

**Nepal Public Financial Management Support Multi Donor Trust Fund (MDTF)
Mid-Term Evaluation**

Clay Wescott, Consultant

Table of Contents

List of Acronyms.....	3
Acknowledgements.....	4
1. Introduction	4
2. MDTF Objectives	5
a. Objectives.....	5
b. Comments on Cost, Financing, Disbursement, Borrower Contribution, Dates.	6
3. Relevance of Objectives & Design:	7
a. Relevance of Objectives:	7
b. Relevance of Design:	7
4. Achievement of Objectives (Efficacy)	9
a. Improved Efficiency and Transparency of PFM Systems through a strengthening the Treasury System and capacity.....	9
b. Strengthened Accountability through demand and supply side interventions	10
c. MDTF administered and managed effectively	12
5. Efficiency	12
6. Risk 14	
7. Assessment of Bank Performance	15
a. Quality at entry:	15
b. Quality of supervision, including governance structure of MDTF	15
8. NGO Performance.....	17
9. Government Performance:	17
10. M&E Design, Implementation, & Utilization:	18
a. M&E Design:	18
b. M&E Implementation:	18
c. M&E Utilization:	18
11. Overall Performance	19
12. Lessons and Recommendations.....	19

References	24
Annex 2 - Nepal Public Financial Management Support Multi Donor Trust Fund Mid-Term Evaluation: Terms of Reference	28
Annex 3 Funds Received and Disbursements, October, 2013	32
Annex 4 - Strengthening Public Financial Management of the Government of Nepal: Results Chain for the Nepal MultiDonor Trust Fund (MDTF)	34

List of Acronyms

ADB	Asian Development Bank
BE	Bank Executed
CA	Constituent Assembly
CECI	Centre d'étude et de coopération internationale (Canadian Centre for International Studies and Cooperation)
CSO	Civil Society Organization
Danida	Danish International Development Agency
DFAT	Department of Foreign Affairs and Trade (Australia)
DfID	Department for International Development
DTCO	District Treasury Comptroller Office
EU	European Union
FCGO	Financial Comptroller General's Office
GoN	Government of Nepal
IMF	International Monetary Fund
MDTF	Multi-Donor Trust Fund
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development
NFRS	Nepal Financial Reporting Standards
OAG	Office of the Auditor General
ORA	Operational Risk Assessment
PAC	Public Accounts Committee
PAF	Poverty Alleviation Fund
PCC	Program Coordination Committee
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMRP	PFM Reform Program
PPA	Public Procurement Act
PPMO	Public Procurement Monitoring Office
PRAN	Program for Accountability in Nepal
RE	Recipient Executed
SCSO	Strengthening Civil Society Organizations' (CSO) Use of Social Accountability to Improve PFM in Nepal Project
SOAG	Strengthening the Office of the Auditor General Project
SPFMS	Strengthening Public Financial Management (PFM) System Project
TFP	Trust Fund Proposal
TSA	Treasury Single Account
UK	United Kingdom
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VDC	Village Development Committee

Acknowledgements

This evaluation was carried out by Clay G. Wescott, an independent consultant. The evaluator would like to express his gratitude to the Government of Nepal and Multi-Donor Trust Fund (MDTF) partners for the generous support extended during his two weeks visit in September – October, 2013, and for sharing frank views. He would also like to thank contributors to the MDTF for giving their insights.

The World Bank's Operations Analyst Pragya Shrestha provided invaluable support throughout the mission in setting up meetings and tracking down documentation. Rama Krishnan Venkateswaran, Robert Bou Jaoude, Bigyan Pradhan, Johannes Zutt, Tahseen Sayed, Fily Sissoko and MDTF Task Team Leaders were also helpful in answering questions about the Bank's operations and systems related to the MDTF. A list of persons met is in Annex 1, and Terms of Reference in Annex 2.

1. Introduction

Strengthening Public Financial Management (PFM) is a key element of the Government of Nepal's (GoN) strategy for strengthening governance, optimizing outputs from public resources and ensuring inclusive and broad-based development. There has also been an increasing interest in recent years on the part of non-state actors, civil society organizations (CSOs) and development partners in strengthening financial accountability, with the goal of improving use of public resources and obtaining value for money.

Nepal is an exceptionally challenging context in which to support such work. Since a peace agreement was signed in 2006, there have been frequent turnovers of government. The Constituent Assembly (CA) was dissolved in 2012 over a failure to agree on a new constitution. A new CA has formed and started work in January, 2014, but prospects are uncertain. Adding to these difficulties is a budget process where planning, negotiation and reallocations continue throughout the year. There is also weak capital project implementation, and fragmented central finance institutions. Amidst these challenges, one strength is a cohesive and professional civil service that has managed to deliver basic government functions in these turbulent times. Yet its performance is reduced by endemic corruption, and frequent transfers of staff from critical posts (Krause et al, 2013: 9-12).

The GoN has been working closely with development partners (DPs) in the design and implementation of PFM reform initiatives at the country and sector level. There is evidence that when many different DPs are financing assistance, they can reduce transactions costs and improve performance when they agree to support a common government reform program, and to channel their funding through a coordinated mechanism such as common pool funding or an MDTF. The World Bank's first trust fund in 1960 brought several DPs together to co-finance the Indus Basin Project in Pakistan. Since then, this modality has expanded considerably. The most recent available data for 2010 indicate that 12% of total ODA (US\$16.7 billion) was channeled from bilateral agencies for implementation by multilateral agencies to support non-core functions, mainly through trust funds. This was up 8% in real terms from 2009. These trust funds are highly diverse, supporting a wide range from global programs to address climate change, to individual development projects. Of the total resources flowing to such trust funds, 55% goes to specific countries, and of that 83% goes to fragile and conflict-affected low-income countries. About half of these funds are administered by the World Bank (OECD 2012: 15-16). Considering Bank administered resources, Bank executed (BE) trust funds comprise 18 percent of net administrative spending and reimbursable and recipient executed (RE) trust funds 9 percent of loan and grant disbursements. MDTFs are the primary source of finance in fragile and conflicted affected situations for Bank-managed programs, accounting for

\$1.8 billion in commitments for FY2009, compared with \$1.4 billion in IDA commitments (IEG, 2011: 34).

Building on this evidence and emerging practice, DPs working in Nepal under the leadership of the World Bank have set up an MDTF that pools together resources to provide support for strengthening PFM systems, increasing accountability in public expenditure and financial management, and addressing fiduciary and governance weaknesses in the utilization of public resources.

The MDTF is a programmatic trust fund established with the objective of ensuring maximum flexibility in responding to the needs of the GoN as well as DPs in the area of strengthening government financial performance and accountability. The MDTF is a hybrid vehicle that permits both recipient executed (RE) activities through government agencies and non-government agencies, including but not limited to: investments and technical assistance activities, capacity building, and implementation of financial management systems; and Bank executed (BE) activities to finance analytical and advisory services, capacity building, and operational support. The MDTF supports activities that: (a) strengthen the PFM systems and processes (the supply side); (b) strengthen institutions of accountability and civil society to enhance their oversight of PFM processes and performance (the demand side); and (c) deepen knowledge about current PFM practices and options for improvement. Accordingly the substantive work program of the MDTF broadly comprises of the following thematic areas/components: (1) Strengthening Public Financial Management Systems and Capacities, (2) Enhancing Accountability in Public Financial Management, (3) Deepening knowledge relating to public expenditure and financial accountability (PEFA) assessment. Subprojects are being carried out in each of the above mentioned areas that support GoN and/or civil society to strengthen the systems and practices of PFM in Nepal. Currently four subprojects and two analytical studies have been approved.

To assess progress of the MDTF, participating donors at the Program Coordination Committee (PCC) meeting of December 10, 2012 endorsed that a mid-term evaluation of the MDTF was appropriate. The following evaluation meets accepted evaluative criteria: “An evaluation is an assessment, as systematic and objective as possible, of an on-going or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, developmental efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors” (OECD, 1991: 5).

2. MDTF Objectives

a. Objectives

The overall objective of the MDTF is “transparency, performance and accountability of PFM improved at national and local levels in Nepal”¹. Progress towards achievement will be assessed by analysis of three sub-objectives:

- Improved efficiency and transparency of PFM systems through strengthening the Treasury systems and capacity;

¹ Outcome in Results Chain, see Annex 4. This is similar to project development objective in original MDTF Concept Note: “to strengthen public financial management, transparency and accountability in Nepal by establishing a flexible source of financing” (World Bank, 2010).

- Strengthened accountability through demand and supply side interventions; and
- MDTF administered and managed effectively².

b. Comments on Cost, Financing, Disbursement, Borrower Contribution, Dates.

The MDTF Concept Note (P121853) was approved in October 2010, the Trust Fund Proposal (TFP) (TF071617) was approved in December 2010, and subsequent Trust Administration Agreements were approved between the Bank and the Governments of the UK and Norway (December, 2010), Denmark (April, 2011), and Australia (Department of Foreign Affairs and Trade [DFAT], May 2011). Total fund receipts are US\$11.5 million. The European Union (EU) has signed an agreement with the Government of Nepal to participate, and a Trust Fund Administration Agreement is expected to be adopted between the Bank and the EU by February 2014 for an additional €4.5 million. The UK, Norway and the European Union are among the top ten global contributors to Bank trust funds.

Approved subprojects are as follows:

- **Strengthening Public Financial Management (PFM) System (SPFMS)** (Treasury System, Financial Reporting and PFM Capacity Building) (P125770). This is supported by two trust funds: Recipient Executed TF10452: \$4.3 million—\$1.7 million disbursed as of October 2013 for this and subsequent amounts; and Bank executed TF10454: \$350,000—\$194,000 disbursed. Grant agreement approved and effective, October, 2011; expected closing, June 2015.
- **Strengthening the Office of the Auditor General (SOAG)** (P127040). This is supported by two trust funds: Recipient Executed TF10455: \$2.3 million,—\$353,000 disbursed as of October 2013; and Bank Executed TF10482: \$160,000—\$100,559 disbursed. Approved August 2011, effective February 2012, expected closing, June 2015.
- **Strengthening Civil Society Organizations' Use of Social Accountability to Improve PFM in Nepal (SCSO)** (P131860). This is supported by two trust funds: Recipient Executed TF12485: \$800,000—\$634,623 disbursed as of October 2013. Approved and effective August 2012, expected closing, June 2014; and Bank Executed TF12524: \$700,000 —\$307,192 disbursed. Approved and effective August 2012, expected closing, June 2015.
- **Strengthening Budgeting Process for Results** (P145814): Bank Executed: \$905,000--\$27,692 disbursed. Approved and effective, September 2013, expected closing November 2015.

Approved, Bank executed analytical studies include:

- **Operational Risk Assessment in PFM** (P132738). This is supported by Bank executed TF13011: \$200,000—\$199,983 disbursed. Approved July 30, 2012, effective August 15 2012, closed, June 30, 2013.
- **Public Expenditure Tracking Survey (PETS) in the Education Sector** (P131381). This is supported by Bank executed TF12492: \$150,000—\$64,714 disbursed as of October 2013. Approved and effective February 2012, expected closing, March 2014.

² Intermediate outcomes in results chain, see Annex 4. This not materially different from the key results expected in the Concept Note from the projects to be funded through the MDTF (*Ibid.*).

In addition, a just-in-time facility has been approved to finance small-grants for technical assistance, seminars, training and other such support services. Grants of up to US\$50,000 are Bank-Executed, and should be implemented within eight months (World Bank 2013c: Annex A and B).

A summary of actual and expected DP contributions, commitments and disbursements as of October 2013 is attached as Annex 3. As of January 8, 2014, 57% of funds received by the MDTF have been disbursed 59% through the operational duration of the MDTF³. Overall, 76% of funds have been disbursed or committed to approved subprojects, and no strategic reallocation seems warranted at this time.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

High⁴. The objective continues to be highly relevant. A 2008 Public Expenditure and Financial Accountability (PEFA) assessment found that Nepal's PFM system was well-designed but unevenly implemented, leading to unacceptable fiscal and fiduciary risks. To address these shortcomings, the Government and its DPs prepared a Development Action Plan with a list of recommended actions. In the same year, the Government, as recommended in the PEFA assessment, formed a PFM Steering Committee, chaired by the Finance Secretary, and set up a PEFA Secretariat to coordinate reform efforts. In addition, the Government took on board the recommendation from the PEFA assessment of adopting in 2009 a Public Financial Management Reform Program (PFMRP) Strategy, Phase I, calling for a gradual and long term process that reduces fiduciary risks as well as improves transparency and accountability of public financial management. The Strategy outlines a framework for a holistic approach to reform over the long term with two priorities for the short term: 1) actions that strengthen PFM systems to reduce fiduciary risks while improving transparency and accountability; and 2) building the capacity of the PEFA Secretariat to coordinate efforts to move forward the reform agenda. The strategy, in turn, supports the policy for managing post-conflict development challenges—the Three-Year Interim Plan (2007–10)⁵. The MDTF is also aligned with the Bank's Interim Strategy Note, 2009, Pillar One: Promoting Capable State Structures and Systems, and Fostering Accountable Institutions. Moreover, the MDTF builds on relevant analytical work, such as World Bank (2011, 2008a, 2007a, 2007b) and Bajracharya et al. (2012). The objectives are aligned with these strategies and reform commitments. The strategy is still relevant to Nepal's needs, and there is no need to revise it.

b. Relevance of Design:

Substantial. The design of the MDTF builds on a foundation of analytical work and commitment to reform, based on a theory of change recognizing that success will only come from a sustained

³ Estimate on duration from effectiveness December 2010 to completion January 2016, when all funds are scheduled to be disbursed. Total receipts include paid in contributions and investment income; spending includes disbursements and administrative fee, Source: MDTF system, World Bank.

⁴ The rating scale draws from World Bank, 2006. Relevance, Efficacy, Efficiency, and M&E quality are rated using a four point scale: High, Substantial, Modest and Negligible. Outcome, Bank Performance, and Government Performance are rated using a six point scale: Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory and Highly unsatisfactory. Risk to development outcome is rated using a four point scale: Negligible to low, Moderate, Significant and High.

⁵ Since the end date, no new plan has yet been agreed on, because of political uncertainties, among other things.

partnership bringing together responsible government agencies and civil society organizations with DPs. The approach put forth in the Concept Note of implementing various subprojects supported from the MDTF is appropriate, given that their implementation is by quite separate parts of Government and society: e.g. Ministry of Finance, Office of the Auditor General, and civil society. The approach is selective, focusing on PFM improvements that can realistically be carried out within the capacity and political economy context. The sequencing of activities is pragmatic, starting with technical improvements such as the Treasury Single Account (TSA), and then building on these to begin deeper institutional reforms. The design also provides for updates of relevant PEFA indicators to be carried out in the first year of MDTF operation, to evaluate progress since the previous PEFA assessment based on 2007 data; this has not yet been done.

In line with the accepted practice for a complex, programmatic fund the Concept Note included a holistic results statement as follows:

1. Improved resource management as a result of strengthened PFM systems and processes,
2. Increased awareness and oversight of government PFM processes by diverse constituencies,
3. Better knowledge of value for money challenges and PFM governance gaps, contributing to improved design of PFM interventions at the country and sector level (World Bank 2010).

This is in accordance with Bank policy for a complex, programmatic fund like the Nepal MDTF that a more detailed results framework would be designed and implemented once the program was more clearly specified. The current, MDTF Results Framework, presented to the PEFA Secretariat and the PCC in draft form in December, 2012, and finalized in October, 2013 contains a clear statement of the overall objective and three sub-objectives, which, with minor changes in wording, is consistent with the statement of objectives in the original, approved MDTF concept note (See Annex 4). There is a logical connection linking achievement of the targeted indicators and outputs, and achievement of the respective sub-objectives, and in turn the overall objective. This connection is further reinforced by much more detailed results frameworks in each of the subprojects. Further, the targeted indicators and outputs being tracked are mainly within the control of the implementing partners to achieve. In some cases, the Bank has taken an evolving interpretation of the target in response to the unforeseen circumstances. For example, the indicator target on time for submission of audit reports to the legislature is currently being interpreted to mean preparing audit reports in a form ready to be submitted to the CA, once new members are elected and legislators responsible for receiving audit reports have been identified. Until a new Public Accounts Committee (PAC) has been appointed by the CA, reports are being submitted to a Cabinet-level committee chaired by the Finance Minister.

Another concern is that due to the relatively short time span of the SCSO subproject, contracts to grantee CSOs are only for a period of ten months, which is less than the length of an annual budget cycle. This is a particular concern because the grantees are often starting with little prior knowledge of PFM issues. However, since the SCSO subproject is being extended to June 2015, this should no longer be a problem in most cases. Except for the five new districts being added, the FY15 grants will be provided to existing grantees to deepen their national budget analyses, field-based Public Expenditure Tracking Survey (PETS) and community outreach. This will allow them to cover in total at least one entire budget cycle.

4. Achievement of Objectives (Efficacy)

This section will assess the progress towards achievement to date of the three sub-objectives presented in section 2a, with a focus on the targeted outputs and performance indicators from the latest MDTF Results Framework. It will also discuss other key indicators of performance from each subproject. However, this review will not provide its own individual ratings on these subprojects or their components, since they have already been recently rated by Bank teams, as evident in the separate mid-term reviews and implementation status reports referenced below.

a. Improved Efficiency and Transparency of PFM Systems through a strengthening the Treasury System and capacity

Substantial. Both aspects of the output targeted in the results framework-- PFM Systems Development and Capacity Building – have been exceeded. The Treasury Single Account (TSA) has been rolled out across all 75 districts of Nepal, meeting the output target one year ahead of schedule. As a result, the Government has been able to close 13,717 bank accounts out of an estimated 14,000, thus already exceeding the output target of reducing the number of bank accounts by 75% by June, 2015.

The TSA covers almost the entire budget (98%). Monthly budget execution reports are available and posted on the Financial Comptroller General's Office's (FCGO's) website. There are ongoing efforts to improve the content, quality, comprehensiveness and timeliness of financial reporting. Efforts have begun to enhance the financial management information system software to implement commitment accounting and strengthen cash management.

In another area of work under this objective, the Nepal Financial Reporting Standards (NFRS), which had been drafted by the Accounting Standards Board and approved by the Cabinet for adoption, have with MDTF support been translated into Nepali, and published in both English and Nepali in August, 2013. The Institute of Chartered Accountants of Nepal (ICAN) issued its letter of pronouncement in September, 2013. Two NFRS trainings for registered auditors have been completed, jointly supported by the MDTF and the Asia Oceania Standard Setters Group. Pilot rollouts for International Public Sector Accounting Standards (Cash Part I) are now planned for two ministries for which a consultant has recently been hired. The NFRS implementation plan for listed multinational manufacturing companies and some listed state owned enterprises will be rolled out starting from the fiscal year 2014-15, according to the calendar as prepared by Institute of Chartered Accountants of Nepal and endorsed by the International Federation of Accountants. There are also efforts underway to better utilize information being captured by the TSA to improve budget execution, reporting and audit, with an example on the latter given below.

An outcome indicator in the results framework tracks the number of sectors for which information on budget allocation and expenditures are made available to the public, with a target of two sector ministries by June 2015. At the present time, budget execution reports are being produced and used, for example by the Department of Education, and the Ministry of Federal Affairs and Local Government. Monthly expenditure data on each ministry is published on <http://www.fcgo.gov.np> but the data could be presented in a more disaggregated form to facilitate detailed analysis. There are related targets that have been picked by other Bank operations; for example, the School Sector

Reform Program has a disbursement linked indicator: 20% of teachers paid through bank accounts June 2013, and in subsequent years 45% and 65%. The most recent supervision mission of the SPFMS subproject rates project development objective (PDO) performance as satisfactory, and implementation performance as moderately satisfactory (World Bank, 2013a). The latter was mainly on account of slow procurement of consultancies for enhancement of the financial management information system and implementation of International Public Sector Accounting Standards, both of which have been addressed now.

In addition to the SPFMS subproject, the Operational Risk Assessment in the PFM sector addressed the sub-objective. It was prepared in close collaboration with the Government of Nepal. It was fine tuned to respond to concerns expressed, while retaining hard hitting recommendations that are mainly within the control of MDTF Government partners to implement, and that have been endorsed by the Financial Comptroller General, and the Auditor General. Many of the recommendations are in areas that can be addressed by existing subprojects. However, some may require additional support, such as working to develop new proposals to the Ministry of General Administration on transfers (Krauss et al, 2013).

The subproject Strengthening Budgeting Process for Results has only recently become effective, so there has not been progress yet on the outcome: Reduction in the percentage of capital budget executed in the fourth quarter of the fiscal year.

b. Strengthened Accountability through demand and supply side interventions

Modest. Concerning the output: strengthening audit: quality and completeness of public sector audits enhanced, performance has been mixed. The percentage of financial statement audits meeting OAG auditing standards is unchanged from the baseline of 35%, and below the expected 40% at this time. However, the frequency of performance audit reports meeting quality and completeness criteria has increased from one to two per year, and is on track to meet the 2015 target of three per year. A key political milestone reached in this sector was the appointment of an Auditor General in 2013, after the position was vacant for about seven years. There is reportedly better follow up of audit observations, and some progress in improving the Office of the Auditor General (OAG) database to track follow-up of audit observations.

An outcome indicator in the results framework tracks the time for submission of audit reports to the legislature. The submission times in 2011 and 2012 were nine months after the end of fiscal year, close to meeting the target of eight months from their receipt by the audit office. The most recent supervision mission of the SOAG subproject rates PDO and implementation performance both as moderately satisfactory (World Bank, 2013b), and targets are on track to be met by project close.

In another area of work under this objective, the SCSO subproject became effective August 2012. Since then the RE component achieved cost savings and issued 41 grants for 80 Village Development Committees (VDCs), which is more than the 33 grants covering 60 VDCs originally planned. The BE component responded and adjusted its activities to arising issues such lack of a CA and a PAC, refocusing the work at the national level on media and collaboration with OAG. SCSO resources were

supplemented by DfID to produce six episodes of a national television program to reach out to the wider population. The episodes focused on the misuse of social security entitlements for the marginalized and poor. A communication consultant helped raise the visibility of the SCSO component. None of the ambitious, targeted outcomes or outputs have yet been achieved, but the project is on track to achieve them as scheduled, based on the latest Centre d'étude et de coopération international (Canadian Centre for International Studies and Cooperation–CECI) quarterly report (CECI 2013). The RE component was initially scheduled for completion June 2014, but has now been extended until June 2015.

The PETS in the Education Sector is being finalized, which has been subject to delay (see section 7b).

There are some promising initial indications of establishing linkages and communication between MDTF components, and linking MDTF-supported work with other parts of the GoN. A roundtable meeting in May 2013 was the first of its kind to bring together the OAG and CSOs to discuss opportunities and challenges for collaboration, recognizing that the absence of a CA gave particular urgency to CSO engagement in budget, expenditure and audit processes. There was also a follow-on workshop on advancing public participation in the audit process in October 2013. An OAG-CSO Working Group with three national CSOs identified by the Program for Accountability in Nepal (PRAN) has been set up as an output of the October workshop. A draft TOR has been shared with the OAG that is being discussed for finalization. Another example of good collaboration was between the Education PETS team and the Department of Education; although the report has not yet been finalized, the Department is already using the preliminary findings to advance its work. There are other areas where such linkages and communication could be enhanced, as discussed in Section 12.

Another area for consideration is the extent to which the MDTF is promoting inclusion by gender, ethnicity, language, region and religion. When PRAN began in 2011, there were no metrics to assess diversity in Bank documents, results frameworks, or internal policy procedures. This was in part because of the political sensitivity among dominant communities about social inclusion. In early 2013, as PRAN staff began implementing the SCSO subproject, the issue of inclusion was discussed with DPs, the PRAN Grant Management Committee, CSO partners, and the MDTF program managers, and a decision was made to enhance attention to inclusion issues. There have been some encouraging results. According to the PRAN team, there are five areas where they have tried to make progress:

1. The CSOs were required to include in their proposals a 'clear strategy for promotion of gender and social inclusion' that carried 10 points.
2. The PETS social security allowance research has included the entitlement specifically targeted to women.
3. All of the CSOs are implementing the Social Accountability Gender and Pro-poor Budget Analysis tool.
4. The gender balance within project activities is emphasized from consultation to the orientation to survey samples to the dissemination.
5. The gender mix among the PRAN CSO beneficiaries is reported to be around 40% to-date.

Among the original 31 CSO grantees, only 23% had women Social Accountability Practitioners, while the next ten grantees selected had 90%. CSO grantees are also watching local VDC budgets carefully to ensure that specific annual allocations for Dalit, women, children, and other marginalized groups are actually spent in a manner giving maximum benefit to these groups. This is facilitated in part by participation: out of the 42 VDCs supported by the subproject, 41 VDC budget committees have representation by women, 23 from marginalized groups, and 14 from deprived groups. In the case of Public Procurement Monitoring Committees, 25 VDCs have Dalit representatives. Though these initial indications are promising, citizen voice requires not just participation, but technical knowledge of details and fine print in order to exercise influence and power (World Bank 2013e).

c. MDTF administered and managed effectively

Substantial. The target of establishing a functional M&E system for the MDTF is on track to being achieved with the adoption of an updated results framework in October 2013. Program results and reports are being uploaded and disseminated through a program website: <http://www.mdtfpfm.org.np/> which also became fully operational in the same month. The PEFA Secretariat's website <http://www.pefa.gov.np/> has also been launched and is another channel for program results and reports. The MDTF and PFM Thematic donor groups are working well. There is good progress on harmonization on the reform agenda. For further evidence on achievements of MDTF administration, and challenges that need to be addressed, see the following sections 5, 6, 7 and 9.

5. Efficiency

Substantial. Efficiency is reviewed from three perspectives: 1) the extent to which trust fund administration is a reasonable cost for the Bank to bear; 2) the evidence that efficiencies are gained by participating DPs and the Bank in supporting PFM improvements in Nepal; and 3) the evidence that the recipient government is improving the efficiency of its own resource management due to support from MDTF.

On the first point, the TFP and Administrative Agreements provide for a 2% charge on all contributions to cover administrative costs of the central units, and direct charges for costs of the managing unit on trust fund administration and program management not exceeding 4%. Under the Bank's policy, the hybrid nature of the trust fund (combining RE and BE components) permits it to use a customized, cost recovery method, rather than to collect the standard fees of 5% for the BE components, and 2% for the RE components. Based on budgets for project preparation, supervision, and MDTF program management, this will not allow the Bank to fully recover its costs. Total projected costs are \$734,000, while 4% of an estimated total \$17 million for the MDTF comes to only \$680,000⁶. It is good value for DPs, since the MDTF only pays for local costs that are actually incurred

⁶ Total includes the forthcoming EU contribution.

and documented. The latest audit reports on the SPFMS and SCSO subprojects affirm that the financial statements give a true and fair view, and do not include any audit observations for follow up.

On the second point, DPs report that the MDTF and related committees and working groups have improved DP coordination, allowing the DPs collectively to more forcefully engage with the GoN on PFM reforms both centrally and within sectors. The MDTF also allows DPs without sufficient staff to manage PFM support on their own to leverage on the Bank's technical, fiduciary and convening expertise. The MDTF Operations Manual provided to all stakeholders helps to clarify expectations (World Bank 2013c). The evaluator found no material breaches of the rules stated in the Operations Manual and associated Administrative Agreements, nor were any breaches reported by DPs, who were generally satisfied with the timeliness and quality of financial, strategic and audit reports, and the implementation of governance arrangements. As reported above, savings in budgeted costs under the SCSO subproject have already allowed an expansion of the effort originally planned. The other key PFM support outside of the MDTF is led by the ADB (2012a), a US\$21.5 million program focusing at the sub-national level and the Public Procurement Monitoring Office. ADB has worked closely with the Bank in the procurement area, including joint procurement reviews with ADB and the Public Procurement Monitoring Office (ADB 2012b). There has also been some coordination at the subnational level, helping to ensure synergy and efficiency with MDTF components such as TSA implementation in 75 DTCOs.

On the other hand, there could be processes preventing these efficiencies from being fully realized. Some DPs expressed their concerns about what they perceive as the slow pace in subproject approval, effectiveness and implementation, and in some procurement, caused by a combination of Bank procedures and the need for Government approvals in the case of RE subprojects (see sections 7a and 9). There is also the need by DPs to make special reports that have the purpose, *inter alia*, of showing their citizens and oversight bodies how their aid resources are being used. This in part duplicates the work done by the Bank's trust fund program staff, as provided for in the Operations Manual and Administrative Agreements with DPs. For example, the progress reports and aide memoires prepared by the Bank contain much of the same information required by donors, but DPs may need to update information from the most recent documents in order to meet their own reporting deadlines. In addition, DPs may require information not included in the Bank's progress reports, aide memoires or MDTF website. This increases transactions for Government officials that need to meet with separate DP teams each year to validate PFM reform progress. An added challenge is that DPs may be required to formulate their own results framework in order to justify their contribution, before the actual MDTF results framework has been agreed on. Thus, there can be a disconnect between the monitoring framework used by a DP for its reporting, and the framework used by the MDTF program management. On the other hand, such reports are useful in conveying DP concerns over issues such as administrative delays and technical progress. The latest such report from DfID (2014) concluded with an overall output score of "A" (outputs met expectations) though performance of sub-components was very mixed. This represents an improvement on the previous DfID (2013) report, which gave an overall output score of "B" (outputs moderately did not meet expectation) due to slower than expected progress on most components because of slow internal procedures of the Bank, and delays in Government budget allocations to key functions.

On the third point, the TSA reform alone saved the GoN an estimated US\$2 million just in interest/commission/fees to Nepal Rastra Bank over period 2009/10 to 2010/11 when the TSA was only in the process of being launched in 22 districts (Pant 2012). This is about the same amount as

the total cost incurred by the MDTF to date in rolling out the TSA to all 75 districts. FCGO has an ongoing study to estimate the total savings that has been realized to Government from the TSA reform.

6. Risk

Moderate. The risk rating is the same as at appraisal, and most of the risks have been mitigated as predicted. The risk of MDTF resources becoming inadequate was judged moderate, and still is. The EU contribution recently approved by the Government will be a welcome addition to the resource envelope, once the Administrative Agreement is concluded with the Bank. The mission confirmed that the Nepal office of the Swiss Development Corporation is seeking clearance from its headquarters of a proposed contribution to the MDTF, with a decision expected by July 2014, and USAID is considering a contribution once its new country strategy for Nepal is adopted. The fragile political situation has materialized, but it has been mitigated by strong ownership through alignment with Government strategies and plans, and focus on technical wins. Weak capacity has contributed to operational and fiduciary risk, but this has been mitigated by support from Bank execution of some activities and oversight of others and parallel structures. There is risk to sustainability, but the cost savings to government from the TSA and other measures should assure support. There is a risk that highly specialized individual consultants supporting TSA implementation might leave; to mitigate this risk, consideration could be given to staffing these positions using a consulting firm with sufficient depth of staff to assure system continuity. The potential for conflict of interest in the different roles of the Bank has been addressed by the separation of MDTF management and subproject management.

The risk of inefficient DP coordination is moderate. This risk is mitigated by giving MDTF and other DPs a formal role during implementation in the PCC, and the exchange of information that it facilitates. There is a clear definition of roles, responsibilities and coordination mechanisms between the Bank and DPs spelled out in administrative agreements, and in the MDTF Operations Manual. However, as discussed in Section 5, the need for DPs to separately report to their capitals may unnecessarily increase transactions among stakeholders, and lead to confusion as to the overall progress of the program. A related risk is that DPs are highly sensitive to project timelines being met. When deliverables are promised by certain dates and these promises are not met, DPs are upset and the credibility of the Bank's management of the MDTF is weakened. The risk of inefficient supervision is moderate. The subprojects have strong technical leadership, and there is little risk to supervision there.

One risk was not foreseen at appraisal: that there would be no PAC and no sitting CA for the OAG to interact with. This risk has been temporarily mitigated by the Government setting up a committee chaired by the Finance Minister to scrutinize audit reports, and efforts to advance public participation in the audit process. With the recently elected CA meeting for the first time January 22, 2014, the project can once again plan to work with the elected members.

Another risk was underestimated at appraisal: the risk of slow startup, which was assessed as negligible because four subprojects had already been identified and preparation work completed. Unfortunately, this risk materialized, as evidenced by slower than expected disbursement. This is

further discussed in sections 2b, 7b and 9. Another risk was not anticipated: the need for the MDTF program team to have in-depth expertise and experience both in technical issues of PFM, and in administrative issues surrounding Bank trust funds. The Program Manager had excellent technical and contextual skills, but had to learn the intricacies of managing a programmatic trust fund while on the job. A further challenge is that he could only devote part of his time to the task, as he had several other responsibilities. To support him, the Bank brought in starting in 2012 an experienced trust fund administrator as a consultant, who has provided support *inter alia* in preparing the MDTF Operations Manual. A related risk not anticipated at appraisal is the scale of the administrative effort needed to manage a programmatic trust fund like the MDTF. To address this, new team members have been added over time, including a Senior Financial Management Specialist based in headquarters, an Operations Analyst based in Kathmandu, and the Trust Fund Consultant mentioned already. DfID has agreed to separately fund an additional full time member of the team to further strengthen program management, and this offer is being actively considered. The current program manager has recently moved to the operational position in the Nepal World Bank office as part of normal career progression, and the Bank has assigned an experienced Bank staff to take over as Program Manager on a full time basis. The new Program Manager initially based in Washington, D.C. has recent experience managing a successful Bank-administered MDTF in Pakistan.

A recent assessment looks at three types of operational risks, or uncertainties, that threaten initiatives to strengthen PFM and improve service delivery: inherent risks influenced by the scale and complexity of contract implementation, administrative control risks stemming from weaknesses in the public administration system (e.g. the risk to being able to formally distinguish internal audit and treasury roles in DTCOs by establishing a separate sub-cadre of internal auditors), and political control risks coming from limited political responsive to control failures (e.g. the risk in being able to strengthen oversight bodies based on long-term (and irreversible) action plans finalized through broad political consensus). The report concludes that there are numerous administrative control risks that are amenable to corrective action by public officials and that are not seriously constrained by political risks that would be more difficult to address (Krauss et al, 2013).

7. Assessment of Bank Performance:

a. Quality at entry:

Satisfactory. The design built on analytical work by the Bank, DfID, the IMF and other DPs. For example, the TSA built on recommendations in IMF (2007), the PEFA Assessment (Ministry of Finance et al 2008), and in a 2008 IMF study by Piyush Desai (cited in Pant, 2012). On this basis TSA expansion was added to the PFMRP – Phase 1 Strategy of the GoN, and in turn the SPFMS subproject under the MDTF.

The provision for the RE modality meets government preferences and facilitates ownership, while the provision for small but strategic BE allows for Bank implementation as needed.

b. Quality of supervision, including governance structure of MDTF

Moderately Satisfactory. The Bank's implementation of the MDTF has generally proceeded well. The Bank team has strong technical skills, and there have been regular and comprehensive supervision reports on the three main subprojects: SPFMS, SPOAG and SCSO. There have been joint missions with officials from MDTF DPs, enhancing coordination. SCSO has achieved better monitoring and knowledge management results by replacing two firms that had been initially contracted. The Bank was proactive following the dismissal of the CA, and raised the idea of a special committee chaired by the Finance Minister to scrutinize OAG audit reports. It pointed to examples from Pakistan where ad-hoc PACs were appointed by then Presidents during times when there was no elected Parliament. The OAG and Government took this idea on board.

Most of the BE analytical work has also been delivered on time and to a high standard of quality, though its impact would be enhanced by translating and disseminating key findings in the Nepali language. Roles and responsibilities of the various coordinating bodies are clearly specified: the PCC (meetings at least twice each year of all MDTF DPs that set strategic direction, approve annual work program, approve administrative arrangements, provide oversight, select project concepts for funding, and monitor progress), the Government's PFM Steering Committee (drives and coordinates PFM initiatives) and the PFM Working Group (ensures coordination and harmonization among all DPs since September 2011).

Another issue concerns the procurement for licensing the Oracle software used in the TSA system. The Bank determined that the quotations from an Oracle authorized reseller requested on a sole source basis are at a much higher price than paid on other Bank projects in other regions. An international competitive bidding process is now underway; bids have been received, and an evaluation report is expected in late January 2014. It is commendable that the Bank team is working diligently to maximize transparency, and to obtain the best value for money, drawing on its international experience with similar procurements for other Bank projects. The new bidding process is not delaying the implementation of the TSA project.

However, there have been challenges in meeting the Bank's commitment to a speedy startup of subprojects. Although preparatory work had been completed for four of the subprojects at the MDTF Concept Note stage, there were delays from initial funding of the MDTF to project effectiveness of 10-20 months. Among the reasons for this were delays in getting the grant agreements signed by the Government for the RE components. There was also a contracting delay in mobilizing the consultant team for the SOAG subproject when the winning firm tried to substitute a different team leader from the one proposed. These and other challenges have contributed to the current shortfall in disbursement reported in Section 2b. There have also been challenges in the implementation of Nepal Education Studies, where the Bank team has not met the deadline promised to DPs for presentation of the PETS report, due to unforeseen delays from the consultant team. The approved Concept Note had promised that the final report would be delivered in February 2013 (World Bank 2013f). In fact, the draft report was only shared with the DPs and government in November 2013, the revised draft incorporating feedback from both DPs and Government, is planned for January 2014, and a final report for March 2014. However, the Department of Education, which was fully involved in carrying out the PETS, says that it is already using the findings of the study to improve its programming.

Finally, a national consultant was hired under the civil society subproject and paid an international rate fee in US dollars. This created problems for the Bank, since according to the country office practice, national consultants are to be paid only at the local currency.

Overall, the Bank needs to improve its project management practices in navigating the complex administrative environment surrounding the MDTF. The combination of procedures from the Bank, DPs and Government requires experienced project managers who can facilitate prompt compliance with the requirements of all stakeholders.

8. NGO Performance

Highly Satisfactory

The RE portion of the SCSO Project is being executed by CECI⁷, which has achieved cost savings allowing an expansion in scale. It has produced timely and comprehensive supervision reports (e.g. CECI, 2013). The audited financial statements are acceptable, and recommendations have been followed up.

CECI is working on the execution of the CSO grants in close coordination with PRAN, Pro Public and New Era with additional technical assistance provided by Policy Research and Development Nepal. Although CECI does the administration of the grants, the technical support, field monitoring and mentoring has been designed in a collaborative manner, benefiting the implementation of the ongoing PETS social security entitlement survey in 80 VDCs in ten districts.

9. Government Performance:

Moderately Satisfactory

Based on the recommendation of the 2008 PEFA assessment, the Government has set up important structures such as the PEFA Secretariat to guide PFM reforms, the PFM Steering Committee to provide oversight, and the PFRMP that sets out the roadmap for necessary reforms. There is also strong ownership and commitment from key institutions to implement recommendations in the MDTF's Operational Risk Assessment, which, if implemented, would be a set of crucially important achievements. However, this framework has not yet provided the momentum to fully drive PFM reforms. Challenges include the unstable political context, and frequent transfers of key staff, including four changes in the Coordinator of the Government's PEFA Secretariat in the last year. The PEFA "repeater" assessment by the Government has been delayed, but is now scheduled to be completed by September 2014; if work proceeds according to the current schedule, it will still be within the range of 3 – 5 years recommended by the PEFA Secretariat at the World Bank as the interval between assessments. There have also been delays stemming from unavailability of a full year's budget in some years. Although procurement and consultant recruitment has generally been of high quality in RE components, there have been delays. For example, the SPFMS supervision mission of August 2013 noted that several actions that had been agreed with Government during a previous review were delayed, including fielding consultants for implementing Nepal Public Sector

⁷ <http://www.cecica/en/where-we-work/asia/nepal/>

Accounting Standards pilot activities. This was reportedly due to turnover in the Government's project management.

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The Bank is responsible for preparing a strong, results-oriented design at the TFP stage. In the case of large and complex programmatic funds, a more general results framework may be acceptable for the TFP, on the understanding that a more detailed results framework is designed and implemented once the program is more clearly specified (World Bank, 2013a). However, in cases where activities are well enough known at the TFP stage, full results frameworks should be prepared. It is against the program level targets and baseline that the aggregated project results are measured (World Bank, 2013d - Module 4: 8). The subproject approach allows for separate monitoring and evaluation arrangements for each implementing agency, helping to facilitate close support for implementation. Since four subprojects had been prepared at appraisal, the Nepal MDTF should have prepared a full results framework at appraisal according to Bank policy, and this was not done. This framework could have then been adapted as needed to accommodate new subprojects as they came on stream.

As discussed in Section 3b, the MDTF results framework adopted in October 2013 has a good mix of output and outcome indicators which are measurable, and have baselines. A shortcoming is that the completion of a MDTF Results Framework was delayed for nearly three years after the approval of the MDTF. The availability of a full results framework shortly after appraisal would have helped DPs in their own separate monitoring of the MDTF, and would have strengthened monitoring by and enhanced the reputation of the MDTF program management. This framework could have then been adapted as needed to accommodate new subprojects as they came on stream.

b. M&E Implementation:

There has been regular monitoring of the SPFMS, SOAG and SCSO projects, with comprehensive supervision reports. The SCSO subproject adjusted its M&E framework in May, 2013 to reflect changes in the overall MDTF results matrix. Data on entitlements being generated by the PETS will feed into SCSO monitoring. The new M&E agency for PRAN is led by a former member of the National Planning Commission who has also been responsible for the Education PETS Study. There has not been regular monitoring of the overall MDTF monitoring framework as yet, though many of the same indicators have been regularly monitored as part of implementation and support reviews of the subprojects. The monitoring of implementation of recommendations in analytical work such as the Operational Risk Assessment would be desirable if resources are available to do so (Krauss et al, 2013).

c. M&E Utilization:

There is evidence of follow-up of recommendations from SPFMS and SOAG supervision missions, with some delay; and follow-up from SCSO reporting. The SCSO subproject replaced the initial M&E firm to enhance the quality of monitoring performance.

11. Overall Performance

Moderately Satisfactory

The objectives are highly relevant and the design substantially relevant. There has been substantial progress in achieving the sub-objectives of improved efficiency and transparency of PFM systems, and MDTF administered and managed effectively. There has been modest progress in achieving the sub-objective of strengthened accountability, but the SOAG and SCSO subprojects are now on track to meet their PDOs, following delays in approval, effectiveness, and appointment of the Auditor General. The implementation of the TSA system in all 75 districts is the signature result of the MDTF, providing immediate gains in efficiency, and even greater long term potential as a key building block for improved PFM. Some improvement is needed in Bank supervision and Government performance to avoid unnecessary delays.

12. Lessons and Recommendations.

There are five key lessons coming out of this mid-term evaluation:

First of all, PFM MDTFs can leverage the Bank's PFM expertise to enable DPs with limited staff to contribute. In the Nepal case, an example is Norway, which is one of the top ten global contributors to the Bank's trust funds. Norway has a small, in-country staff in Nepal, and informed the mission that they can more effectively support strategic PFM reforms by building on the Bank's technical expertise.

Secondly, MDTFs can help facilitate coordinated support to Government's PFM priorities, and minimize fragmentation. They can provide sufficient resources to scale up successful pilots, and to support the development of systems and staff capacity to ensure that reforms are sustainable.

Thirdly, technical quick wins are possible to achieve with MDTFs even in fragile political contexts. These can be best identified by stakeholders themselves with key roles in the PFM system, allowing for a higher degree of support for reform measures, and a granular understanding of the context and the challenges that need to be addressed. Technical wins can be achieved by addressing administrative control risks that are amenable to corrective action by public officials, and not seriously constrained by political risks that would be more difficult to address.

Fourthly, more attention is needed on overall results frameworks for MDTFs for PFM, with higher level outcomes than those of individual subprojects. While full results frameworks are not normally required for programmatic MDTFs, these should be prepared within the first six months of TFP effectiveness, subject to reasonable revision as work progresses. However, in cases of programmatic MDTFs where activities are well enough known at the concept note and TFP stage, full results frameworks should be prepared at that time.

Finally, MDTFs require sufficient technical and administrative capacity to manage complex needs of government and DPs. All MDTFs for PFM require technical expertise in key aspects of PFM that the work is likely to address, and project management experience with Bank-administered MDTFs, including expert knowledge of the design and management of the Bank's MDTFs. These skills do not need to be combined in one person, but are all essential to have in the program management team.

The following recommendations for improving the performance of the Bank, Government, and the DPs to better achieve the objectives of the MDTF are supported by the evaluation findings and lessons (see Table 1 for summary):

- First, the Bank should deepen the ability of the MDTF program management team to better support implementation. The Bank is planning to add a full time, internationally recruited PFM staff to the MDTF team that can bring international experience to augment and help strengthen capacity in PEFA Secretariat, based on the terms of reference (TORs) shared with the Government in September 2013. In addition, the Bank has shifted the Program Manager role in managing MDTF to a new Program Manager with experience managing MDTF's, who has recently taken over the position on a full time basis. These changes are fully supported. The Bank should also ensure that the Program Manager can address bottlenecks in Kathmandu, Washington, D.C., Chennai, New Delhi and any other locations where follow-up and clearances are needed, and thus reduce the delays on key project deliverables. While some of these requirements apply to all Bank projects, trust fund management adds additional procedures that need to be addressed effectively.
- Second, the Bank needs to proceed rapidly to make final preparations for the new work program proposals, in partnership with the PEFA Secretariat and PFM Steering Committee, so that work can proceed immediately after approval of the Administrative Agreement with the EU and receipt of the pledged amount. This course of action was approved at the PCC meeting of July 2013 (World Bank, 2013h), and will be facilitated by the addition of new staff discussed above.
- Third, while there have been some promising efforts to link program components (see Section 4b) the Bank should strive to better enhance synergy among different program components, since they are all meant to contribute to a common PFM reform program. The May 2013 workshop bringing together civil society actors and staff from the OAG is a good example of this. The decision to mount common MDTF program missions every six months for the subprojects is another promising step forward towards greater program integration. There needs to be closer cooperation between various MDTF components, *inter alia*, giving OAG the access it requests from the TSA system, and linking downstream budget execution reforms led by FCGO with upstream budgeting reforms supported by the Strengthening Budgeting Process for Results work. Expanded cooperation is also needed between MDTF and other PFM support from the Bank and other DPs. There should be more collaboration between MDTF components such as the CSO engagement and the Ministry of Federal Affairs and Local Development (MoFALD). Linkages should also be enhanced with the Poverty Alleviation Fund, MoFALD, and MDTF supported CSO engagement. For districts where PAF is expanding, they can adopt community awareness centers supported by MoFALD and cooperating DPs, rather than set up separate ones, and *vice versa*. In some cases, the same CSOs may be working for MoFALD, PAF, and the MDTF, providing useful platforms for better capturing synergies across the different programs. There could also be advantages in using

the TSA system for transferring funds intended for PAF beneficiaries. Enhancing collaboration with PAF will be challenging because PAF works through the Prime Minister's Office, not MoFALD; still, it is a challenge worth investing more effort on. Further, once a CA is in place, there will need to be consideration of possible linkages between the work of the grantee CSO, and the newly elected legislators. Program managers need to understand the historical and institutional reasons government agencies and cooperating DPs haven't been working together as much as they might, in order to improve linkages better connecting their work.

- Fourth, there are administrative issues needing consideration, *inter alia*:
 - The Bank needs work with the Government and the DPs to monitor implementation of recommendations coming from analytical work such as the Operational Risk Assessment in the PFM sector, subject to available resources;
 - Following on the very useful translation into Nepali of the Nepalese Financial Reporting Standards, the MDTF should support translation of summaries of all key analytical reports.
 - The Bank should be cautious in committing to MDTF DPs that deliverables will be provided by a given date; estimates should allow for enough time for known contextual constraints;
 - The Bank should work with DPs to ensure they are provided as much information as reasonably possible within agreed timelines so that they can prepare their own required MDTF progress reports; and
 - The Bank and Government should consider greater use of consulting firms with sufficient depth of staff to assure system continuity to key systems such as the TSA.
 - At the PCC meeting January 2014, FCGO requested that for accountability purposes, the RE budget for CECI under the SCSO sub-project should formally flow through FCGO. The MDTF program management should assess the merits of this request, and take any action required.
- Fifth, the PCC should continue discussing the extension of MDTF. It was agreed at the PCC meeting of July 2013 that the Bank, DPs and Government would make a collective decision following the results of this mid-term evaluation (World Bank, 2013h).
- Finally, the Bank should provide continuous support to PFM for at least the next 10 years, hopefully with coordinated support from other DPs; otherwise gains achieved may not be sustained.

Table 1 Action Plan

Recommendation	Responsibility
Add full-time, internationally recruited PFM staff in the PEFA Secretariat	Bank, DfID, PEFA Secretariat
Transition of the Program Manager role to a full-time MDTF Program Manager with experience in managing MDTFs	Achieved by Bank in December, 2013
Ensure effective support to address potential bottlenecks in project and trust fund management in Washington, D.C., Chennai, New Delhi and any other locations where follow-up and clearances are needed	Bank
Make final preparations for the new work program proposals	Bank, PEFA Secretariat, other Government partners
Better enhance synergy among different program components, since they are all are meant to contribute to a common PFM reform program.	Bank, PEFA Secretariat, other Government partners, MDTF and other DPs
Monitor implementation of recommendations coming from analytical work such as the Operational Risk Assessment, subject to available resources	Bank, PEFA Secretariat and other Government partners
Support translation of summaries of all key analytical reports	Bank, PEFA Secretariat and other Government Partners
Be cautious in committing to MDTF DPs that deliverables will be provided by a given date; estimates should allow for enough time for known contextual constraints	Bank
Work with DPs to ensure they are provided as much information as reasonably possible within agreed timelines so that they can prepare their own required MDTF progress reports	Bank, DPs
Consider greater use of consulting firms rather than individual consultants to help ensure continuous support to key systems such as the TSA.	PEFA Secretariat, Bank
Make a decision on extension of the MDTF following the results of this mid-term evaluation	Extension to June, 2017 agreed at PCC of January, 2014
Consider changing the RE budget process for CECI under the SCSO sub-project so that it formally flows through FCGO	FCGO, Bank
Consider carrying out an impact evaluation study on TSA implementation	FCGO, Bank

References

- ADB. 2012a. *Proposed Policy-Based Grant, Administration of Grant, and Technical Assistance Grant Nepal: Strengthening Public Management Program*
- ADB. 2012b. *3rd Joint World Bank and ADB Public Procurement Review Mission: A Technical Note*. Manila (March)
- Bajracharya, Roshan Darshan, Nataliya Biletska, and Anand Rajaram. 2012. *Reforms under Fiscal Stress: A Policy Note on the Priorities for Fiscal and Budget Reform in Nepal*. Katmandu: World Bank.
- CECI. 2013. *Nepal public financial management multi-donor trust fund, strengthening Civil Society Organizations' Use of social accountability to improve public financial management in Nepal. Implementation Progress Report*, August. Kathmandu: CECI.
- DfID. 2013. *Annual Review, Public Financial Management Reform Program*. January. Kathmandu: DfID.
- _____. 2014. *Annual Review, Public Financial Management Reform Program*. January. Kathmandu: DfID.
- Krause, Philipp, Stephanie Sweet, Edward Hedger, and Bhola Chalise. 2013. *Operational risk assessment of public financial management reform in Nepal: a review of challenges and opportunities*. London: Overseas Development Institute.
<http://www.worldbank.org/content/dam/Worldbank/document/SAR/nepal/ora-pfm-nepal-report.pdf>
- Independent Evaluation Group (IEG). 2011. *Trust Fund Support for Development An Evaluation of the World Bank's Trust Fund Portfolio*. Washington, D.C.: World Bank.
http://ieg.worldbankgroup.org/Data/reports/tf_eval.pdf
- International Monetary Fund (IMF). 2007. *Report on Observance of Standards and Codes - Fiscal Transparency Module*. Washington, D.C.: IMF.
<http://www.imf.org/external/pubs/ft/scr/2007/cr07346.pdf>
- Ministry of Finance, Office of the Auditor General, and Financial Comptroller General Office. 2008. *An Assessment of the Public Financial Management Performance Measurement Framework (As of FY2005/06)*. Kathmandu: Government of Nepal and World Bank. <http://pefa.org/en/assessment/np-feb08-pefa-pfmpmf-public-en>
- Organization for Economic Cooperation and Development (OECD). 2012. *Multilateral Aid Report*. Paris: Development Assistance Committee, OECD. [http://www.oecd.org/dac/aid-architecture/DCD_DAC\(2012\)33_FINAL.pdf](http://www.oecd.org/dac/aid-architecture/DCD_DAC(2012)33_FINAL.pdf)
- _____. 1991. *DAC Principles for Evaluation of Development Assistance*. Paris: OECD.
- Pant, Udaya. 2012. *Public Financial Management Reforms in Nepal*.
<http://www.icgfm.org/journal/2012/no1/chapter3.pdf>
- Pattanayak, Sailendra and Israel Fainboim. 2010. *Treasury Single Account: Concept, Design, and Implementation Issues* <http://www.imf.org/external/pubs/ft/wp/2010/wp10143.pdf>
- Prakash, Tej, Jack Diamond, Piyush Desai, Udaya Pant. 2010. *Report of IMF, FAD Mission on Strengthening Basic PFM Systems in Nepal*. Washington: IMF.
- World Bank. 2006. *Harmonized Evaluation Criteria for Implementation Completion and Results Report and Independent Evaluation Group Evaluations*. Washington, D.C.: World Bank.
- _____. 2007a. *Managing Public Finances for a New Nepal-- A Public Finance Management Review*. Washington: World Bank.

- _____. 2007b. *Nepal Public Sector Accounting and Auditing A Comparison to International Standards Country Report*. Washington: World Bank.
- _____. 2007. *A Management Framework for World Bank-Administered Trust Funds*. Washington, D.C.: World Bank. http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2007/11/01/000020439_20071101164945/Rendered/PDF/410630R200710198.pdf
- _____. 2008a. *Public Financial Management Performance Measurement Framework*. Washington: World Bank.
- _____. 2008b. *Operational Policy OP/BP 14.40 Trust Funds*. Washington, DC: World Bank. <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:21833095~menuPK:4564185~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>
- _____. 2010. *Nepal Proposal for Establishing a Multi Donor Trust Fund for Strengthening Public Financial Management Concept Note*. October 29. Kathmandu: World Bank.
- _____. 2011. *Assessing Fiscal Space for Health in Nepal*. Washington: World Bank.
- _____. 2013a. *Nepal Public Financial Management (PFM) Multi Donor Trust Fund Strengthening PFM System Project (TF 010452) Mid Term Implementation Support and Review July 30-August 5, 2013 Aide Memoire*. Katmandu: World Bank. http://mdtfpm.org.np/uploads/files/projects/other_document/Strengthening_Public_Financial_Management_Systems_31.pdf
- _____. 2013b. *Nepal Public Financial Management (PFM) Multi Donor Trust Fund Strengthening OAG Project (TF 010455) Implementation Support and Review, July 10 Aide Memoire*. Kathmandu: World Bank.
- _____. 2013c. *Nepal Public Financial Management Support Multi-Donor Trust Fund Operations Manual August (Revised)*. Washington, D.C.: World Bank.
- _____. 2013d. *Trust Fund Learning and Accreditation Program*. Washington, DC: World Bank
- _____. 2013e. *Assessing Diversity in a Social Accountability Initiative in Nepal, PRAN, Public Service Delivery and Public Finance Management. Presentation for International IDEA global conference on citizen-led assessment*. Kathmandu: World Bank.
- _____. 2013f. *Expenditure Tracking and Service Delivery in the Education Sector in Nepal - Concept Note*. Kathmandu: World Bank.
- _____. 2013g. *Quarterly Progress Report (April-June)*. Kathmandu: World Bank. http://mdtfpm.org.np/uploads/files/document/Quarterly_Progress_Report_22.pdf
- _____. 2013h. "Public Financial Management MDTF Program Coordination Committee (PCC) Meeting Minutes of the Sixth Meeting July 18". Kathmandu: World Bank.

Annex 1: List of persons interviewed

Ministry of Finance

Mr. Shanta Raj Subedi, Secretary

Mr. Lok Darshan Regmi, Former Joint Secretary, Budget Division

Office of the Auditor General

Mr. Babu Ram Gautam, Assistant Auditor General

Financial Comptroller General Office

Mr. Babu Ram Gyawali, Deputy Financial Comptroller General

Mr. Sukhdev Baskota, Deputy Financial Comptroller General

Mr. Sushil Pandey, Deputy Financial Comptroller General

Mr. Sudarshan Paudel, Treasury Controller, DTCO (Bhaktapur)

Mr. Ram Bahadur Khadka, Chief Treasury Controller, DTCO (Dhulikhel)

Mr. Mukti Adhikari, Treasury Controller, DTCO (Kavre)

PEFA Secretariat

Mr. Rajendra Bajracharya, Former Coordinator

Mr. Babu Ram Subedi, Member Secretary (PEFA Secretariat)

Department of Education

Dr Lava Deo Awasthi, Director General

Mr. Megnath Sharma, Section Officer

Accounting Standards Board

Mr. Parakram Sharma, Member

Mr. Lok Man Singh Maskey, CEO

Development Partners

ADB

Mr. Kenichi Yokoyama, Country Director

Mr. Siddhanta Vikram, Senior PFM Specialist

Ms. Rachana Shrestha, Senior Public Management Officer

Mr. Raju Tuladhar, Senior Country Specialist

Australian Aid

Ms. Tara Gurung, Country Manager

Mr. Ben Reese, First Secretary

DFID

Ms. Laura Leyser, PFM Advisor

Mr. Bandhu Ranjan, PFM Program Manager

Embassy of Denmark

Mr. Karsten Ivar Schack, Counselor

Embassy of Norway

Mr. Asbjorn Lovbraek, Counselor

Embassy of Switzerland

Mr. Kathrin Knubel, Regional Advisor Finance and Administration

EU

Ms. Ekaterina Yakovleva, Program Manager

IMF

Mr. Udaya Pant, IMF PFM Adviser

USAID

Ms. Amy Fawcett, Financial Controller

Mr. Jacob Mueller, Acting Controller

World Bank

Mr. Johannes Zutt, Country Director

Ms. Tahseen Sayed Khan, Country Manager

Mr. Fily Sissoko, Manager, South Asia Financial Management Unit

Mr. Bigyan Pradhan, Senior Operations Officer and Program Manager, MDTF

Mr. Rama Krishnan Venkateswaran, Senior Financial Management Specialist

Mr. Manoj Jain, Lead Financial Management Specialist and Task Team Leader for SPFMS (New Delhi)

Mr. Les Kojima, Senior Financial Management Specialist and Task Team Leader, SOAG (New Delhi)

Mr. Hiramani Ghimire, Sr. Governance Specialist and Task Team Leader, Operational Risk Assessment for PFM Reform

Mr. Robert Bou Jaoude, Program Coordinator

Mr. Roshan Darshan Bajracharya, Senior Economist and Task Team Leader, SBPR

Mr. Saurav Dev Bhatta, Sr. Education Specialist

Mr. Shambhu Prasad Uprety, Procurement Specialist

Ms. Luiza Nora, Social Development Specialist and Task Team Leader, SCSO (Washington)

Mr. Keith Leslie, Coordinator, PRAN

Ms. Anjalee Maiya Thakali, Deputy Coordinator, PRAN

Ms. Nicolette L. Bowyer, Operations Advisor (DC)

Ms. Frauke Jungbluth, Senior Rural Development Economist and Task Team Leader, PAFII (Dhaka)

Ms. Paulene Zwaans, Consultant

OAG Consultant Team

Mr. Anupam , Team Leader, Cowater and PP Pradhan & Co Team Leader

Mr. Jagadish Bhattarai, National Training Expert

Mr. Narendra Bhattarai, National Performance Audit Expert

CSOs

Mr. Durga Gurung, Unification Nepal, Gorkha

Mr. Hari Devkota, System Development Service Center, Gorkha District

Ms. Lila Kumari Simkhada, Rural Welfare Council Kalikot

Ms. Manju Ghimire, Social Resource Development Center Nepal,

Mr. Salik Ram Kalathoki , Chetana Club

Others

Mr. Madhab Karkee, Team Leader, CECI

Mr. Bal Gopal Baidya, Senior Research Associate, New ERA.

Mr. Frans Ronsholt, Former Coordinator, PEFA Secretariat, World Bank, Washington DC

Annex 2 - Nepal Public Financial Management Support Multi Donor Trust Fund Mid-Term Evaluation: Terms of Reference

Introduction: Strengthening Public Financial Management (PFM) is a key element of the Government of Nepal's (GoN) strategy for strengthening governance, optimizing outputs from public resources and for ensuring inclusive and broad-based development. There has also been an increasing interest in recent years on the part of non-state actors, civil society organizations and development partners in strengthening financial accountability, with the goal of improving use of public resources and obtaining value for money. The GoN has been working closely with Development Partners (DPs) in the design and implementation of PFM reform initiatives at the country and sector level. In response to the GoN's and DPs call for a coordinated approach to address PFM challenges, DPs under the leadership of the World Bank have set up a Multi-Donor Trust Fund (MDTF) that pools together resources to provide support for strengthening PFM systems, increasing accountability in public expenditure and financial management, and addressing fiduciary and governance weaknesses in the utilization of public resources.

The MDTF is a programmatic Trust Fund established with the objective of ensuring maximum flexibility in responding to the needs of the GoN as well as DPs in the area of strengthening public financial performance and accountability. The MDTF permits both Recipient (RE) Activities to be executed through government agencies and non-government agencies, including but not limited to: investments and technical assistance activities, capacity building, and implementation of financial management systems; and Bank (BE) Activities to finance Analytical & Advisory services, capacity building, and operational support. The MDTF supports activities that : (a) strengthen the PFM systems and processes (the supply side); (b) strengthen institutions of accountability and civil society to enhance their oversight of PFM processes and performance (the demand side); and (c) deepen knowledge about current PFM practices and options for improvement. Accordingly the substantive work program of the MDTF broadly comprises of the following thematic areas/components: (1) Strengthening Public Financial Management Systems and Capacities, (2) Enhancing Accountability in Public Financial Management, (3) Deepening knowledge relating to public expenditure and financial accountability (PEFA) assessment. Subprojects ("projects") are being carried out in each of the above mentioned areas that support GoN and/or civil society to strengthen the systems and practices of PFM in Nepal. Currently three projects and three analytical studies have been approved.

With the objective of assessing the performance of the MDTF and its work program and taking in the lessons thus learned in enhancing the quality and impact of the MDTF financed activities, the Program Management is commissioning a mid-term evaluation of the MDTF and its work program. The evaluation is proposed to be undertaken through an experienced international consultant. This Terms of Reference (ToR) details the task and responsibilities relating to the proposed consulting assignment.

Objective: The objectives of this consulting assignment are to:

- (1) Assess the MDTF Program performance at mid-term (relevance, efficacy and efficiency, sustainability and impact⁸) in achieving its objectives and desired results, using the new results framework, and provide guidance on how to improve this performance;
- (2) Assess the progress of the MDTF work program against Project Development Objective and intermediate results and make recommendations on mid-term corrections of the MDTF Program as necessary
- (3) Assess the performance of the MDTF programme against the original budget versus disbursements and make recommendations on reallocation of the original budget if needed.
- (4) Identify responsibility for each area of progress or lack of progress, including an analysis of whether lack of progress is systemic and beyond the control of implementation partners. Where issues are within the control of implementation partners, make clear recommendations to the relevant stakeholders to spur improvement in progress;
- (5) Assess available indicators that the MDTF Program and strategy remain relevant to the PFM reform agenda and priorities of the Government of Nepal and its development partners keeping in mind the weak governance and institutional environment in the country⁹;
- (6) Assess the effectiveness of the MDTF work program in addressing government's priorities in PFM;

The evaluator's assessment shall address the questions noted below, but need not be limited to these.

- ? Is the MDTF work program and priorities in tune with the strategic priorities of the Government of Nepal and its development partners as expressed in the country's PFM Reform Plan?
- ? Has the MDTF been able to forge coherence of effort in the country among the Government as well as its development partners on the PFM reform priorities in Nepal?
- ? To what extent have PFM strengthening activities been initiated that might not have been without the formation and support of the MDTF?
- ? Has the MDTF been successful in generating Government commitment and increased coherence in addressing the weaknesses of the PFM systems and processes in Nepal? Is the commitment strong both at the policy making and operational levels of the Government?
- ? Has the sequencing of activities been appropriate to an effective reform path?
- ? Is the planned future direction of the MDTF in line with its objectives and priorities?
- ? Does the governance structure of the MDTF and the roles played by the Program Coordination Committee and the MDTF Secretariat contribute to achieving the MDTF objectives?
 - Are the roles clearly defined and understood? Are there clear accountabilities?
 - Does the organization operate with transparency and fairness?

⁸ <http://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

⁹ This is not an evaluation of the strategy itself, but there may be indicators suggesting that such an evaluation would be useful.

- Are the roles effectively discharged?
- Is the balance between allocation of resources to BE and RE activities been appropriate?
- How could the governance and organization better contribute to achieving MDTF objectives?
- Are there any activities that have clearly added little value or impetus to the PFM reform progress in Nepal?
- ? To what extent do the MDTF financed activities have measurable performance indicators – of outputs, outcomes and impacts? How useful are those indicators for assessing the effectiveness of the activities?
- ? Is the MDTF programme managing risks identified in the Operation Risk Assessment? Are there any other risks to delivery? How is the programme managing these risks?
- ? Are there initial indications that the demand-side of the MDTF PFM work been well-integrated with the supply-side initiatives?
- ? Are there thoughts on how the community-based demand-side PFM work scale-up in the final year(s) of the MDTF to have a greater impact on GoN policies and procedures?
- ? Are there any initial indications on establishing linkages and communication across all relevant parts of GoN and stakeholders outside GoN. Where appropriate, illustrations of good (or bad) practice/outcomes should be provided either in the body of the evaluation report or in an annex.

Methodology and Outputs: The methodology will be proposed in the Consultant's Proposal, and will be further developed by the consultant and presented in the Inception Report. The methodology should include but not be limited to:

- Desk review of all key documents relating to the MDTF including the Program Concept Note, Administration Agreements, Operations Manual, Results Framework, Project Concept Notes and Project Papers of sub projects, the draft report on the future work program, Periodical progress and financial Reports etc. In addition the consultant should also refer to relevant documents of the Government of Nepal like the PFM Reform Strategy, PEFA report (2008) as well as other such documents.
- Interviews and/or survey questionnaires of the PCC members and of representatives of the Government of Nepal; and sub project task managers. Such interviews may include telephone, email, video conference communications and personal interviews.
- Any additional sources of information or procedures to obtain views and feedback on the MDTF work program that the evaluator feels to be necessary in order to accomplish the tasks set forth in these Terms of Reference, such as inspection of the performance of systems implemented or supported by the MDTF, such as Treasury Single Account.
- Use systematic methodology and applying international standards of evaluation

Schedule and Reporting:

July 2013	Presentation of TOR to the MDTF PCC by email for comments
-----------	---

August 2013	<ul style="list-style-type: none"> Contracting of consultant Inception report that includes the detailed work plan, to be approved by Task Team.
September -October 2013	Field Work and Consultations in Nepal
November 2013	First draft report submitted to the Task Team and shared with PCC members for comments.
January 2013	Presentation of the evaluation report to the PCC and the GON/PEFA Steering Committee

- This consulting assignment is for a period of 15 days between September 1, 2013 –December 31, 2013. The assignment will begin upon the consultant signing of the consulting contract with the World Bank.
- The Consultant will be required to travel to Kathmandu for undertaking the field visits and consultations as part of the assignment.
- The World Bank Task Team for this assignment will comprise of Bigyan Pradhan, MDTF Program Manager (bpradhan@worldbank.org) and V. Rama Krishnan, Sr. Financial Management Specialist (vramakrishnan@worldbank.org) (Task Manager)

Obligations of the MDTF Program Management

- ✓ Provide key documents.
- ✓ Facilitate contacts with MDTF constituents.
- ✓ Ensure independence of the evaluation.

Annex 3 Funds Received and Disbursements, October, 2013

NP: Public Financial Management Reform Sources and Uses of Fund For the month of October, 2013

Amount in
USD

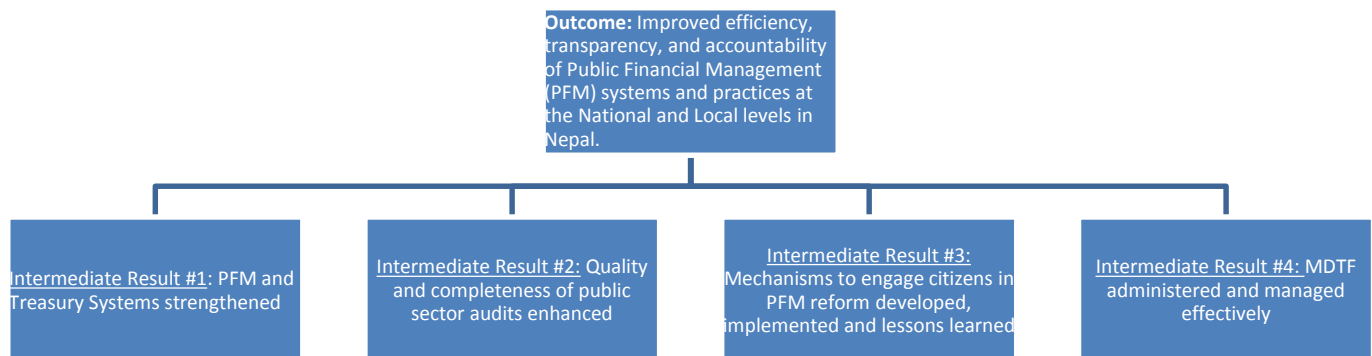
Particulars	Cumulative Upto Previous Month	Current Month	Cumulative Upto Date
A. Opening Balance	-	6,221,642.99	-
B. Sources of Fund			
Donors	10,076,649.68	-	10,076,649.68
Investment Income (Net)	83,881.79	2,066.13	85,947.92
Total Sources of Fund (C=A+B)	10,160,531.47	6,223,709.12	10,162,597.60
D. Uses of Fund			
Recipient Executed Window			
1 Strengthening PFM System	1,662,075.15	-	1,662,075.15
2 Strengthening Office of the Auditor General	353,000.00	-	353,000.00
3 Strengthening CSOs' use of Social Accountability to improve Public Financial Management in Nepal	634,623.01		634,623.01
Bank Executed Window			-
1 Preparation, appraisal, supervision, monitoring, reporting costs of Strengthening PFM Systems	194,049.51	190.31	194,239.82
2 Preparation and supervision costs of strengthening office of the Auditor General Project	98,103.72	2,455.44	100,559.16
3 Program Management and Administration Costs	178,777.26	8,177.30	186,954.56
4 Strengthening Civil Society Organizations' Use of Social Accountability to Improve Public Financial Management in Nepal	270,303.31	36,889.63	307,192.94
5 NLTA under the SPFM Project to Govt of Nepal	74,674.32	-	74,674.32
6 Operational Risk Assessment of PFM reform in Nepal	199,983.75	-	199,983.75
7 NP ED PETS	62,137.91	2,576.35	64,714.26
8 Strengthening Budgeting Process	9,627.55	1,940.85	11,568.40
Administration Fee	201,532.99	-	201,532.99
Total Uses of Fund (D)	3,938,888.48	52,229.88	3,991,118.36
Closing Fund Balance (E=C-D)	6,221,642.99	6,171,479.24	6,171,479.24

Projected Receipts and Disbursements for the period Oct 1, 2013 to March 31, 2014			
Description	Amount in US\$	Total Funds Receipts	% of Disbursements against Funds Receipt
Opening Balance as on October 01, 2013	6,221,052.73		
Expected Receipt of Funds-			
Donor Contributions:			
DFID*	1,400,000.00		
Total Expected Receipt of Funds	7,621,052.73		
Total Actual Disbursements upto Sep 30, 2013 (A)	3,940,000.00	10,076,650.00	39%
Expected Disbursement of Funds-			
Oct 01 - Dec 31, 2013:			
Strengthening PFM Systems (TSA)	1,700,000.00		
Strengthening OAG	650,000.00		
Strengthening CSOs' use of SA	205,000.00		
NP ED PETS	88,000.00		
Program Management and Administration Costs	80,000.00		
Strengthening Budgeting Process	200,000.00		
TF Administration Fee	30,000.00		
Sub-Total of Expected Disbursements (B)	2,953,000.00		
Total Expected Cumulative Disbursements (A+B)	6,893,000.00	11,476,650.00	60%
Expected Disbursement of Funds-			
Jan 01 - March 31, 2014:			
Strengthening PFM Systems (TSA)	350,000.00		
Strengthening OAG	200,000.00		
Strengthening CSOs' use of SA	80,000.00		
Program Management and Administration Costs	60,000.00		
Strengthening Budgeting Process	150,000.00		
Sub-Total of Expected Disbursements (C)	840,000.00		
Total Expected Cumulative Disbursements (A+B+C)	7,733,000.00	11,476,650.00	67%
* eqv. USD in current exchange rate between GBP and USD			

Source: Source: MDTF Program Administration

Annex 4 - Strengthening Public Financial Management of the Government of Nepal: Results Chain for the Nepal MultiDonor Trust Fund (MDTF)

(Prepared by the Nepal MDTF Program Management 2013)



Results Chain		
Outcome	Indicators	Baselines and Targets
Improved efficiency, transparency, and accountability of Public Financial Management (PFM) systems and practices at the National and Local levels in Nepal.	Efficiency: Reduction in the percentage of capital budget executed in the fourth quarter of the fiscal year	Baseline: 70% (2011) Target : 60% (2015)
	Transparency: Number of sectors for which information on budget allocation and expenditures are made available to the public	Baseline: No information on budget allocation and expenditure of sector ministries available to the public (2011) Target: Information on budget allocation and expenditure in 2 sector ministries made public by June 2015.
	Accountability (a): Time for submission of audit reports to the legislature (in months).	Baseline: 12 months from the end of the period covered (for audit of financial statements from their receipt by the auditors). Target: 8 months from the end of the period covered (in the case of financial statements from their receipt by the audit office)
	Accountability (b): Percentage of individuals getting the right amount of entitlements at the right time in 80 VDCs of the 10 districts targeted	Baseline: 0 (2013) Target: 75% (2014)

Intermediate Results (IR)	Indicator	Baseline and Targets
IR #1: PFM and Treasury Systems strengthened	Number of districts in which Treasury Single Account (TSA) system is implemented	Baseline : 8 districts (2011) Target: 75 districts (July 2014)
	Reduction in the percentage of bank accounts maintained by spending units	Baseline: 14000 Accounts in existence (2011) Target : at least 75% of Bank Accounts reduced compared to baseline (June 2015)
IR #2: Quality and completeness of public sector audits enhanced	Increase in the percentage of financial statement audits meeting the Auditor General's (OAG) auditing standards	Baseline: 35% (2011) Target 60% (June 2015)
	Increase in the frequency of Performance Audit reports meeting quality and completeness criteria set by the OAG	Baseline: One per year (2011) Target: 3 per year (June 2015)
IR # 3: Mechanisms to engage citizens in PFM reform developed, implemented and lessons learned	Increase in the number of independent budget analyses at national-level conducted and shared by Social Accountability (SA) grantees	Baseline: 0 (2013) Target: 3 (June 2014)
	Number of VDCs in which Social Security Allowance Expenditure is tracked	Baseline: 0 (2013) Target: 60 VDCs (June 2014)
IR #4: MDTF administered and managed effectively	Functional M&E system for the MDTF Program established	Baseline: No Program Results Indicators in place (2011) Target: Program Results Indicators monitored and reported (2014)
	MDTF work program results and reports disseminated	Baseline: No organized system in place for the dissemination of program results and reports (2011). Target: Program results and reports uploaded and disseminated through a Program website (2014)