



Integrated Public Financial Management Reform Project (P164783)

SOUTH ASIA | Nepal | Governance Global Practice |
Recipient Executed Activities | Investment Project Financing | FY 2018 | Seq No: 6 | ARCHIVED on 27-Jul-2021 | ISR47773 |

Implementing Agencies: Nepal, Ministry of Finance

Key Dates

Key Project Dates

Bank Approval Date: 27-Jun-2018

Effectiveness Date: 24-Aug-2018

Planned Mid Term Review Date: 30-Nov-2020

Actual Mid-Term Review Date: 05-Nov-2020

Original Closing Date: 30-Jul-2021

Revised Closing Date: 15-Jul-2022

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

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

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components Table

Name

Component 1: Strengthening Public Expenditure and Revenue Management in Federal and Subnational Governments:(Cost \$7000000.00 M)

Component 2: Strengthening the Office of the Auditor General:(Cost \$4000000.00 M)

Component 3: Improving Public Procurement:(Cost \$4000000.00 M)

Component 4: PFM Reform Management and Coordination:(Cost \$3000000.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	□ Moderately Satisfactory	□ Moderately Satisfactory
Overall Implementation Progress (IP)	□ Moderately Unsatisfactory	□ Moderately Satisfactory
Overall Risk Rating	□ Substantial	□ Substantial

Implementation Status and Key Decisions

1. Significant implementation progress has been made for most of the implementing agencies despite the pandemic challenges resulting in disbursement rate of 44% (USD 3.96 million of USD 9 million) compared to 18.6% as of last ISR of October 2020.
2. The activities implemented by PEFA Secretariat, Financial Comptroller General Office, Office of the Auditor General and Ministry of Federal Affairs and General Administration are progressing well as reflected by the significantly improved disbursement rate. The procurement of activities for slow-moving agencies – National Planning Commission, Public Accounts Committee, Ministry of Finance and Institute of Chartered Accountants of Nepal have also picked up. The Public Procurement Monitoring Office has also initiated the process of contract extension and adjustment of ITC/ILO contract due to the pandemic challenges.



3. Although the government has committed to expedite implementation to ensure utilization of the remaining balance of USD 5.03 million by the Project closing of July 15, 2022, the continuing pandemic challenges may impact implementation progress. While the use of virtual mode will be further encouraged to the extent possible, there are activities that cannot be implemented due to pandemic situation, e.g. establishment of IT excellence centre for capacity building of the Office of the Auditor General is contingent upon completion of the new building, construction of which is severely impacted by the pandemic; pilots of the various developed guidelines requires physical presence due to required interactions with concerned stakeholders who cannot connect virtually; certain capacity building activities, particularly for subnational governments with connectivity issues cannot be conducted virtually etc. Also, as TFA07475 is closing July 30, 2021, it is unlikely that the expenditures incurred till that date will consume the entire remaining balance of USD 1.26 million under TFA07475. Therefore, there is also a need to extend TFA07475.
4. While all other pending activities under the Project are now progressing/ have been initiated despite the pandemic situation, the following main activities are facing challenges:
 1. Payment to consultants for IFMIS assessment delayed despite submission of Diagnostic report as the contract requires minimum field presence, which was not possible due to the pandemic. While the government is trying to amend the contract, the COVID-infection of the consultants and their families is delaying the process
 2. Development of Project Bank Sectoral Guidelines is yet to be initiated due to lack of National Planning Commission's (NPC) decision on the procurement approach. Nevertheless, NPC has emphasized on retaining the activity given its importance and committed to decide on the approach and start procurement by August 31, 2021.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	High	Substantial	High
Macroeconomic	Moderate	Substantial	Substantial
Sector Strategies and Policies	Moderate	Moderate	Moderate
Technical Design of Project or Program	Substantial	Substantial	Substantial
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial	Substantial
Fiduciary	Substantial	Substantial	Substantial
Environment and Social	Low	Low	Low
Stakeholders	Substantial	Substantial	Substantial
Other	--	--	--
Overall	Substantial	Substantial	Substantial

Results

PDO Indicators by Objectives / Outcomes

Strengthening the effectiveness of selected PFM and procurement institutions, systems and procedures



► Contracts awarded within the initial bid validity period by 5 key sector agencies and selected Sub National Governments (SNGs) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	30.00	30.00	30.00	70.00
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
► Improved aggregate capital budget out-turns at the federal level (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	64.00	64.00	64.00	75.00
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
► Comprehensive accounting and reporting procedures in place in Federal and SNGs (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	(a) Consolidated annual financial statements are not prepared as per NPSAS	Consolidated annual financial statements are not prepared as per Nepal Public Sector Accounting Standards (NPSAS)	Consolidated annual financial statements are not 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.
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
► Improved audit planning and quality management for audit of federal and sub-national entities. (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	SAI PMF (indicator 9) Score 2	Supreme Audit Institutions (SAI) Performance Management Framework (PMF) (indicator 9) Score 2	Supreme Audit Institutions (SAI) Performance Management Framework (PMF) (indicator 9) Score 2	SAI PFM (indicator 9) Score 3
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021

Overall Comments

The project development objective (PDO) is on track. However, the pandemic challenges have significantly impacted implementation progress, which may continue to impact further. This might result in some of the activities being delayed/ not being completed by the extended Project closing date of July 21, 2022. Due to delay in procurement capacity building, the indicator of contract awarded within the bid validity period may be impacted. Also, the indicator on capital budget out-turns at the federal level may be impacted due to the pandemic.

There are no outstanding audit or financial management and procurement issues. The audit of FY 2019/20 has been received with an unqualified audit opinion with no major audit observation.



Intermediate Results Indicators by Components

Component 2. Strengthening the Office of the Auditor General Nepal				
▶ Timely submission of financial audit reports of SNGs to appropriate authorities within legal time frame (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	60.00
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	Submission time for audit reports not specified. The practice has been to submit by nine months of FY end. Accordingly, submission of FY 2017/18 audit reports were by nine months. However, submission of FY 2018/19 audit reports were impacted by COVID-19 situation. To address the challenges posed by the pandemic, NAMS system has been upgraded to enable paperless audit. The system can also cater to remote audit when the applicable systems such as CGAS, TSA etc. have been upgraded to allow for remote audits.			
▶ Number of citizens mobilized and involved in audit process through Civil Society Organizations (CSOs) of which 50% are female. (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	80.00	80.00	80.00	400.00
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	266 people trained on CPA of which 182 (68%) were CSOs representatives in 5 CPA workshops and among them 44% were female. Draft CPA Guideline has been submitted by consultant, upon its finalization, citizen mobilization process will be mainstreamed.			
▶ Effective audit follow-up (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Score of 0 SAI PMF dimension 7 (iii)	Score of 0 SAI PMF dimension 7 (iii)	Score of 0 SAI PMF dimension 7 (iii)	Score of 2 SAI PMF dimension 7 (iii)
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	SAI Thailand is selected to conduct SAI PMF, which has been agreed to be completed by December 2020. The assessment will report on the said dimension. As per the current procedure, OAGN re-examines as per the auditees request as the Financial Procedure & Financial Accountability Act, 2019 requires Chief Accounting Officer or Responsible Person to settle the irregularities and request to OAGN for re-examination. Based on re-examination, OAGN notifies clearance of the same or otherwise within 15 days of request letter received			

Strengthening Public Expenditure and Revenue Management in Federal and Subnational Governments

▶ Credible Medium Term Expenditure Framework (MTEF) in place (Text, Custom)



	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Basic guidelines for MTEF at federal level in place.	Basic guidelines for MTEF at federal level in place. In addition a model planning guideline for SNGs have been developed by NPC	Basic guidelines for MTEF at federal level in place. In addition a model planning guideline for SNGs have been developed by NPC	difference between multi-year estimates and subsequent setting of annual budget ceilings are clearly explained.
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	The existing MTEF guidelines are being updated through consulting support for three tiers of the government. After updating the guidelines, an MTEF software system will be developed for linking with LMBIS and Project Bank. This will support in effective planning and budgeting process with clear linkages between Project Bank, MTEF and annual budget. Further, Project Bank sector guidelines will also be developed for effective project identification, appraisal, selection and prioritization			
► Comprehensive internal control procedures adopted at SNGs. (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	a) No coherent internal control framework exists that ensures consistency in these practices across the three tiers of Government;	An overarching general internal control framework has been prepared by the FCGO. The next step is to prepare individual guidelines for the 3 tiers within this framework.	An overarching general internal control framework has been prepared by the FCGO. The next step is to prepare individual guidelines for the 3 tiers within this framework.	SNGs that cumulatively manage 50% of overall SNG budget have their own internal control manual adopted.
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Apr-2021
Comments:	Internal Control Framework has been developed based on international standards. Based on this framework, internal control guidelines for federal and model guidelines for provincial and local governments are being prepared, for which inception report/ gap analysis report have been submitted. Based on these guidelines, training will be provided to SNGs to adopt the guidelines into their procedures.			
► Integrated Financial Management Information System (IFMIS) developed and pilot tested (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Zero Pilots	Zero pilots	Zero pilots	2 pilot sites
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jul-2021
Comments:	The Consulting firm -PricewaterhouseCoopers LLP, India - has provided Diagnostic report with proposed design of interim IFMIS solution with cost estimate, which is under review by the Government. The aim is develop the interim IFMIS solution by the Project closing to the extent possible.			
► Enhancing participation and capacity of technical female staff in trainings/ workshops (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0%	0%	30%
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021



Comments:	17% female participation rate in trainings out of 3,743 trainings offered so far. For FY 2019/20, information on trainings could not be collected due to the pandemic.			
► Unified budget guidelines including gender responsive budget processes introduced to SNGs (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No unified budget guidelines including gender responsive budget processes for SNGs	No unified budget guidelines including gender responsive budget processes for SNGs	No unified budget guidelines including gender responsive budget processes for SNGs	SNGs that cumulatively manage 50% of overall SNG budget have adopted the unified budgeting guidelines
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	Consultants are supporting MOF in developing simplified templates/ guidelines to mainstream GRB in SNGs based on the model guidelines issued by federal government. Based on the simplified templates/ guidelines, training will be provided to SNGs to ensure embedding GRB into their policies, procedures and practice.			

Public Procurement Improvement				
► Complaints resolved following an effective complaints handling mechanism in electronic Government Procurement (e-GP) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	60.00
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	No progress			
► Basic procurement documents and guidelines developed for sub-national government (out of a master list of sub-national level documents to be prepared) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	80.00
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	No progress			
► Procuring entities of Key Sector Agencies (KSAs) with at least one certified procurement staff established (As a percentage of the total procuring entities) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.00	10.00	10.00	80.00
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	Progress on ITC/ILO consultancy contract impacted due to the pandemic as trainings cannot be conducted. Potential of virtual trainings has not been agreed yet by PPMO.			



► System generated performance reporting prepared for KSAs (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	Generation of Performance Report for KSA's
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jan-2021
Comments:	No progress			

PFM reform management and coordination				
► A citizen's engagement strategy is prepared and implemented as per proposed sequence (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No Strategy exists	No Strategy exists	No Strategy exists	Strategy exists and implemented
Date	31-Jan-2018	27-Nov-2020	27-Nov-2020	30-Jun-2021
Comments:	Proposals from consultants under evaluation. Upon contract award, consultant will support in development of strategy for citizen engagement in PFM for three tiers of government..			

Overall Comments

The following intermediate results indicators are on track - Medium Term Expenditure Framework, internal control procedures, gender-responsive budgeting, effective audit follow-up, procurement documents and guidelines, and procurement capacity building of key sector agencies

The following indicators may not be achieved by the Project closing of July 22, 2021:

- Piloting of IFMIS solution may not be possible due to pandemic challenges causing delays in finalization of the diagnostic report and roadmap development
- 30% female participation in trainings/workshops proving difficult to achieve due to low rate of female staff in PFM
- Timely submission of financial audits impacted by the pandemic
- Number of citizens mobilization, especially female, also impacted by the pandemic

The indicator on e-GP has been dropped with cancellation of the activity for the same through March 2021 restructuring.

Performance-Based Conditions

Data on Financial Performance

Disbursements (by loan)

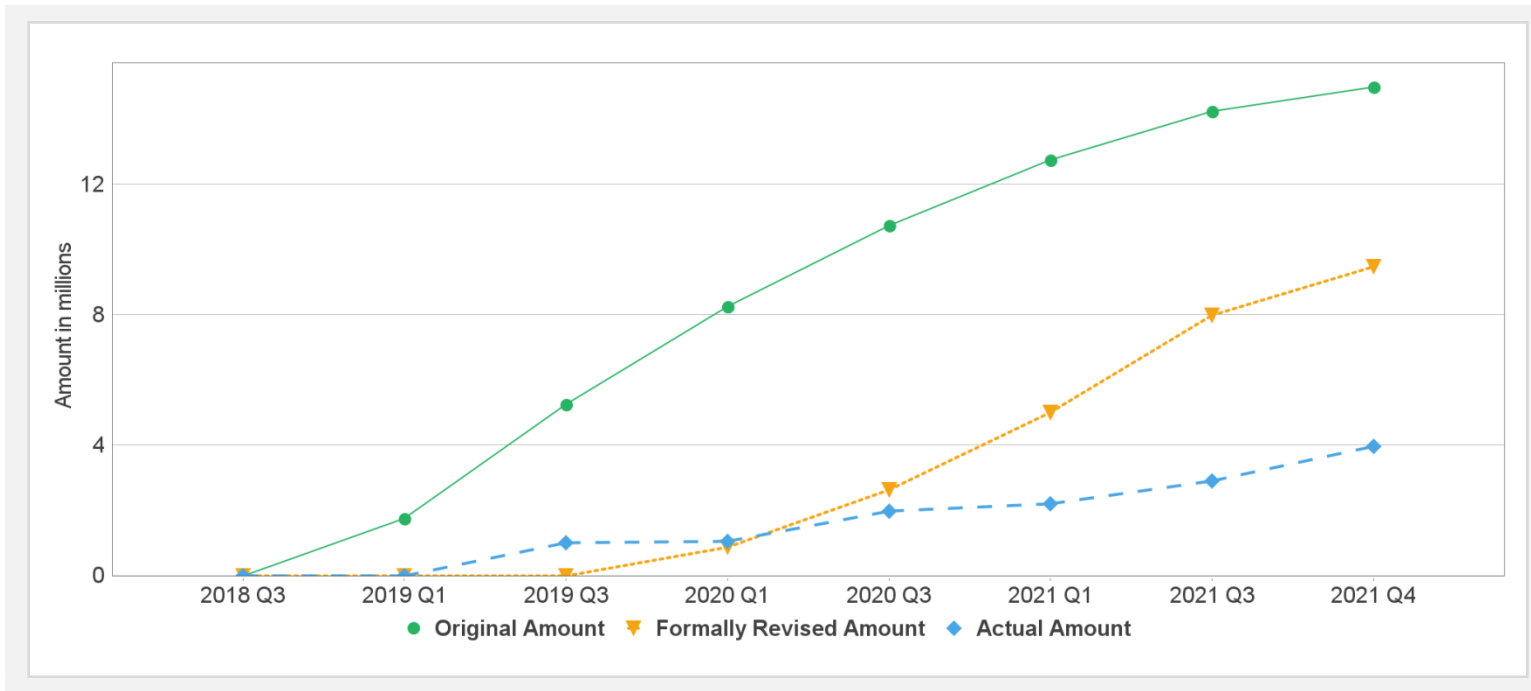


Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P164783	TF-A7474	Effective	USD	10.20	6.12	4.08	2.34	3.78	38%
P164783	TF-A7475	Effective	USD	4.80	2.88	1.92	1.62	1.26	56%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P164783	TF-A7474	Effective	28-Jun-2018	24-Aug-2018	24-Aug-2018	30-Jul-2021	15-Jul-2022
P164783	TF-A7475	Effective	28-Jun-2018	24-Aug-2018	24-Aug-2018	30-Jul-2021	30-Jul-2021

Cumulative Disbursements



PBC Disbursement

PBC ID	PBC Type	Description	Coc	PBC Amount	Achievement Status	Disbursed amount in Coc	Disbursement % for PBC
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Restructuring History

Level 2 Approved on 31-Mar-2021

Related Project(s)

P172722-IPFMRP Additional Financing
