

**Nepal: Integrated Public Financial Management Reform Project (TF A7474 and TF A7475)**  
**Sixth Implementation Review and Support**  
**March 10-22, 2022**

**Aide Memoire**

**I. Introduction**

1. A World Bank (WB) Team<sup>1</sup> led by Ms. Timila Shrestha (Sr. Financial Management Specialist/Task Team Leader) carried out the implementation review of the Integrated Public Financial Management Reform Project (IPFMRP) from March 10 to 22, 2022. The objectives of the review were to: (i) assess progress since the last technical review of July 2021, (ii) discuss the potential for project extension by an additional year to July 16, 2023, and (iii) agree on the next steps for expediting lagging activities.

2. The team met with the officials from the Ministry of Finance (MOF), National Planning Commission (NPC), Financial Comptroller General Office (FCGO), Public Expenditure and Financial Accountability (PEFA) Secretariat, Public Procurement Management Office (PPMO), Ministry of Federal Affairs and General Administration (MOFAGA), Office of the Auditor General (OAG), Secretariat of the Public Accounts Committee (PAC), and Institute of Chartered Accountants of Nepal (ICAN). The key officials met are listed in Annex 3. In a meeting chaired by the PEFA Coordinator, the Bank team also discussed the project progress and potential extension with the development partners of the Public Financial Management (PFM) Multi-donor Trust Fund (MDTF).

3. This Aide Memoire (AM) summarizes the key points of discussions and agreement, which were also discussed at the wrap-up meeting on April 12, 2022, chaired by Mr. Ishwori Prasad Aryal, Joint Secretary, International Economic Cooperation Coordination Division (IECCD), MOF. As agreed during the wrap-up meeting, this AM will be classified as a public document under the World Bank's Access to Information Policy.

**II. Overall Project Performance**

4. **The Bank team appreciates the progress made since the July 2021 review.** Most of the implementing agencies have delivered notable results despite the challenges of the pandemic by pursuing virtual means to the extent possible, of which the key outputs are:

- a) Medium-Term Expenditure Framework (MTEF) Software for federal and provincial governments and Guidelines for federal government;
- b) Project Bank Software for provincial governments;
- c) Internal Control Guidelines for local level;
- d) Nepal Audit Management System;
- e) Enhancements on revenue, expenditure, assets and treasury management systems to enable electronic revenue collection, electronic fund transfer, activity-based accounting, effective internal audit and asset management for the respective tiers of the government;
- f) Various capacity building activities for the three tiers of government on the developed guidelines, software and key PFM areas by the respective agencies, including 64 percent completion of the procurement capacity building contract through the International Training Centre of the International Labour Organization (ITC/ILO);

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<sup>1</sup> The World Bank team comprised of Mr. Syed Waseem Abbas Kazmi (Sr. Financial Management Specialist); Mr. Shambhu P. Uprety (Sr. Procurement Specialist); Mr. Chandra Kishor Mishra (Procurement Specialist); Mr. Bishwa Raj Basaula (Financial Management Specialist); Mr. Prakash Jung Thapa (FM Consultant); and Mr. Shreeram Ghimire (Team Assistant).

- g) Completion of the three key studies, including the Training Needs Assessments (TNA), Integrated Financial Management Information System (IFMIS) assessment, and Citizen's Engagement (CE) Strategy for the three tiers of government.

5. OAG has now moved to paperless audit with operationalization of the Nepal Audit Management Systems (NAMS) that digitizes audit planning, execution, and follow-up. Based on the results of the various reforms, the Project Development Objective/ Results Indicators related to OAG has already been met for:

- a) Effective audit follow-up – The required score met on the Performance Measurement Framework;
- b) Improved audit planning and quality management for audit of federal and sub-national entities - The required score met on the Performance Measurement Framework;
- c) Number of citizens mobilized and involved in audit process – 774 already met against the target of 400.

6. The Project is now supporting the implementation of the approved guidelines and software, as well as recommendations of the completed studies. Various capacity building activities in the three tiers of government are continuing.

7. **Based on the overall recent progress, the Project has now been extended to July 16, 2023**, to enable completion of the activities that are progressing well. New activities may be added only if they are an extension of the existing activities and can be completed by July 16, 2023. The work plan has been revised to reallocate projects funds to activities that are making good progress, given the flexibility with the single disbursement category in the legal agreement. Further reallocations will be considered according to progress on project implementation, to focus on activities that are moving well. All activities are expected to be completed within this extended period. The Bank team also informed that the Project would have no further extension.

8. **There is an urgent need to accelerate the approval of the three key assessments** – Training Needs Assessment, Integrated Financial Management Information System and Citizen Engagement. The implementation of their recommendations needs to be completed by the extended project period, to meet the results indicator.

9. **There is also urgency to accelerate various other activities.** The finalization of the Accounting Manual based on Nepal Public Sector Accounting Standards and Internal Control Guidelines with model guidelines for provincial governments needs to be expedited to support in establishing required procedures, especially in the subnational governments. The earlier delayed activities of MOF have now picked up with initiation of procurement process mainly for hardware and IT equipment. Nevertheless, MOF needs to accelerate implementations for all activities. Considering the slow progress of ICAN activities, it has been agreed to only continue support for activities already initiated. While the procurement capacity building activity is now progressing, as the new leadership in PPMO has requested the Bank to support some of the activities under the Bank's execution, clarity is required in terms of activities to be supported under the Project. Also, the turnover of PPMO senior officials has adversely affected the progress of the other activities, which need to be accelerated.

10. **As the gender-based results indicators are significantly falling behind the target, there is a need to reorient strategy of the respective agencies** to ensure maximum female participation in training, workshops, and audits. While the government's challenge with limited female staff in PFM is noted, it is important to strive for maximum female participation with change in strategy as required.

11. **The progress towards achieving the Project Development Objective (PDO) remains "Moderately Satisfactory", based on the progress made against the PDO indicators.** The update on PDO and results indicators are provided in Annex 1.

**Table 1: Project Ratings**

<b>Project Ratings:</b>	<b>Previous</b>	<b>Current</b>
Achievement of PDO	MS	<b>MS</b>
Implementation Progress	MS	<b>MS</b>
Component 1: Strengthening Public Expenditure and Revenue Management Federal and Subnational Governments	MS	<b>MS</b>
Component 2: Strengthening the Office of the Auditor General	MS	<b>S</b>
Component 3: Improving Public Procurement	U	<b>MU</b>
Component 4: PFM Reform Management and Coordination	MS	<b>MS</b>
Project Management	MS	<b>MS</b>
Procurement	MS	<b>MS</b>
Financial Management	S	<b>S</b>
Counterpart Funding	S	<b>S</b>
Monitoring & Evaluation	S	<b>S</b>
Disbursement as of April 30, 2022: US\$5.33 million (59 percent of net commitment)		
<i>Ratings: HS=Highly Satisfactory; S=Satisfactory; MS=Moderately Satisfactory; MU=Moderately Unsatisfactory; U=Unsatisfactory; HU=Highly Unsatisfactory; NA=Not Applicable</i>		

12. **Component 1: Strengthening Public Expenditure and Revenue Management in Federal and Subnational Governments (US\$4.34 million).** The activities of this component are implemented by MOF, NPC, FCGO, MOFAGA, PEFA Secretariat, PAC Secretariat, and ICAN. Except for MOF and ICAN, all implementing agencies have made good implementation progress since the last review.

13. After the earlier delay, MOF has now initiated procurement of hardware and IT equipment. MOF also needs to expedite the work for enhancements for Line Ministry Budget Information System (LMBIS) and Debt Operation and Management System (DOMS). The other planned work, such as, update of the budget calendar, has now been discontinued to focus efforts in the currently progressing information system enhancement work. The review team emphasized on the need for building in-house IT competence in MOF with experts for Database, Networking etc. to mitigate the reliance on consultants and local solution providers, which is also resulting in cost escalation.

14. NPC plans to scale up capacity building efforts for the three tiers of government on MTEF and Project Bank, and to ensure integration/ interoperability of these systems with the relevant other systems within the extended project period. The procurement of software related to macro-fiscal modelling has been agreed to be completed by May 2022.

15. FCGO has organized various training sessions and seminars on asset management, treasury operations, internal audit, financial reporting, and other PFM areas. The information system enhancement work is progressing well for Computerized Government Accounting System (CGAS), Electronic Fund Transfer System, Revenue Management Information System (RMIS), and Public Asset Management System (PAMS). However, efforts are required to accelerate Accounting Manual and Internal Control Guidelines, which have been delayed. As it will take time to further revise the Chart of Accounts and Reporting formats for incorporation in the Accounting Manual, it has been agreed to finalize the Manual latest by this FY. Also, as the COVID surge delayed orientation to the federal agencies on preparing NPSAS based financial statements, the consolidated NPSAS financial statements of the federal government are expected only to be completed by this FY. FCGO is also facing challenge due to lack of quality of consulting support for Internal Control Guidelines. FCGO now plans to finalize the Guidelines with internal resources, which may take time. The review team emphasized on the urgency of finalizing the Guidelines, pending which government agencies (federal and provincial) are not able to develop their own internal control system as required by the law. With finalization of the Accounting Manual and the Internal Control Guidelines, efforts are also required for prompt approval as needed to enable implementation, to meet the project's results indicators. FCGO strategy development has also been delayed, for which consultant hiring process has not started yet. It has been agreed with FCGO to discontinue other planned activities to focus on those currently progressing.

16. With completion of the three key studies, the PEFA Secretariat is now leading the development of detailed plans to implement the recommendations of the IFMIS assessment, TNA and CE. In coordination

with the respective agencies, it was agreed with PEFA Secretariat to prepare agency-specific plans by May 2022, segregating the recommended activities into: (a) that can be implemented without approval, (b) requiring the respective agency's approval, and (c) requiring high level approval. This will facilitate in expediting implementation and obtaining required approvals.

17. MOFAGA has been conducting various capacity building activities on irregularities management and revenue advisory committee. The orientation to the development partners and their supported programs on Gender Responsive Budgeting (GRB) was also conducted to ensure scaled-up efforts on GRB capacity building to subnational governments through collaboration across various initiatives. There are plans to scale up capacity building efforts to local level on internal controls and GRB with the project extension. To ensure broad-based capacity building, it has also been agreed with MOFAGA to partner with Provincial and Local Government Support Program (PLGSP)/ Provincial Centres for Good Governance (PCGG), and potentially other programs to scale up the efforts by utilizing the various available resources. This will ensure sustainability of the initiatives even after the closing of the Project.

18. The development of PAC MIS and Operational Guidelines for PAC members and Secretariat are progressing, which are expected to be completed by May 2022. Based on the guidelines, training will be provided to federal and provincial PAC members and Secretariat. It has been agreed with PAC Secretariat to ensure interfacing of PAC MIS with OAG's NAMS system for information exchange.

19. The delay in the main activities of ICAN is of major concern. The contract for curriculum revision has recently been signed while there is still no progress in development of Nepal Financial Reporting Standards (NFRS) diploma course. Given the delays, the Bank team advised that the activities not yet started cannot be supported as the Project extension is only for completing progressing activities. The earlier planned training to State-Owned-Enterprises on Nepal Financial Reporting Standards has recently been organized based on the NFRS Gap Analysis earlier conducted by ICAN.

20. **Component 2: Strengthening the Office of the Auditor General (US\$3.30 million).** The Bank team applauds OAG's efforts for achieving the PDO indicator on improving audit planning and quality management as well as results indicator on effective audit follow-up. Thailand's Supreme Audit Institution (SAI) assessed OAG's performance using SAI Performance Management Framework (SAI PMF). Against the target score of 3 for audit planning and quality management, OAG has scored 4 on the relevant indicator for audit planning (now replaced with indicator 7) and scored 3 or more for the various 10 indicators for audit quality and reporting (now replaced with indicators 8,9,10,11, 12, 13, 14, 15, 16, and 17). OAG has also met the target score of 2 for audit follow up in Dimensions 11 (iii), 14 (iii) and 17 (iii), which replaced the earlier Dimension 7 (iii).

21. OAG's implementation progress remains on track, except for few activities impacted by the pandemic. OAG has finalized the audit guidelines based on the International Standards of Supreme Audit Institutions (ISSAI) and will notify by this FY. All activities under the capacity building contract with Ernst & Young (E&Y) have been completed or are near completion, except cross-learning. The project extension now enables OAG to complete the cross-learning activities as well as establishment of IT Excellence Centre, which was delayed due to the pandemic. OAG has hired local consultants for the operation and maintenance of NAMS. The Bank team emphasized the need for prompt take-over of the NAMS source code from E&Y and to develop in-house capacity to mitigate the reliance on consultants.

22. A mobile application to support Citizen Participatory Audit (CPA) has been tested and will be rolled out by this FY. The Bank team advised OAG for adequate dissemination of this application to ensure wide application as this can be an effective tool for citizen engagement. The CPA training activities postponed due to the COVID surge have been conducted in March 2022. OAG is struggling to meet the results indicator on 50 percent female participation in CPA, which is currently at 19 percent. The Bank team reemphasized the need to devise the strategy to ensure maximum female representation. As mainstreaming CPA is proving to be challenging due to lack of incentives for citizens to engage, the team requested MOF to consider developing provisions for incentives to ensure active citizen engagement in CPA. Due to challenges posed by the pandemic, OAG is also struggling to meet the timeline of nine months from the FY end for submission of the audit reports to the three tiers of government, which otherwise was being maintained before the pandemic. Nevertheless, for local level audits of last FY21, OAG issued most

of the audit reports (602 out of 753 local level) by nine months with remaining few expected to be issued in few days.

23. **Component 3: Improving Public Procurement (US\$2.17 million).** The activities under this component have progressed since the July 2021 review. Despite the third wave of the pandemic, 64 percent ITC/ILO contract has been completed, which had not progressed earlier. PPMO has deployed additional hardware and software for the uninterrupted functioning of the electronic-Government Procurement (e-GP) system to support the increased demand in the federal context and to provide extra security. Four out of ten basic procurement documents for subnational governments have been prepared, and one is under preparation. PPMO is in the process of collecting information to assess the progress for the PDO indicator on contract award timeline and the results indicator on procurement professionalization of the key sector agencies, which has been agreed to be completed by May 2022. However, considering the potential for delay due to upcoming local elections, PPMO flagged the potential risk of not completing 100 percent of the ITC/ILO contract by this FY, and requested for contract extension.

24. **The high turnover of senior officials in PPMO is impacting the implementation.** PPMO has now requested the Bank to provide technical assistance for e-GP gap assessment and preparation of some of the procurement documents considering their technical complexity, while these activities were added back in the January 2022 project restructuring (without adding any financing) to be executed by PPMO with their strong commitment to expedite given the urgency. Even for other activities, such as, preparation of some of the procurement documents, e-learning platform and goods procurement, the initiated procurement process has now been halted. It has been agreed with MOF to clarify with PPMO on activities to be executed under the Project. Based on this clarification, the procurement process needs to be expedited.

25. **Component 4: PFM Reform Management and Coordination (US\$1.04 million).** The PEFA Secretariat is coordinating revision of the PFM Reform Strategy in the federal context with the support of an internal consultant (financed by the British Embassy) and a national consultant financed by the Project. The Bank is also supporting a national consultant to further help embed the Theory of Change and Change Management into the strategy. The draft strategy has recently been shared with the Development Partners, with the plan of validation workshop in May and the final strategy by June. The National PEFA Assessment has also been initiated, using the 2016 PEFA Framework, as a self-assessment with technical assistance from the Bank. The government has requested IPFMRP to finance allowances for the staff working on the PEFA assessment. The mission advised that the project follows the country systems, and the eligibility of the allowances are contingent on the same.

26. The agencies are struggling to meet the results indicator for 30 percent female participation in trainings/ workshops due to limited number of female staff in PFM. The progress stands currently at around 17 percent. In the absence of concrete data, it is seen that in average only around 5 percent of female staff are there in the implementing agencies. Nevertheless, the mission reemphasized the need to devise a strategy to ensure maximum female participation, including with specifically-female-targeted interventions.

27. **Consultation with Development Partners (DPs):** The PEFA Coordinator chaired the meeting with MDTF Development Partners on March 22, to update on the project implementation. Based on the progress reporting, DPs consented to the project extension, conditional upon focusing on completing the progressing activities with no addition of new activities. They also advised to discontinue support for activities/ agencies that are not moving, such as, ICAN. Accordingly, as agreed with the Government, the Bank completed project restructuring to extend the project to July 16, 2023, aligning with the Government's fiscal year. The DPs also emphasized on the need to meet gender-based indicators by reorienting the government's strategy as required.

### **III. Financial, Procurement and Safeguard Performance**

#### **28. Financial Management (FM):**

29. The budget for FY22 is NPR 1,110.80 million consisting of NPR 197.00 million from the Government and NPR 913.80 million from the Bank. The Trust Fund expenditure of FY22 up to March 14, 2022, is NPR 116.87 million (12.79 percent). The switch to virtual means for capacity building and

consultation activities due to the pandemic and delay in the some of the main activities described above resulted in low expenditures. Based on the recent progress, the expenditures are expected to increase in the third quadrimester. The FM rating is retained as “Satisfactory”.

30. **Disbursement:** As of April 30, 2022, the total disbursement is US\$5.33 million (59 percent), which includes advance of US\$1 million in the Designated Account (DA). The disbursement forecast for the third quadrimester of FY22 is around US\$2 million. The Bank team reminded to reimburse government treasury through Designated Account (DA), instead of directly reimbursing from the Bank, to keep DA active.

31. **Procurement:** Out of 134 active procurement activities under the Project, 44 contracts have been completed, 13 contracts have been signed and 39 activities are flagged as pending implementation. For the flagged activities, the procurement process has not yet been initiated, or procurement documents have not been uploaded in the Bank’s Systematic Tracking of Exchanges in Procurement (STEP) system. In addition, 38 activities are under procurement process and contracts are yet to be awarded. The table below compares procurement activity status between the last review and this review. The Bank team reiterated the importance of implementing all procurement activities in the approved Procurement Plan (PP) in the STEP system as per the agreed timelines. Considering the overall performance and contract implementation progress, including expedited procurement after the second wave of the pandemic, the procurement performance rating is retained as “Moderately Satisfactory”.

32. The Procurement performance of OAG and PEFA Secretariat are found satisfactory and moderately satisfactory, respectively. On the other hand, the procurement activities of PPMO component are largely at pending implementation status, and implementation challenges are observed. Although PPMO has 22 active procurement activities in the approved procurement plan, all the activities are pending or unawarded except for “Selection of ITC-ILO, Turin for Procurement Capacity Development and Professionalization”, which is under implementation. PPMO has been advised to cancel the activities that will not be implemented.

**Table 2: Status of Procurement Activities**

ISM	Active Activities	Signed/ Completed	Pending	In process or delayed
October 2020	92	10/8	54	20
March 2022	134	13/44	39	38

33. **Safeguards:** The project is Category C and does not trigger any environmental and social safeguards.

34. **Monitoring and Evaluation:** The regular monitoring and evaluation mechanism has been set up facilitated by the PEFA Secretariat and with support from the Bank. Monthly monitoring of all implementing agencies is conducted to the extent possible and actions agreed based on the evaluation.

#### **IV. Next Review and Agreed Actions**

39. To support in expediting the implementation, the Bank has been conducting technical reviews on a monthly basis to the extent possible. The next implementation review and support is planned for September 2022. Annex 2 lists key agreed actions to be completed by the end of this FY. The list is not exhaustive and detailed agreed actions have been discussed with each implementing agency.

**The Status Update on PDO Indicators and Results Indicators**

<b>PDO Indicators</b>				
<b>Indicator Name</b>	<b>Baseline</b>	<b>Actual (Current)</b>	<b>End Target</b>	<b>Comments</b>
Contracts awarded within the initial bid validity period by 5 key sector agencies and selected Sub National Governments (SNGs) (Percentage, Custom)	30	Information being collected	70	The required information is being collected to assess the timeliness of the contract award. As the procurement capacity building activity has recently progressed, it will take time to realize the results
Improved aggregate capital budget out-turns at the federal level (Percentage, Custom)	64	65	75	The capital budget out-turns of the recent years (65 percent in FY21 and 47 percent in FY20 compared to 76 percent in FY19) have been impacted by the pandemic in addition to other factors. Nevertheless, the supported activities of Medium-Term Expenditure Framework, Project Bank and Procurement Capacity Building are expected to contribute to certain extent in terms of improved planning and budgeting and execution respectively, thus contributing towards capital budget execution.
Comprehensive accounting and reporting procedures in place in Federal and SNGs (Text, Custom)	(a) Consolidated annual financial statements are not prepared as per NPSAS	Consolidated annual financial statements for the federal government are prepared as per Nepal Public Sector Accounting Standards (NPSAS)	(a) NPSAS based annual financial statements for federal level prepared within 9 months from the end of the financial year. (b) SNGs that cumulatively manage 50% of overall SNG budget have their own reporting procedural manual adopted	NPSAS based financial reporting formats have been approved for the three tiers of the government, based on which NPSAS based financial statements are being prepared every year for the federal level. The provincial level financial statements based on NPSAS are also being initiated. However, as manual interventions are required in preparing and consolidating such financial statements, efforts are underway to enhance the information systems to enable producing NPSAS based consolidated financial statements in a timely manner. Efforts are also underway to finalize the Accounting Manual based on NPSAS for the three tiers of government, based on which subnational governments can adopt NPSAS based reporting procedures. Nevertheless, the accounting systems of subnational governments - CGAS of provincial governments and SuTRA of local level are largely based on NPSAS, and further enhancements are also planned to be completed by the project closing to ensure full NPSAS compliance.

Improved audit planning and quality management for audit of federal and sub-national entities. (Text, Custom)	SAI PMF (indicator 9) Score 2	Supreme Audit Institutions (SAI) Performance Management Framework (PMF) (indicator 9) Score 3 or more	SAI PMF (indicator 9) Score 3	Based on the results of the various supported activities, the indicator on improved audit planning and quality management has already been met as per the Supreme Audit Institution of Thailand's Performance Measurement Report - Scored 4 on the relevant indicator for audit planning (now replaced with indicator 7) and scored 3 or more for the various 10 indicators for audit quality and reporting (now replaced with indicators 8,9,10,11, 12, 13, 14, 15, 16, and 17)
<b>Intermediate Results Indicators</b>				
<b>Indicator Name</b>	<b>Baseline</b>	<b>Actual (Current)</b>	<b>End Target</b>	<b>Status update</b>
Credible MTEF in place (Text)	Basic guidelines for MTEF at federal level in place.	Federal and provincial governments have started preparing MTEF with few local levels initiating the process	Difference between multi-year estimates and subsequent setting of annual budget ceilings are clearly explained.	MTEF guidelines for federal government has been issued. MTEF software for federal and provincial governments has also been developed. Based on the lessons learned from federal guidelines, the guidelines for provincial governments are planned to be finalized. MTEF guidelines for local level have already been issued. Support is now being provided to ensure operationalization of MTEF by the three tiers of government.
Comprehensive internal control procedures adopted at SNGs. (Text)	a) No coherent internal control framework exists that ensures consistency in these practices across the three tiers of Government	Internal control guidelines for local level issued, based on which support being provided to ensure operationalization. The guidelines for provincial governments are also being prepared.	SNGs that cumulatively manage 50% of overall SNG budget have their own internal control manual adopted.	Internal Control Framework has been developed based on international standards. Based on this framework, internal control guidelines for local level have been developed and issued. Information is being collected to assess the status of implementation of the guidelines by the local level. The guidelines are also being developed for federal and provincial governments, which is being delayed due to concern on quality of work by the consultant. FCGO is now working towards finalizing guidelines with internal resources.
IFMIS developed and pilot tested (Text)	Zero Pilots	IFMIS assessment final report received, which needs to be implemented and piloted. Some of the recommendations have already been/ are being implemented.	2 pilot sites	IFMIS assessment final report received. The government needs to approve its recommendations promptly to start implementation. Nevertheless, integration of LMBIS, RMIS, TSA and CGAS is already completed and broader FMIS to consolidate three tiers of the government – Ministerial FMIS/ Provincial FMIS with SuTRA for producing consolidated financial statements also planned to be completed by this FY. Other interfacing/ integration of existing systems are planned for next FY.



Enhancing participation and capacity of technical female staff in trainings/ workshops (Text)	0	17% female participation rate so far.	30%	The government is struggling to meet the indicator due to limited number of female staff in PFM. In addition to emphasizing on female participation, the government has been requested to also organize female-specific targeted trainings to the extent possible.
Unified budget guidelines including gender responsive budget processes introduced to SNGs (Text)	No unified budget guidelines including gender responsive budget processes for SNGs	In addition to unified budget guidelines, simplified budget guidelines on GRB also issued to address the capacity constraints of SNGs and trainings being provided to ensure operationalization	SNGs that cumulatively manage 50% of overall SNG budget have adopted the unified budgeting guidelines	Unified Budget Guidelines that include GRB was earlier issued to subnational governments. Given the complexity of those guidelines and capacity constraints of SNGs, simplified GRB guidelines for subnational governments were further issued and first phase training provided. Additional trainings are also underway.
Timely submission of financial audit reports of SNGs to appropriate authorities within legal time frame (Percentage)	0	79% submitted by nine months	60	The required timeline for audit reports is not specified in any legal document. Thus, there is no legal time frame. As a good practice, OAG had been maintaining the timeline of submission by nine months from the FY end, which have been impacted in the recent years due to the pandemic challenges. Nevertheless, for audit of last FY21, OAG issued audit reports of 602 local level (out of 760 SNGs - 753 local level and 7 provincial governments) by nine months, which exceeds the end target of 60%. Also, as Nepal Audit Management System has now been operationalized and with the expected improvement in the pandemic situation, the audit reports submission timeline is expected to be maintained at nine months in future for all levels.
Number of citizens mobilized and involved in audit process through CSOs of which 50% are female. (Number)	80	774	400	The total citizens mobilized number has far exceeded the end target of 400 as 774 have already been mobilized. However, OAG is struggling to attract interested females as only 19% have been mobilized so far. OAG has been requested to devise strategy to specifically target and incentivize female participation.
Effective audit follow-up (Text)	Score of 0 SAI PMF dimension 7 (iii)	Score of 2 in Dimensions 11 (iii), 14 (iii) and 17 (iii), which replaced the earlier Dimension 7 (iii)	Score of 2 SAI PMF dimension 7 (iii)	The indicator has been met based on Supreme Audit Institution of Thailand's Performance Measurement Report for the OAG. This is demonstrated by the score of 2 in Dimensions 11 (iii), 14 (iii) and 17 (iii), which replaced the earlier Dimension 7 (iii). The

				improvement in score is the result of previous and ongoing activities supported under PFM MDTF.
Basic procurement documents and guidelines developed for sub-national government (out of a master list of sub-national level documents to be prepared) (Percentage)	0	40	80	Out of ten, four procurement documents have been developed and the rest are planned to be developed incrementally by the Project closing.
Procuring entities of KSAs with at least one certified procurement staff established (As a percentage of the total procuring entities) (Percentage)	10	Information being collected	80	Based on 64% completion of procurement capacity building activity, it is estimated that 100% target has already been met for 3 KSAs out of 5 KSAs. Data is being collected to validate this along with determination for the remaining 2 KSAs.
A citizen's engagement strategy is prepared and implemented as per proposed sequence (Text)	No Strategy exists	The final report on the Strategy received, which needs to be implemented	Strategy exists and implemented	The final report for the Citizen Engagement Strategy has been received, which needs to be promptly approved to enable implementation by the Project closing to the extent possible. Given the large number of recommendations, the government has agreed to prioritize and sequence the key recommendations for each agency in the process of obtaining approval.

**Summary of Key Agreed Actions**

<b>S. No</b>	<b>Actions</b>	<b>Responsibility</b>	<b>Agreed timeline</b>
1	Agency specific implementation plans for TNA, IFMIS assessment, and CE strategy	PEFA Secretariat	May 31, 2022
2	Collect relevant information to support PDO and results indicators	PPMO	May 31, 2022
3	Award contracts for all ongoing procurements and finalize TOR for DOMS and LMBIS enhancements	MOF	June 30, 2022
4	Cabinet Approval of the TNA, IFMIS assessment and CE strategy	MOF and PEFA Secretariat	July 15, 2022
5	Finalization of Accounting Manual	FCGO	July 15, 2022
6	Complete additional two procurement documents	PPMO	July 15, 2022
7	Complete NPSAS based consolidated financial statements of the federal government	FCGO	July 15, 2022

**List of Key Persons Met**

**Ministry of Finance**

1. Mr. Ishwori Prasad Aryal, Joint Secretary, IECCD
2. Mr. Harischandra Dhakal, Under Secretary, IECCD
3. Mr. Amar Subedi, IT Director

**Financial Comptrollers General Office**

4. Mr. Suman Raj Aryal, Financial Comptroller General
5. Mr. Dilaram Panthi, Joint Financial Comptroller General
6. Mr. Bhesh Prasad Bhurtel, Deputy Financial Comptroller General
7. Mr. Krishna Pudasaini, Information Officer

**PEFA Secretariat**

8. Mr. Than Prasad Pangyani, PEFA Coordinator
9. Mr. Gorakh Bahadur Shahi, Member Secretary
10. Mr. Mukti Raman Parajuli, Account Officer

**National Planning Commission**

11. Mr. Prakash Dahal, Joint Secretary
12. Mr. Biju Shrestha, Joint Secretary
13. Mr. Diwakar Luitel, Program Director
14. Ms. Munaka Neupane, Program Director

**Public Accounts Committee**

15. Mr. Rojnath Pandey, Joint Secretary
16. Mr. Pradip Nepal, Under Secretary

**Office of the Auditor General**

17. Honorable Auditor General Mr. Tanka Mani Sharma
18. Mr. Ramu Prasad Dotel, Deputy Auditor General
19. Mr. Ghanashyam Parajuli, Assistant Auditor General

**Public Procurement monitoring Office**

20. Mr. Madhu Sudan Burlakoti, Secretary
21. Mr. Bishnu Prasad Koirala, Joint Secretary & Project Director
22. Mr. Govinda Ram Paneru, IT Director & Project Manager

**Public Debt Management Office**

23. Mr. Hira Neupane, Under Secretary

**Institute of Chartered Accountants Nepal**

24. Mr. Sanjay Kumar Sinha, Executive Director
25. Mr. Ghanashyam Kafle, Deputy Director

**PFM MDTF Donors**

26. Ms. Sarita Sapkota, Governance Advisor, FCDO
27. Ms. Preeti Das, Program Officer, FCDO
28. Ms. Odile Humblot, Senior Program Manager, EU
29. Ms. Dagny Mjos, Head of Development Cooperation, Norwegian Embassy
30. Mr. Raj Kumar Dhungana, Senior Governance Advisor - Good Governance, Norwegian Embassy
31. Mr. Pravesh Singh, Acting Deputy Office Director / Public Financial Management Specialist, USAID

32. Mr. David J. Isaak, Director, Democracy and Governance Office, USAID
33. Ms. Kamakshi Yakthumba, Program Manager, DFAT
34. Mr. Peter Jensen, Consultant, DFAT
35. Mr. Nanda Sharma, Consultant, EU