indicators is also rated as satisfactory, with the majority of RIs being clearly defined outcomes linked to the prior actions, and baseline and target data which could easily be monitored and measured over time. The efficacy of the first objective on establishing a framework to move towards fiscal federalism is rated as satisfactory. The efficacy of the second objective to improve the policy framework for public financial management is rated as satisfactory. As such, the outcome of this DPO series is rated as satisfactory.

a. Rating

Satisfactory

7. Risk to Development Outcome

The main risks identified in the ICR consist of:

1. Sub-national governments remain inadequately staffed and existing staff are not sufficiently to meet job requirements. The ICR reports that the 2019 Federal Capacity Needs Assessment indicated that 50 percent of the staffing needs of the provincial and local governments were not met at the time. There has been no recruitment of staff at the provincial and local government levels since the completion of that assessment despite an increasing share of public spending having been devolved to sub-national governments. The Federal Civil Service Bill, which establishes a mandate for recruiting staff for each of the three tiers of government, has yet to be enacted. This has resulted in the inability for the recently formed Provincial Civil Service Commission from recruiting regular staff. Meanwhile, local governments can only recruit staff through short-term contracts. This outcome limits the fiscal devolution process and weakens public financial management. The sustainability of the existing reforms may be challenged by the provincial and local governments’ low share of own-source revenue.
2. If provincial and local governments are confronted with challenges in generating own-source revenues, this may compromise the development outcomes pursued by the project in light of the fact that sub-

national governments have an information advantage and can deliver public services that are more closely aligned to local preferences compared to the federal government.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The design of the programmatic DPO series was informed by a significant body of analytical work that allowed the Bank to design a well sequenced reform program in the medium-term. The most notable analytical work underpinning project design included a PFM gap analysis (2015), a note on intergovernmental fiscal transfers (2017), a note on local level expenditures (2017), a note on fiscal responsibility and budget management, a note on revenue rights, and a note on the institutional setup for fiscal transfers. The PFMIS, which was relied upon at the federal government level, had to be implemented and become operational at the sub-national levels, with new or parallel rules and procedures for formulating, executing and reporting on budgets, for maintaining appropriate accounts of transactions and for implementing controls and audits, including relevant legislation. This was essential to ensure that sub-national governments' spending could be financed adequately, executed efficiently, and subjected to proper scrutiny and accountability.

While the task team relied on significant analytical work in project design, a major shortcoming of the project consisted in the fact that the program did not include a PA on the passage of the Federal Civil Service bill in order to ensure that sub-national governments are adequately staffed to carry out their responsibilities. This likely resulted in weaker development outcomes during the implementation of the program and beyond compared to a scenario in which the bill was passed by government. This may also threaten the sustainability of policy reforms if the bill is not passed by government. This risk was not properly considered in project design, when considerable attention should have been accorded to it.

The risk assessment of the program was adequate as presented in the program document for both series. The program documents identified the risks to the operation, consisting of political and governance, institutional capacity, fiduciary and stakeholder risks, as Substantial. The program documents indicated, however, that these risks are expected to be largely mitigated by factors such as a stable government, a strong government ownership, and donor support. Donor support was intended to reduce institutional capacity risk through the MDFT PFM trust fund and Federalism Working Grouping (co-chaired by the World Bank) that is supporting capacity building of elected governments and their institutions. This was further support by the reforms featured under these series, the Integrated Public Financial Management Reform Project. Fiduciary risks were mitigated by these series which include reform to revamp the rules that govern budget implementation by working closely with the National Planning Commission, the Financial Comptroller General Office, the Public Procurement Monitoring Office and the Office of the Auditory General. This was also supported by institutional capacity strengthening activities through the MDTF focused on rules governing budget implementation.

Rating

Satisfactory

b. Bank Performance – Implementation

Rationale

The ICR reports that the World Bank engaged closely with the Ministry of Finance who coordinated activities with the provincial and the local governments to monitor and evaluate the achievement of targets established for results indicators under the results framework over the entire implementation period. To this end, the task team reported having participated in regular supervision missions, although the ICR does not provide evidence of this. World Bank technical assistance through the Integrated PFM Reform Project (supported by the Multi-Donor Trust Fund) provided public servants at all three levels of government. The team made adjustments to the PAs relative to their triggers under FPFM-DPC1 to reflect unanticipated circumstances or capacity challenges at the sub-national levels. PA5 was changed t to require at least 25 percent of the LGs to have delegated spending authority to their chief administrative officers, instead of all LGs as was initially framed in Trigger 2, and came as a result of the fact that additional staff and the training that was needed for such delegation to be executed effectively was yet to be conducted. PA9 was modified to the issuance of gender-based guidelines to provincial governments given that measures to response-and-support system for gender-based violence was established. PA11 was changed to two-thirds of local governments adopting all the relevant budget management legislations compared to all local governments adopting them as established under Trigger 5 in FPFM-DPC1. This change was made due to the challenge with the capacity constraints in preparing various local level budget management legislations. Finally, PA13 requested that the National Planning Commission issues guidelines to provincial and local governments for preparing MTEFs, which was different from Trigger 6 which mandated the actual preparation of three-year MTEFs' by sub-national governments. This reflected the low technical capacity and the understaffing seen in local governments. While the adaption did not undermine the achievement of the objectives, the adaptation could have been anticipated at th outset by the task team.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

The overall performance of the World Bank is rated as satisfactory.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

The ICR identifies a number of social and poverty benefits generated through the allocation of public spending to sub-national governments through, most notably:

1. A better alignment in the provision of social services to the local preferences of the population, especially for those individuals living in rural areas, which can improve access to public services and disproportionately benefit vulnerable households.
2. An increased capacity for local governments to address issues which are better addressed at the local level. For example, local governments provided quarantine and isolation facilities during the COVID-19 pandemic, and provincial and local governments significantly contributed to the federal government's plan to vaccinate 72 percent of the eligible population by mid-April 2022. The ICR document does not provide any evidence in this regard, however.
3. A greater efficiency in public spending, which may lead to savings that can be allocated towards an expansion in the provision or an improvement in the quality of public services public service delivery. The ICR document does not provide any evidence in this regard, however.

b. Environmental

There is a concern highlighted in the ICR that local governments may have been prone to use natural resources in an unsustainable manner in order to support own-source revenue over the short-term. There is no specific information to support this claim, however.

c. Gender

PA4 under FPFM-DPC1 established a gender-based violence unit, with a dedicated 24-hour helpline services and referral services such as, shelter, legal aid and psychosocial support. This unit provided 15,003 integrated services to 25,012 clients by June 2021. Furthermore, the adoption of gender-responsive budgeting through PA5 under FPFM-DC2 ensures that policies and investments are designed such that they support a reduction in socio-economic inequalities across the male and female populations.

d. Other

None identified.

10. Quality of ICR

Rationale

The quality of the ICR is rated as high. The ICR is candid in presenting the risks to the development outcomes. While the ICR discusses positive impacts on social, poverty, gender and institutional outcomes (along with potential negative impacts), much of the impact assessments is done on an ex-ante basis rather than on an ex post basis. The ICR could have presented, for example, data on the improved efficiency of public spending through fiscal devolution, or the impact of gender-based budgeting on policy measures or public investments. The lessons which can be extracted from this DPO series are well articulated.

a. Rating

High

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	High	

12. Lessons

The ICR Review agrees with the lessons identified in the ICR based on identifying reforms grounded on sound analytical work, solid technical assistance, and adopting a sound monitoring and evaluation system. A major shortcoming of this operation was the lack of support for the passage of the Federal Civil Service bill, which is yet to be passed, thereby limiting the capacity of sub-national governments to deliver the public services which are required from them. This could have been incentivized through the introduction of a PA or an RI pertaining to the passage of the Federal Civil Service bill.

13. Project Performance Assessment Report (PPAR) Recommended?

No