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Abbreviations and Acronyms

ADB	Asian Development Bank
AWP	Annual Workplan
CDCS	Country Development Cooperation Strategy
CEHRD	Center for Education and Human Resource Development
CGAS	Computerized Government Accounting System
COA	Chart of Accounts
COVID-19	Coronavirus Disease 2019
DDA	Department of Drug Administration
DFID	Department for International Development
DG	Democracy and Governance
DIS	Development Information System
DOAAM	Department of Ayurveda and Alternative Medicine
DOHS	Department of Health Services
DP	Development Partner
DTCO	District Treasury Controller Office
EDCU	Education Development Coordination Unit
EFT	Electronic Fund Transfer
ERP	Enterprise Resource Planning
EU	European Union
FCGO	Financial Comptroller General Office
FY	Fiscal Year
GARIS	Government Accounting and Reporting Information System
GESI	Gender Equality and Social Inclusion
GON	Government of Nepal
GRB	Gender Responsive Budgeting
ICM	Internal Control Manual
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IP	Implementing Partner
IPSAS	International Public Sector Accounting Standards
IRs	Intermediate Results
J2SR	Journey to Self-Reliance
LG	Local Government
LMBIS	Line Ministry Budget Information System
LOE	Level of Effort
M&E	Monitoring and Evaluation
MDTF	Multi-Donor Trust Fund
MEL	Monitoring, Evaluation and Learning
MOEST	Ministry of Education, Science and Technology
MOF	Ministry of Finance
MOFAGA	Ministry of Federal Affairs and General Administration
MOFALD	Ministry of Federal Affairs and Local Development
MOHA	Ministry of Home Affairs

MOHP	Ministry of Health and Population
MOSD	Ministry of Social Development
MTOT	Master Training of Trainers
NDRRMA	National Disaster Risk Reduction and Management Authority
NFY	Nepali Fiscal Year
NHSSP	Nepal Health Sector Support Program
NNRFC	National Natural Resource and Fiscal Commission
NRA	National Reconstruction Authority
OAG	Office of the Auditor General
ODI	Overseas Development Institute
PBO	Parliamentary Budget Office
PE	Public Enterprise
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMSP	Public Financial Management Strengthening Project
PIP	Procurement Improvement Plan
PLGSP	Provincial and Local Governance Support Program
P-LMBIS	Provincial Line Ministry Budget Information System
PMP	Performance Management Plan
PPMO	Public Procurement Monitoring Office
PSC	Project Steering Committee
PAC	Public Accounts Committee
PWC	Price Waterhouse Coopers, India
SAM	School Accounting Manual
SAN	Storage Area Network
SAS	School Accounting Software
SIFM	School Integrated Financial Management
SNG	Subnational Government
SPES	Sustainability Plan and Exit Strategy
STTA	Short Term Technical Assistance
SUTRA	Subnational Treasury Regulatory Application
TABUCS	Transaction Accounting and Budget Control System
TEAMS	Training and Exchanges Automated Management System
TOGAF	The Open Group Architecture Framework
TOR	Terms of Reference
TOT	Training of Trainers
TSA	Treasury Single Account
UNDP	United Nations Development Program
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for International Development
USG	United States Government
WB	World Bank
WHO	World Health Organization
WNP	Whole National Reporting Portal

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Executive Summary

Background: Since 2017, Nepal has undergone a major restructuring of government from a Unitary to a Federal System. With this devolution of powers, responsibility for major public services like education and health have been delegated to sub-national governments (SNGs), including 753 Local Governments (LGs) and seven Provincial Governments. Consequently, the resourcing of these services – both human and financial resources – has also changed significantly. Under this new paradigm, all major education and health service delivery points -- 29,035¹ community schools and 4,377² health centers, health posts, and district or zonal hospitals – located in the LGs and Provinces are now significantly funded through grants and other revenue transfers from the Federal Government. In the current Nepali Fiscal Year (NFY) 2077/78, begun mid-July 2020, 25 percent (approximately NPR 362.63 Billion) of the total national budget has been devolved to SNGs through grants/revenue transfers. These funds have become managed more efficiently and securely, and with greater transparency and accountability, through improvements directly supported by the Public Financial Management Strengthening Project (PFMSP), including upgrades and technical support on the Line Ministry Budget Information System (LMBIS), Provincial LMBIS (P-LMBIS), Subnational Treasury Regulatory Application (SUTRA), and other Public Financial Management (PFM) information technology (IT) systems.

COVID-19: In facing emergencies posed by any outbreak or pandemic like COVID-19, PFM systems are vital to support the Government of Nepal (GON) in order to respond to challenges created due to such emergencies. In this regard, PFM processes ought to be geared towards reassessment of current fiscal policy needs; determination of new and urgent requirements mainly related to emergency health services; management of cash requirements with reprioritization of programs and spending; and exploration of new financial resources including assessment of public debt and current liquidity levels. In other words, strengthened PFM systems are even more critical under the COVID-19, as they help, ensuring timely budget release and payment, tracking, accounting for, and reporting the resources utilized for the emergency in the standard formats, and introducing fiscal measures as stimulus packages to keep the economy at a sustainable level.

PFM Reforms: Historically, various ministries responsible for sending funds to service delivery points through their district level offices could produce reports on how much was sent out but lacked an effective or timely way of determining how the funds were spent. This problem has continued under the first three years of fiscal federalism but has taken on new dimensions as powers and responsibilities shift significantly to SNGs, while the Federal Government retains significant “powers of the purse” through grants to SNGs. In short, Nepal is undergoing a simultaneous, dual transition: bureaucratic restructuring through a constitutional devolution of powers, and modernization of the bureaucracy so it may become transparent and accountable to citizens. Improved PFM continues to be essential for equitable and quality-oriented service delivery, but a modern PFM system is challenged by tensions among government levels and capacity limitations at all levels, especially in the new SNGs. These problems concern both bi-lateral and multi-lateral donors, given Nepal’s continued reliance on foreign funding and technical assistance.

Reform of Nepal’s PFM systems have also been challenged by a historical structure comprised of a multitude of disparate “mini” financial management information systems developed by different donors, for different ministries and without due consideration as to how these various systems would interface and integrate. The result has been an absence of linkages between these various systems, and the lack of a truly integrated modern financial management system,

¹ Education in Figures 2017 (At A Glance), 30 June 2018

² This includes: 123 public hospitals, 200 primary health centers, 3,808 health posts, and 246 urban health centers, according to the Annual Report (2016/17), Department of Health Services, April 2018

which could meet the needs of both central finance authorities **and** individual line ministries for their own internal management. PFMSP and other development partners (DPs) have been working since 2016 to address this deficiency in system linkage, and the advent of fiscal decentralization in 2017 -- which saw more spending and governing responsibilities given the 760 SNGs -- magnified the level of fiscal risks several fold, especially as the transition proceeded.

Progress on Reforms/Initiatives: Following PFMSP's IT Assessment approved in 2017, the Ministry of Finance (MOF) and its Financial Comptroller General Office (FCGO), issued a Concept Paper on Information Technology Based National PFM Systems in 2018. Thereafter, a high-level meeting among DPs in December 2018, prompted by both the IT concept paper and the emerging PFM reform challenges that were precipitated by the adoption of fiscal federalism, PFMSP accelerated work to provide a secure financial management data center for MOF and work extensively with MOF and FCGO on interim PFM software development and integration issues. Concurrently, the World Bank-managed Multi Donor Trust Fund (WB/MDTF) began supporting an ongoing study/roadmap towards achieving a fully integrated financial management information system (IFMIS), a study which has yet to be completed. Thus, intermediate solutions developed by PFMSP will remain critical in the coming years. The GON has now recognized the need for a new "grand plan" or third PFM Reform Strategy/Program (PFMRP), and shared political and bureaucratic will across the three government levels (the GON's most recent PFMRP was conducted in 2015, prior to fiscal federalism) This important exercise, for which PFMSP is expected to provide advisory services, is an important next step that will build on PFMSP's intermediate support and help ensure sustainability of PFM reform progress to date.

PFMSP Goal: The main goal of PFMSP is to contribute to enhanced capacity of targeted GON ministries and agencies for improved transparency and accountability of PFM systems. Good PFM, in short, is an enabling tool, without which good delivery of promised services cannot be achieved effectively or efficiently. Accordingly, PFMSP's theory of change is: If the GON receives adequate PFM training and capacity-building support, as well as targeted ICT and systems support, then budgeting and budget execution – and the associated PFM and service delivery outcomes – will significantly improve.

Sustainability Plan and Exit Strategy (SPES): USAID approved PFMSP's SPES in middle of PFMSP's Year 4, i.e. Fiscal Year (FY) 2020, which provides key guidance to all elements of this Year 5 Annual Work Plan (AWP).

Key Priorities and Expected Results for FY 2021/Year 5: PFMSP's priorities and expected results for Year 5 through this Year 5 AWP are organized by the project's Intermediate Results/Components and Outputs, per below.

Note: The COVID-19 pandemic delayed many Year 4 activities, which now must be completed in Year 5, and PFMSP has the opportunity to provide support on several new activities. Implementation of most activities must be complete by the end December 2020 to provide sufficient time for efficient project closeout. PFMSP's contracted level of effort (LOE) is expected to be fully utilized by the end of April 2021.

IR 1/Component A: Improved budget planning and execution capacity of the Government of Nepal.

Output 1.1 (IR 1.1): Improved procedures, guidelines and systems for PFM functions established in targeted agencies; and GON's capacity to operate and maintain them.

PFMSP will support the development and implementation of PEFA based assessment tools and build capacity to use the tools which will allow the GON to assess the PFM performance of entities and develop solutions to capacity gaps identified. PFMSP will work with MOF, FCGO

and the National Planning Commission (NPC) to train federal, provincial and LG staff surrounding the elements of PFM topics such as good Planning, Budgeting, accounting practices and reporting as well as in the use of available PFM software, including through e-learning. This will significantly improve the GON's capacity to link planning and budgeting, which is the basis of program-based budgeting, using updated software.

By the end of Year 5, the GON will have improved e-learning and PFM assessment tools in place and the capacity to use them and will have benefited from virtual international exchange.

Output 1.2 (IR 1.2): Selected ministries/agencies are capable of executing the budget and producing timely, uniform and accurate reports on different aspects of the budget cycle in compliance with GON requirements: In Year 5 PFMS will provide training to approximately 1300 GON staff to allow them to use PFM software (i.e. LMBIS/P-LMBIS, SUTRA, and/or other integrated software) to execute budgets, process receipts and payments, account for transactions accurately and prepare accurate and timely reports. As several PFM software systems will be linked this will allow data collected in one system to be transferred to another with virtually no loss of data integrity. The timeliness of data sharing will also be improved dramatically as electronic data transfer is virtually instantaneous while previous methods involved preparing reports and sharing them manually. The use of PFM software also stores transaction data electronically which greatly improves auditor's ability to conduct audits.

Fiscal transfer formulas should be based on a number of factors including the PFM performance of recipients, but also various needs and their willingness improve their management of resources. PFMS will continue its enhanced collaboration with the National Natural Resource and Fiscal Commission (NNRFC) to build their institutional capacity that will shape and propel the delivery of the Commission's constitutional responsibilities over the medium and long term including foremost the strategic capacity to develop appropriate formulas for fiscal transfers and in collecting and utilizing the data required to input into formulas. The work PFMS is doing in rolling out SUTRA to LGs is also strategic for LGs to manage their funds effectively and improve their chances of receiving funding and in providing PFM performance information to the NNRFC to input to fiscal transfer formulas.

By the end of Year 5, the GON will have improved nationwide capacity for budget formation using upgraded IT-based PFM systems, and the NNRFC's institutional capacity will be strengthened.

Output 1.3 (IR 1.3): The PFM is strengthened and extended resulting in modern, transparent, reliable, secure and resilient system that follows international best practices: The use of PFM software systems dramatically improves transparency as data is archived electronically and is easily accessible to multiple users including auditors. PFMS will continue to collaborate with the GON to upgrade and link the multiple PFM software systems in use, strengthening the IT infrastructure needed to support these systems and store data securely and building capacity in the operation and maintenance of the infrastructure. PFMS will also support expansion of and transition of sustainable Help Desks to provide ongoing support to users. These measures will ensure that the PFM software systems in use can be operated for several years and will establish a foundation to build to support an IFMS system, if and when the GON decides they want to move in that direction.

By the end of Year 5, the GON's IT-based PFM software systems will have improved linkage and functionality, and the hardware and support systems necessary to operate them beyond PFMS's support will be in place. The GON will also be prepared to decide whether to follow-through on a transition from cash to accrual accounting.

IR2/Component B: Improved control environment and procurement capacity in Targeted Ministries and Agencies

Output 2.1 (IR 2.1): Strengthened capacity of selected line ministries to operationalize and sustain adequate control environment policies and procedures and Output 2.2 (IR 2.2): Strengthened capacity of selected line ministries to manage the procurement process in adherence with the Public Procurement Act and related rules and regulations.

Ministry of Education, Science and Technology (MOEST): PFMSP's support, at MOEST's request, will continue to build the human and institutional capacity of the MOEST through trainings, introduction of guidelines and new/upgraded IT system to prepare budgets, manage their finances and prepare reports using PFM software being rolled out by MOF/FCGO with the support of PFMSP. Budget preparation guidelines will be finalized, SAS software for schools will be provided and the roll out initiated. The SAS Roll Out Project Team, which PFMSP will support so that appropriate "ownership and acceptance" among MOEST and other federal entities (e.g. FCGO) and SNGs and schools themselves, as well as plans for full roll-out plans beyond PFMSP's preliminary support, can be finalized and implemented as soon as possible. By early in Year 5, SAS will be accepted and MOEST will have the capacity to continue the SAS roll out after PFMSP concludes. SAS is also expected to lay the foundation, in connection with SUTRA and other MOF/FCGO-led improvements in software accounting, for MOEST to receive timely and accurate data from SNGs.

PFMSP will help strengthen the overall functions (roles and responsibilities) of the Audit Committee by providing inputs on the TOR of the committee in the oversight and management of past and future audit irregularities, address past irregularities by, organizing workshop/training session to the accountants including the Audit Committee members or facilitated by this committee, and providing technical assistance to help settle irregularities at selected districts. This support will help MOEST to identify, prevent, and reduce irregularities.

By the end of Year 5, MOEST is expected to have a financial software system in place that serves schools, subnational governments, and the national government to improve controls, procurement capacity, transparency, and accountability in the education sector.

Ministry of Health and Population (MOHP): PFMSP will build capacity of MOHP staff in applying the newly adopted Business Plan and the Planning and Budgeting Guidelines. PFMSP will organize workshop/training session to the accountants including members of Audit Committee or facilitated by this Committee to address past audit irregularities and steps to reduce irregularities in the future. PFMSP will provide PFM and Internal Control training to MOHP staff at federal and provincial offices to deepen the PFM capacity throughout the agency. PFMSP will strengthen compliance with good procurement practices by providing training to procurement staff. PFMSP in Year 5 plans to support the MOHP to conduct a third-party audit/verification of existing equipment at hospitals and academies under MOHP's purview and recommend set up of a comprehensive inventory management system to address weakness in its inventory management system, including non-compliance proper utilization of such medical equipment.

PFMSP's support will help better enable MOHP to make rational budgetary allocations to its federally led health units and SNGs; lead to a reduction of audit findings; help settlement of past findings/arrears; and prevent future irregularities.

By the end of Year 5, MOHP will have benefited from training to improve complex health sector planning, internal controls, procurement capacity, and overall transparency, and accountability in the health sector.

IR3/Component 3: Strengthened PFM functions of National Reconstruction Authority

Output 3.1 (IR 3.1): NRA develops policies and procedures for transparent and accountable execution of reconstruction and recovery funds and Output 3.2 (IR 3.2): The 2015 post earthquake recovery process is perceived credibly by Nepal's citizens and the international community:

Having successfully completed all training requirements on the NRA FMIS, PFMSP will continue to build the PFM capacity at the NRA by providing ongoing technical assistance in ensuring accurate data is recorded in the system as well as on the job training on the FMIS to the users. PFMSP will also continue to collaborate with the NRA on sharing key financial statistics with the public to increase awareness of the contributions of the NRA to the earthquake recovery.

PFMSP, IPS and J2SR: PFMSP's Year 5 implementation approach is aligned with the goals United States Government's Indo-Pacific Strategy (IPS) and USAID's IPS objectives. PFMSP directly addresses democratic systems strengthening and fosters economic growth by promoting and improving accountable and transparent use of budgetary resources. PFMSP is further aligned with the three pillars of IPS:

- **Governance Pillar:** PFMSP fosters accountability and transparency, including fighting corruption, as Nepal transitions to a federal democracy
- **Economic Pillar:** PFMSP helps create an enabling environment for public and private investment, through improved public financial management and procurement processes
- **Security Pillar:** PFMSP supports Nepal's dual transition to a federal state and modern bureaucracy, strengthening local democratic accountability and political stability

By utilizing and strengthening the country's human resources and training systems, PFMSP is also directly aligned with USAID's Journey to Self-Reliance (J2SR), helping Nepal achieve locally sustained results.

Communication and Collaboration: Given the nature of the programmatic interventions in Year 5 and PFMSP's plan to close-out by April 2021, PFMSP will focus its collaboration and coordination efforts with relevant stakeholders with a focus sustainability of PFMSP's strategic initiatives. An overarching-whole of project Coordination Committee comprising members from MOF/FCGO/PEFA/MOEST/MOHP and NRA was envisioned for Year 4, but GON counterparts preferred to manage coordination through other methods. As PFMSP moves to full handover of its initiatives, PFMSP will maintain continuous communications with key counterparts, USAID, and other development and implementing partners to maximize knowledge sharing and help ensure sustainability of Nepal's ongoing PFM reform process. PFMSP will continue to collaborate with WB/MDTF, Education and Health Donor Working Groups as needed/requested. PFMSP will continue coordination with Provincial and Local Governance Support Program (PLGSP)/MOFAGA, particularly given that FCGO is slated to utilize up to \$10 million of PLGSP funds for SUTRA support/ implementation. PFMSP will share an excerpted version of this AWP and pertinent reports and will regularly exchange information and progress on this AWP, with other USAID projects and DPs working in PFMSP's ambit. PFMSP will have regular consultations with USAID's PFM Working Group (if requested) and will attend Democracy and Governance (DG) Meetings and work closely with USAID DG projects to share progresses, lessons learned and best practices and to implement collaborative initiatives for a greater impact. Collaborative work will focus on follow-through with PFMSP's innovative gender responsive budgeting (GRB) initiatives and helping other DG projects take advantage of SUTRA and other PFM reforms at the SNG levels. Moreover, PFMSP plans to develop relevant success stories, photo stories, best practice reports and other communication materials to demonstrate the work done by project to support the GON in strengthening its PFM, as well as increase PFMSP' visibility among DPs, at USAID's direction.

Risks and Mitigating Strategies: Strong leadership from officials in the FCGO and MOF have helped to clarify for all donors in the PFM space the GON's expectations of them. However, while PFM reform achievements have been significant and are heading in the right direction to support achievement of PFMSP's goal – as well as the goals and objectives of both IPS and the J2SR – risks and challenges remain that the GON as a whole will not:

- Change crucial PFM business processes that are holding back development, or detection of corruption more difficult;
- Give continuing adequate attention (because of frequent turnover of government officials) to turf battles among donors competing in the PFM space; and/or
- Have the required financial and human resources, political will, and bureaucratic will, to successfully achieve Nepal's dual transition to a federal state and modern bureaucracy.

PFMSP mitigates these challenges through continuing discussions with its counterparts on the need to improve business processes and follow through on commitments to reform. Most of PFMSP activities are designed to provide guidance, tools, and IT systems that will facilitate implementation of best practices. PFMSP will also mitigate challenges through a flexible implementation approach and strong adaptive management. PFMSP will also seek final clarification of unclear requirements in the PFMSP contract, so that implementation may remain results-focused and minimally burdened by administrative requirements.

COVID-19 Risk Mitigation: PFMSP will continuously work with counterparts to refine operations in light of the ongoing COVID-19 pandemic. This shall include utilizing appropriate methodologies for delivery of technical assistance/training, in line with the project's COVID-19 Risk Mitigation Plan approved by USAID in June 2020.

Conclusion: Overall, PFMSP's work to achieve the project's goal and expected outcomes/results helps provide Nepal the backbone for the improved governance and service delivery envisioned by Nepal's federal constitution of 2015. PFMSP's work is thus well-aligned to provide a foundation for the country's emerging new PFM systems as it proceeds on its own reform journey that will meet shared goals and objectives of IPS and J2SR.

Since 2016 there has been tremendous progress developing, improving, and rolling out PFM systems and processes with PFMSP's critical support and coordinated support from other donors. LMBIS is now used by the entire federal government to prepare and update budgets, TSA is used by the FCGO to process payments and is now linked to the LMBIS. P-LMBIS and P-TSA are also in place for the provincial level. CGAS captures accounting data at many federal and provincial ministries and spending units and an improved version is being developed which the GON is in the process of rolling out to all federal and provincial ministries/spending units. RMIS captures revenue data. The SUTRA software which supports all key PFM functions is being encouraged to be fully used by most LGs in the country. The GON has developed a general strategy to continue to improve and link current systems and roll them out to all relevant entities, and a new PFMSP will proceed with PFMSP's inputs. The GON plans to use this network of systems for the next five-eight years when they may transition to a true enterprise resource planning (ERP) type platform that supports all PFM functions and entities on one software and one database, and PFMSP's interim support has laid the groundwork for sustainable PFM reform.

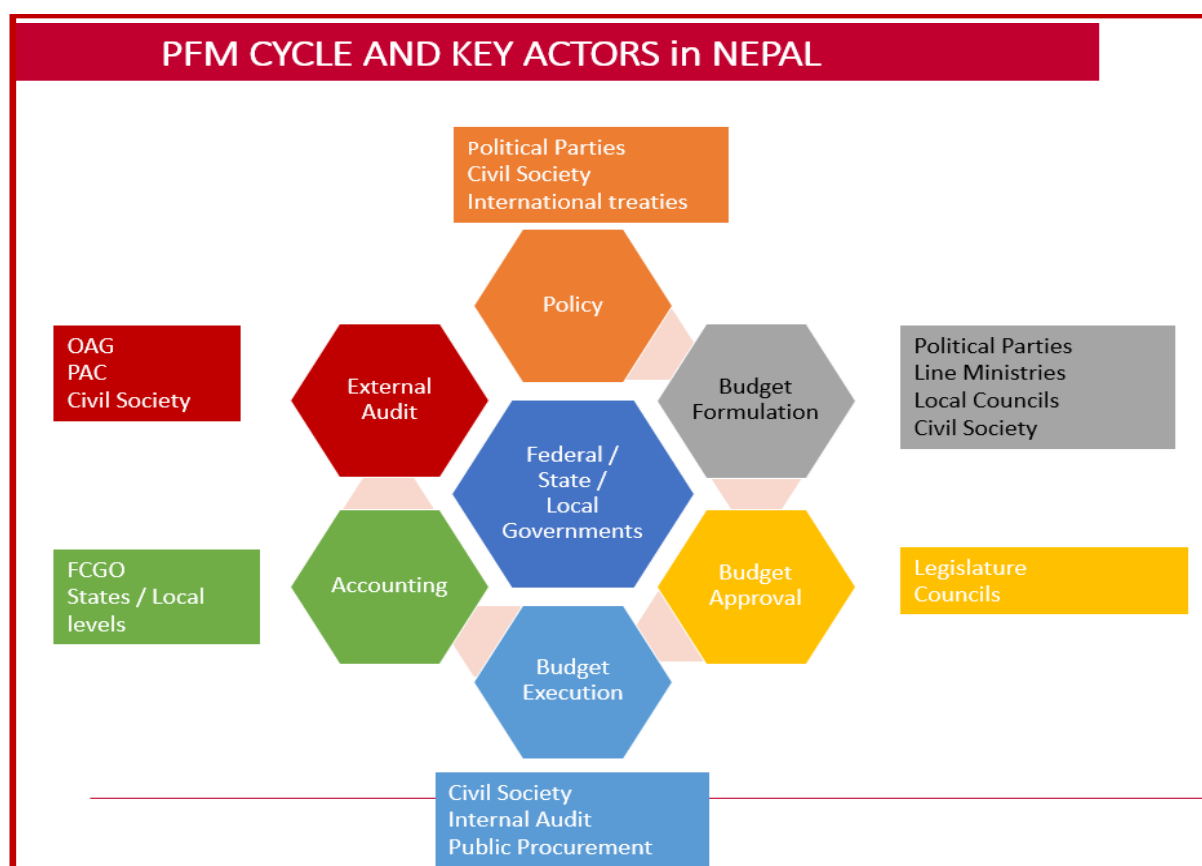
By the end of PFMSP's implementation period, the GON will have greater capacity to prepare budgets, account for their use, and provide timely expenditure reports through enhanced use of IT systems for PFM. PFMSP's key counterpart ministries and agencies will have improved capacity to manage financial resources (both domestic and international); oversee and conduct internal audits; and follow national standards for procurement guidelines. In the long run, these

important interim steps will result effective internal control mechanism for greater transparency in use funds and reduce opportunities for corruption, thereby reducing Nepal's need for continued international assistance. Although COVID-19 has delayed many activities in Year 4 to Year 5, PFMSP and its GON counterparts have been in continuous discussions and will remain responsive to emerging opportunities and challenges to help ensure that a sustainable foundation has been built by PFMSP's work to be maintained under the GON's leadership.

1. Project Goal and Expected Results (IRs)

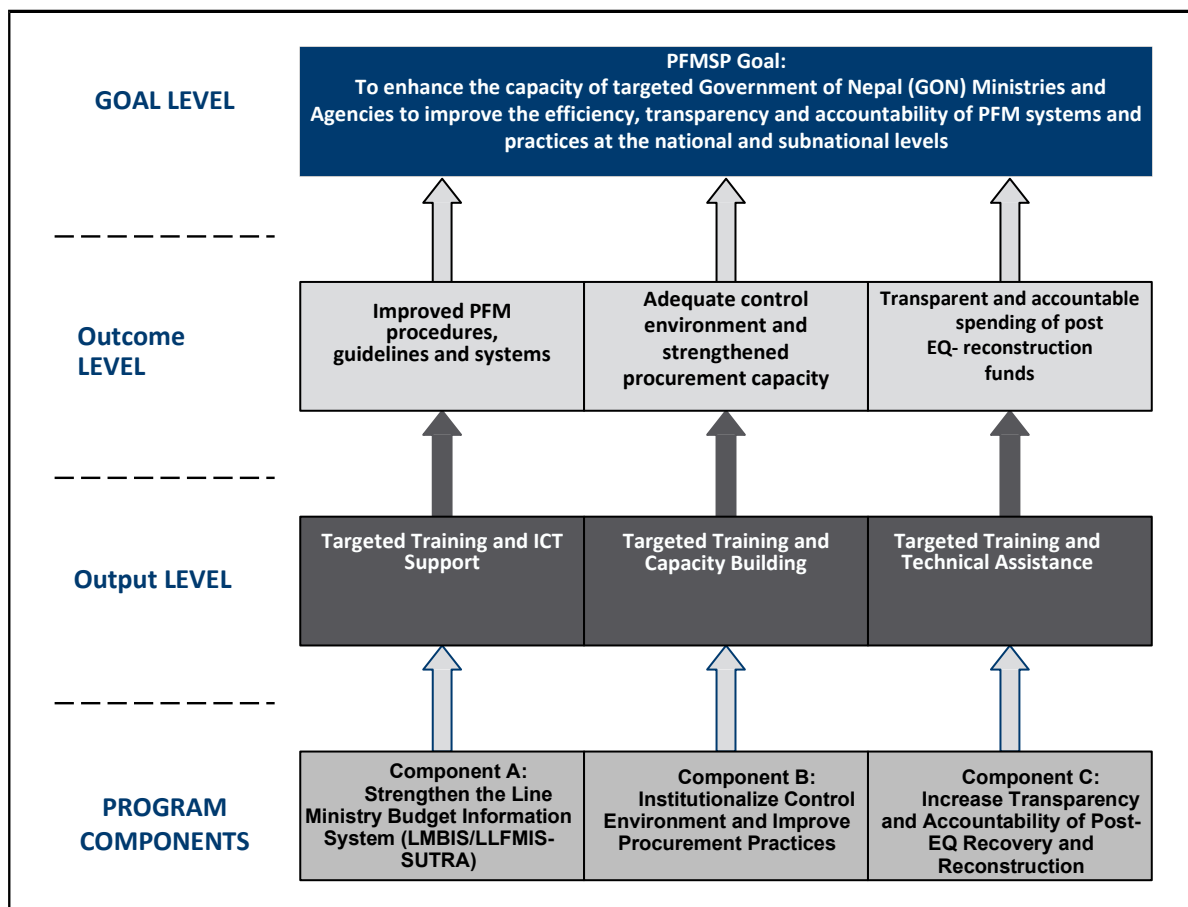
The modern day conception of “good PFM” is broad- touching on issues like government policy setting (“Is a policy affordable within revenue constraints?”, or “are there adequate funds in the budget to implement previously approved policies/projects?”), determining whether a particular implementation strategy will be “good value for money”, assessing whether the outcomes of spending were actually achieved, and communicating to legislative bodies and the general public in a **meaningfully transparent way** how all of these many dimensions of PFM work together to enable quality service delivery. The complexity of the PFM cycle is illustrated in **Figure 3** below which shows not only the many pieces of this complex process, but also identifies the many “clients” that it must serve- not only to enable delivery of the services government has promised to its citizens, but also to keep many groups clearly informed about how well funds are being used so that they can act as “countervailing” powers to keep the system operating in the public’s interest.

Figure 3- PFM Cycle and Key Actors in Nepal



Good PFM, in short, is an enabling tool, without which good delivery of promised services cannot be achieved effectively or efficiently. Accordingly, PFMSP’s theory of change is: If the GON receives adequate public financial management (PFM) training and capacity-building support, as well as targeted ICT and systems support, then budgeting and budget execution – and the associated PFM outcomes – will significantly improve. **Figure 4** presents a graphical description PFMSP’s theory of change, as approved in PFMSP’s Monitoring, Evaluation and Learning Plan.

Figure 4: PFMSP's Theory of Change



The main goal of PFMSP as conceived by USAID is to contribute to enhanced capacity of targeted GON ministries and agencies for improved transparency and accountability of Public Financial Management (PFM) systems through three Outcome Results (IR) by accomplishing the seven output LEVEL results as shown in the **Table 3** below:

Table 3: Results Framework of PFMSP

Impact/Goal: To enhance the capacity of targeted ministries and agencies of Government of Nepal to improve the transparency and accountability of PFM systems.		
Component A	Component B	Component C
Outcome 1 (IR 1)	Outcome 2 (IR 2)	Outcome 3 (IR 3)
Improved budget planning and execution capacity of the government of Nepal	Improved control environment and procurement capacity in targeted ministries/agencies	Strengthened PFM functions of NRA
Output 1.1 (IR 1.1)	Output 2.1 (IR 2.1)	Output 3.1 (IR 3.1)
Improved procedures, guidelines and systems for PFM functions established in targeted agencies; and GON's capacity to operate and maintain them	Strengthened capacity of selected line ministries to operationalize and sustain adequate control environment policies & procedures	NRA develops policies and procedures for transparent & accountable execution of reconstruction & recovery funds
Output 1.2 (IR 1.2)	Output 2.2 (IR 2.2)	Output 3.2 (IR 3.2)
Selected ministries/agencies are capable of executing the budget and producing timely, uniform and accurate reports on different aspects of the budget cycle in compliance with GON Requirements	Strengthened capacity of selected line ministries to manage the procurement process in adherence with the Public Procurement Act and related rules and regulations	The 2015 post earthquake recovery process is perceived credibly by Nepal's citizens and the international community
Output 1.3 (IR 1.3)		
The PFM is strengthened and extended resulting in modern, transparent, reliable, secure and resilient system that follows international best practices		

2. Activity Description

IR1/Component A: Improved Budget Planning and Execution Capacity of GON

Output 1.1 (IR 1.1): Improved procedures, guidelines and systems for PFM functions established in targeted agencies; and GON's capacity to operate and maintain them

Note: All Year 5 activities are continuations of Year 4 activities, unless otherwise noted as "new". Activity numbering matches Year 4 numbering, except for new activities.

FCGO/ PEFA Secretariat

A.1.1.1 Support FCGO in piloting the PEFA Self-assessment Excel based workbook of selected Federal ministries/agencies.

In collaboration with the FCGO and PEFA Secretariat in Year 3, PFMSD developed and provided orientation to selected officials of FCGO, PEFA Secretariat and OAG on easy-to-use Excel-based "workbooks" for ministries/agencies to evaluate their performance on the important aspects of PFM as those that have been laid out in the 2016 PEFA framework by a coalition of international organizations and bi-lateral DPs. In Year 4, FCGO did not prioritize this due to other priorities and the COVID-19 pandemic. This activity is now rolled over to Year 5. In the first quarter of Year 5, PFMSD will support/work with the FCGO to conduct 'pilot' assessments of two GON ministries/agencies using this self-assessment tool. The results of the pilot assessments will provide the basis for FCGO and PEFA Secretariat to improve and implement the tool for other federal, provincial, and local level agencies.

All PFMSD Target Ministries/ Agencies

A.1.1.2 Organize experiential training to GON staff on fiscal federalism, results-focused budget formulation, and good Public Financial Management (PFM) system

Subject to USAID approval, this activity was originally planned for the third quarter of Year 4 but could not be conducted due to the COVID-19 situation. The activity is now rolled over to Year 5, also contingent upon USAID approval and COVID-19 conditions. In order to foster commitment to moving closer to PFM international best practices, PFMSD may consider engaging four to five individuals from targeted ministries/agencies and subnational levels to attend trainings, workshops or conferences on specialized fields, and/or in programmatic experiential learning activities in the first quarter of Year 5. PFMSD will sponsor the experiential learning activity to help officials to understand the practical application of international PFM practices such as transparent medium-term results-focused budgeting, careful linking of adopted policies to budgets, performance reporting, commitment control, and/or the use of transparent/ objective criteria for grants/transfers to sub-national governments.

Based on consultations with GON counterparts regarding their needs and the COVID-19 situation, PFMSD in late Year 4 began investigating the possibility of holding a virtual learning/exchange with Georgia State University, PFMSD's earlier partner in international exchange learning.

A.1.1.3 Develop e-learning modules on PFM areas (e.g. Upgraded LMBIS/P-LMBIS, SAS and/or SUTRA)

Following the formation of 753 Local Governments and seven Provinces under federalization, and with the induction of numerous new officials at all tiers of GON, the need for more training of officials in PFM is increasingly emerging. This need is heightened in Nepal by the frequent practice of authorities that manage the professional civil service to transfer personnel among ministries or jurisdictions.

Most of the trainings conducted by GON and/or donors are instructor-led, classroom-based trainings. The logistical nature and delivery costs of conducting training in this manner significantly limit the number of officials that can be reached in a timely manner on important topics as well as require a lot of financial resources.

Also due to the COVID-19 pandemic and subsequent restrictions put forward by the GON, it has been increasingly difficult to conduct in-person trainings and hence the need for increasing the use of distant/online training approaches is becoming acute.

E-learning is a means to help reach more trainees with less cost and flexibility. The GON's stated intent of expanding internet connectivity to reach more of its remote areas will mean that e-learning options will be able to reach more National and SNG officials.

PFMSP had planned to develop two e-learning modules in Year 4. However, due to the COVID-19 situation, PFMSP could only complete the solicitation of vendor for development of e-learning on SUTRA. In the first and the second quarter of Year 5, PFMSP will continue to work closely with the MOF and FCGO to complete the development of e-learning on SUTRA and develop two more e-learning modules on SAS and CGAS.

Output 1.2 (IR 1.2): Selected ministries/agencies are capable of executing the budget and producing timely, uniform and accurate reports on different aspects of the budget cycle in compliance with GON requirements

Ministry of Finance

A.1.2.1 Train GON staff on LMBIS and P-LMBIS

All federal ministries/agencies are required to submit their annual budget via LMBIS, while all seven provinces were required to submit the 2019/20 budget using the P-LMBIS, a budget formulation tool that was endorsed by the Cabinet of Ministers in Year 3 on April 28, 2019. With the rotations/turnover of officials at the federal ministries/agencies, new officials need to be trained in LMBIS, while at the provincial level, with the implementation of the newly developed system (i.e. P-LMBIS), the trainings for budgeting and financial staff of ministries and line offices is much more important. MOF and PFMSP, with PFMSP support, have worked together to upgrade the LMBIS and P-LMBIS training program to suit the need of the users of national and provincial level ministries/agencies.

Through Year 3, PFMSP had assisted MOF to train 2084 officials from federal-level ministries/agencies and their district offices in LMBIS. In Year 4, PFMSP was expected to support training of 1,000 officials (250 Federal level staff and 700 Provincial level staff including Health and Education offices). However due to the COVID 19 pandemic, PFMSP supported training for 181 provincial level officials in six of seven provinces and MOF was not able to carry out training in one province. In parallel, the delay in the development/roll-out of the upgraded LMBIS and P-LMBIS and TSA/P-TSA systems, trainings on the new upgraded software couldn't be carried out. The upgraded LMBIS/P-LMBIS and TSA/P-TSA are expected to be fully operational by the middle of 2021; hence there is a critical need to develop master trainers on these systems and train the users at the Federal and Provincial levels. PFMSP expects to train 300 officials on these integrated systems. Given the on-going COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid)

with MOF/FCGO with the goal of institutionalizing knowledge and training capacity beyond PFMSPP's lifespan, including through potential collaboration with the PFM Training Center.

National Natural Resource and Fiscal Commission

In the middle of Year 4, PFMSPP worked with USAID and the NNRFC to reframe support to the Commission that meets the strategic institutional strengthening needs as identified by the NNRFC Chairman. PFMSPP competitively awarded a subcontract to a local organization to deliver the planned Year 4 deliverables and extend the period of performance into Year 5. Overall, in Year 5 PFMSPP's experts, under the overall direction of the Chairman, will continue to provide high-quality technical, research and policy advisory support to the Commission for the effective execution of its roles as custodian of fiscal federalism in Nepal. The experts will also act as the principal interface between the Commission and PFMSPP and act as the principal technical assistance. The experts, supported by team of program and research analysts will continuously track all the political and economic developments, policy changes, and stakeholder information— providing an up-to-date scenario and policy recommendation for the leadership of the NNRFC. The experts will carry out the tasks such as but not limited to carrying out coordination with different stakeholders, prepare policy papers, policy briefs, technical notes, presentations and analytical reports reflecting on the technical support; Provide overall quality assurance for the work of the Commission with regard to fiscal transfers, macroeconomic assessments and other work as deemed necessary. Specific supportive activities are further detailed below.

A.1.2.2 Support development of and/or training on fair and objective grant transfer formula(s) through regular access to robust financial data from various GON systems (database Management) or sources

One of the key tasks of NNRFC is to develop fair and objective grant transfer formulae. To be able to do so, NNRFC requires a comprehensive database of information from various sources and tiers of GON that are crucial to develop the formulae. PFMSPP will assign a data protocol expert who will primarily be responsible for developing and documenting data protocol model elements according to established standards and guidelines. The expert will review the existing data systems of various agencies, using scientific analysis and statistical models, to generate the required and feasible interagency data protocol. The expert will also act as resource person for training NNRFC and other agencies' staff on inter-agency data protocol.

A.1.2.3 Help build the capacity of NNRFC in understanding and implementing the different pillars of fiscal federalism.

To be able to develop fair and objective grant transfer formulae, besides the access to comprehensive database of crucial information, NNRFC has also expressed its need to develop the capacity of their staff on understanding the different pillars of fiscal federalism and to prepare data simulation and carry-out data analysis. Under this activity, PFMSPP will undertake a residential training program that brings NNRFC members and external experts together for intensive deliberation on various issues relating to fiscal federalism in Nepal. The discussion will provide the foundations for the future trajectory of fiscal federalism and specify the strategic and operational role of the NNRFC. The training will be facilitated by PFMSPP team's sectoral experts or other experts as relevant.

A.1.2.4 Support NNRFC to develop knowledge products on fiscal federalism and local finance for educating local governments.

The NNRFC aims to build a knowledge sharing series on various aspects of fiscal federalism and Local Level Financial Management to help a wide range of GON officials to understand the PFM related laws, rules, regulations and systems in the changing context of federalization.

PMFSP will produce knowledge products to inform local government about fiscal federalism. Knowledge products will be on topics such as local public financial management, fiscal transfers formula(s), or any other relevant and pertinent frequently asked questions regarding the working of the NNRFC. The report will be published and distributed to all local and provincial government as well as other federal actors.

A.1.2.5 Help to design or implement incentive-based performance measurement system.

The commission in the previous years have designed few incentives-based indicators to be used to measure the performance of the LGs and make recommendations for fiscal transfers. PFMSM will design additional initial draft of the performance measurement system. The draft will then be discussed among PFMSM experts and NNRFC staff members before being finalized. The outcome of the work will be an incentive-based performance measurement system document that serves as guide for the NNRFC while designing fiscal transfer formulae. As such system will directly impact provincial and local governments, it is imperative for the political leadership and bureaucrats of those governments to understand the expected performance measures and how they are built into the grant distribution formulae. Hence, a training program will be conducted in seven provinces. Additionally, three training programs will be conducted in rural areas where participation in provincial-level training is not possible. The exact location of the three places will be determined in consultation with NNRFC.

FCGO/ PEFA Secretariat

A.1.2.7 Support FCGO to deliver training to LGs on PFM functions and SUTRA (A.1.2.6 in AWP Year 4)

In Years 2 through 4, PFMSM supported FCGO to train a total of 5,931 officials from all LGs on SUTRA, a simple financial management system designed for budgeting, accounting and reporting. The trainings were also timed and focused to help the LGs prepare their budgets in this system as the Cabinet of Ministers has mandated all LGs to prepare budgets in SUTRA. As a result of the trainings, as of the end of NFY 2076/77 (2019/20), 751 LGs were entering budgets in SUTRA.

Due to the continuous recruitment of new staff at the LGs, there is an ongoing need to capacitate local level officials. Over the past years, training on SUTRA has focused more on the technical use of the SUTRA system; with competency in the system generally improved, there is a need to shift SUTRA trainings to emphasize improving process quality, which includes the PFM process of budgeting/planning, accounting, and reporting. FCGO, in collaboration with MOF and NPC, thus plans to address these training needs for LGs to help perform these PFM functions more effectively at the local level. PFMSM will work with and support the FCGO to deliver customized user level training to approximately 1,000 staff from LGs. Given the on-going COVID-19 pandemic situation, PFMSM will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOF/FCGO with the goal of institutionalizing knowledge and training capacity beyond PFMSM's lifespan, including through potential collaboration with the PFM Training Center.

A.1.2.8 Operate SUTRA Help Desk at the FCGO and prepare for transition to direct FCGO management (A.1.2.7 in AWP Year 4)

With the GON's decision to use SUTRA as a financial management tool at the LGs, the number of LGs using SUTRA has increased significantly. A total of 751 of 753 LGs were using at least one module of SUTRA by the end of NFY 2076/77 i.e. July 15, 2020. PFMSM expects that all 753 LGs will be using at least some modules of SUTRA in FY 2077/78 (2020/21). To support the users of SUTRA on day-to-day issues that may arise while using the system, PFMSM will continue to support operation of the SUTRA help desk at the FCGO throughout the first quarter

of Year 5, after which FCGO plans to take over full leadership of the help desk. The expert team at the help desk will not only help address the queries and issues raised by LGs regarding the use of SUTRA, but will also provide system administrative and technical support particularly when bugs may appear in the system as well as will work with the DFID supported developers to prepare new modules in SUTRA. FCGO in Year 4 added some GON staff in the help desk and assigned an undersecretary and an officer to supervise the SUTRA operation. This is a significant step taken by FCGO towards full ownership and operation of the help desk. PFMSP will continue consultations with the FCGO in Year 5 regarding the sustainability and exit plan to fully transition the help desk under direct management of FCGO.

Output 1.3 (IR 1.3): The PFM is strengthened and extended resulting in modern, transparent, reliable, secure and resilient system that follows international best practices

MOF/ FCGO

A.1.3.1 Finalize and implement the new LMBIS system enhancements and Integration with TSA

In Year 4 PFMSP continued to work with MOF and FCGO to make necessary upgradation/enhancements in the LMBIS and TSA systems, to develop upgraded P-LMBIS and P-TSA, and to develop linkage between these systems and with the upgraded CGAS (with the support of MDTF fund). As of the end of Year 4, most of the upgraded systems will have been tested and rolled out, and full handover of the system is expected in November 2020.

Given the intensity of the work in rolling out these new systems, the work will continue in Year 5. In the first quarter, PFMSP will complete the ongoing work to upgrade the LMBIS and TSA to a web-based framework in compliance with Government Enterprise Architecture. PFMSP will also customize/finalize the upgraded LMBIS and TSA to develop for use at the provincial level (i.e. P-LMBIS and P-TSA) per the requirements of MOF. PFMSP will also assist in upgrading additional priority work such as adding modules and/or enhancements in LMBIS. Pending final decisions, these will include an electronic approval/memo (i.e. automated decision making processes); integrations with the other systems used by NPC to monitor multi-year projects; monitoring of grants through the development of specific reports; interface with project bank(s); and/or standardizing activity based budgeting/development of a concept of “Chart of Activities” so budgeting processes are conceptually consistent across ministries/agencies.

PFMSP will also continue to support a full-time LMBIS expert at the MOF in the first quarter to oversee the LMBIS upgrades.

A.1.3.2 Support for upgrades in the Data Center (A.1.3.4)

In Years 1 through 4, PFMSP supported MOF to establish and upgrade a state-of-the-art modular data center in the ministry; installed a Hyper-Converged Infrastructure (HCI) and Network security to enhance data security; and helped reduce system downtime and provided support to PFM systems being operated by MOF. In the first quarter of Year 5, PFMSP will continue to support the upgrades in the data center related to SIEM for the Data Center (begun in Year 4) and other minor work to help the data center to function more efficiently and securely.

A.1.3.3 Support for regular maintenance and system operation of Hardware and Software - Anti-Malware and Data Center Support (A.1.3.5)

PFMSP will continue to support maintenance and licensing costs for hardware and software (HCI and Relational Database Management System-RDMS) installed at the data center through first quarter of Year 5 and/or as negotiated in the present contract with the existing vendors. PFMSP will work with MOF to ensure that the support provided by PFMSP will eventually be

taken over by the ministry upon completion of the support agreement.

A.1.3.4 Assist in implementation of CGAS; support IT infrastructure (equipment) at the center (FCGO), and districts (DTCOs). (A.1.3.9)

PFMSP in Year 4 supported procurement of Storage Area Network and Switches to the FCGO for additional security of the data in the GON's PFM IT systems. In first quarter of Year 5, PFMSP will complete the support of power backup units to selected DTCOs.

A.1.3.5 Support FCGO to complete the study on basic requirements to transition to accrual accounting (A.1.3.10)

Transitioning to accrual accounting is not an easy task and can take several years to achieve. With PFMSP support, FCGO has developed a concept paper describing the major changes that GON must prepare for to ensure an orderly transition. Particularly important steps will be the development of procedures and systems to record, control, and report commitments, as well as begin development of asset registers to keep track of the government's assets and their value. In Year 3, PFMSP provided FCGO with a comprehensive note regarding the rationales and impacts on moving from a cash to accruals-based accounting system. FCGO has appreciated the document; however, it has requested PFMSP to help provide them with a detailed step-by-step process required to transition into accrual accounting. This activity could not be accomplished in Year 4 due to the COVID-19 pandemic. PFMSP will assist FCGO to prepare a phased-in implementation plan of the accrual accounting in the first quarter of Year 5.

A.1.3.6 Support trainings and workshops/seminars on good PFM practices such as accounting and fiscal reporting for FCGO, MOF, and selected PTCOs (A.1.3.11)

MOF/FCGO requested PFMSP during the Year 4 planning workshop to support for trainings on specific PFM topics are important for officials of MOF and FCGO to remain updated on best PFM practices. PFMSP planned to support the FCGO to conduct trainings on PFM areas and specific accounting topics (such as IPSAS and fiscal reporting for the FCGO) for selected PTCOs and MOF staff in the second quarter of Year 4. However, due to the FCGO's other priorities and the COVID-19 pandemic-related meeting/gathering restrictions, PFMSP could not complete this activity in Year 4. PFMSP plans to support the FCGO to conduct trainings/seminars/workshops on good PFM practices to senior level staff of FCGO and other GON Officials. These would be in country and/or out of country through virtual means (see potential related Activity A.1.1.2 above) depending on the evolution of the COVID-19 situation in the first quarter in Year 5. Through this support, FCGO will be able understand the importance of PFM and to introduce good PFM practices among colleagues in their respective ministries/agencies.

A.1.3.7 Arrange for MOF/ FCGO staff to take certification on TOGAF (carried over target) (A.1.3.12)

Working with MOF and FCGO in Year 1, PFMSP sponsored a workshop for MOF/FCGO IT systems professionals on the "The Open Group Architecture Framework" (TOGAF). TOGAF provides an approach for designing, planning, implementing, and governing an enterprise IT architecture. TOGAF framework implementation is integral to the GON's efforts of having an enterprise IT architecture that supports whole-of- government PFM reform efforts. In Years 2 through 4, a total of five trainees successfully completed the TOGAF certification. In Year 5, PFMSP will support two additional trainees to take the TOGAF exam.

IR2/Component B: Improved Control Environment and Procurement Capacity in Targeted Ministries and/or Agencies

Ministry of Education, Science and Technology

Output 2.1 (IR 2.1): Strengthened capacity of selected line ministries to operationalize and sustain adequate control environment policies and procedures

B.2.1.1 Design and Deliver training on Planning and Budgeting guidelines for federal and provincial officials (B.2.1.2 in AWP Year4)

PFMSP in Year 4 further revised the Planning and Budgeting Guidelines developed in Year 3 based on latest feedback from the ministry and to incorporate the latest changes in national laws and regulations. The approval of the guidelines was delayed due to the COVID-19 pandemic and other MOEST priorities. PFMSP expects that the guidelines will be approved in late Year 4 or the early part of the first quarter of Year 5. Pursuant to MOEST's pending approval of the guidelines, PFMSP will support MOEST to conduct training on the new guidelines for approximately 60 officials working at the federal and provincial levels. Conducted as soon as possible in the first quarter of Year 5, the training is expected to build capacity of the planning and budgeting officials and help ensure alignment of plans and budgets with national and sector strategic plans, introduce a medium-term results-based approach to planning and budgeting, and develop objective costing norms for the operation of community schools based on adopted and uniformly applied standards for service delivery.

Given the ongoing COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOEST/CEHRD (and relevant provincial officials) with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOEST and CEHRD.

B.2.1.2 Support to conduct Master TOT on School Accounting Software (SAS) (B.2.1.5 in AWP Year 4)

In Year 4 PFMSP completed the development and pilot testing of the School Accounting Software (SAS) in close collaboration with the MOEST and CEHRD. PFMSP also finalized the user and training manuals and translated those into Nepali. In the latter part of Year 4, PFMSP remained in continuous consultation with MOEST to develop plan for the Training of Master Trainers (MTOT) and Training of Trainers (TOT). These activities will be now carried out in first quarter of Year 5. PFMSP is adopting the MTOT approach to develop a core skilled group of master trainers in the federal and province levels who will then deliver TOT in the 34 USAID priority districts to help rollout the SAS. In the first quarter of Year 5, PFMSP will provide MTOT to 40 GON officials selected from MOEST (five master trainers), CEHRD (five master trainers), FCGO (four master trainers), MOFAGA (three master trainers), SAS piloted schools (two master trainers), Provincial Ministries of Social Development (seven master trainers, one from each province), Provincial Education Directorates (seven master trainers, one from each province) and Provincial Training Centers (seven master trainers, one from each province). The approach of developing master trainers at the federal and provincial level is aligned with PFMSP's sustainability strategy of supporting and capacitating MOEST to roll-out SAS nationwide after the project ends.

Given the ongoing COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOEST/CEHRD and others with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOEST/CEHRD and other institutions.

B.2.1.3 Support to conduct TOT on School Accounting Software (SAS) (B.2.1.6 in AWP Year 4)

Following the development of the Master Trainers, in the first quarter of Year 5, PFMSP will support MOEST to provide TOT to develop 342 trainers in the 34 USAID priority districts. One staff from each of 308 LGs in the 34 districts, and one staff from each Education Development and Coordination Unit (EDCU) will be trained to develop their capacity as trainers to train schools in their localities on the use of SAS. The approach of developing skilled trainers in each LG of the 34 USAID priority districts is aligned with PFMSP's strategy of providing close mentoring and support to all the schools using SAS. It is expected that having local trainers (LG staff) will also help increase the number of schools using SAS. Since SAS is expected to feed-in schools' financial information to SUTRA, the strategy of having LG staffs as trainers is even more significant. Availability of trainers in all LGs in the 34 districts will enable MOEST to roll-out SAS in the remaining schools of these districts after the project ends.

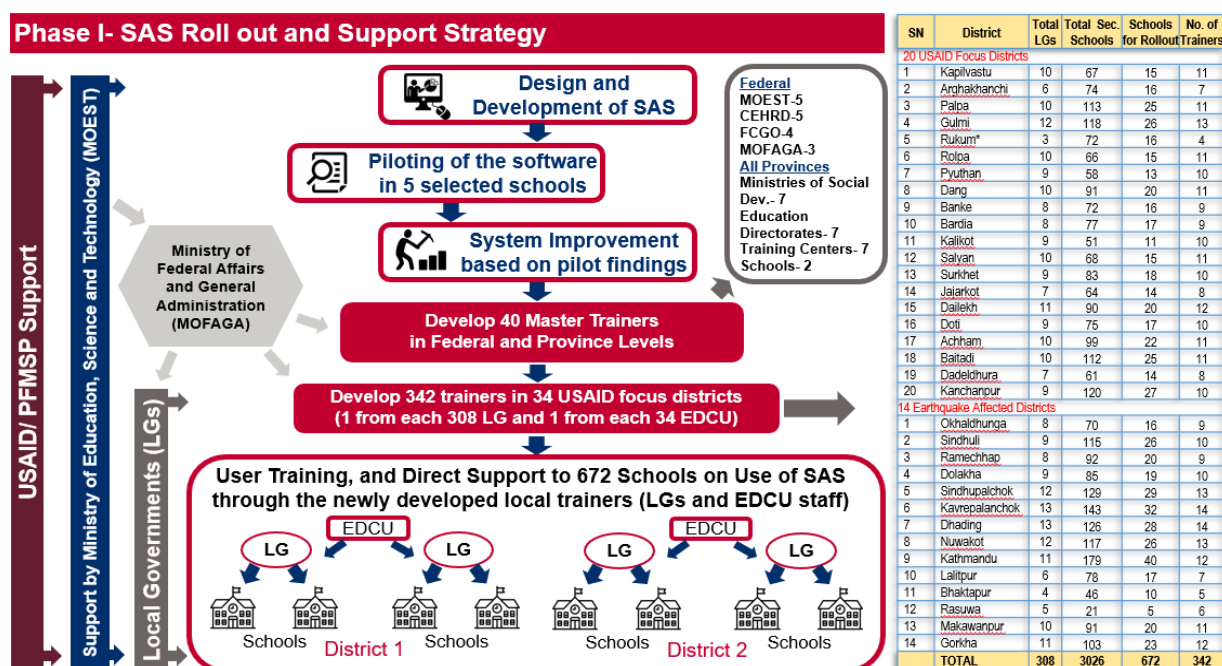
Given the ongoing COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOEST/CEHRD with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOEST and CEHRD.

B.2.1.4 Support the roll out of School Accounting Software (SAS) in 20 USAID priority districts and 14 earthquake affected districts (B.2.1.7 in AWP Year 4)

The 342 local trainers from LG and EDCU staff in the 34 USAID priority districts developed through TOT, will deliver SAS user level trainings in the first quarter of Year 5, with support from PFMSP and MOEST, to a total of 672 selected schools (two accountants or staff with accounting responsibilities) from each of the 672 schools. In the first phase, PFMSP will support user level roll-out trainings in the 20 USAID focus districts, while the second phase trainings will be conducted in the 14 earthquake affected districts. After the roll-out support, an automated financial management system will be available in the schools, which will help the schools to track information on school income and expenditure by producing different reports per requirements of federal, provincial, and local governments and donors. **Figure 7** below depicts the PFMSP's proposed strategy for SAS roll-out and support till the end of project period.

PFMSP will work with MOEST/CEHRD to map out the schools to be trained – most likely all schools within an LG. Given the ongoing COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOEST/CEHRD, MOFAGA and selected LG with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOEST and CEHRD. PFMSP will also remain flexible to tailor the selection of schools/training participants to help ensure full adoption and sustainability of SAS.

Figure 7: Proposed Roll Out and Support Strategy for SAS



B.2.1.5 Support to establish SAS Help Desk at MOEST/CEHRD (B.2.1.8)

An SAS help desk will be needed at the central level to support SAS users and help resolve any emerging issues and challenges while using the software. In Year 5, PFMSP in consultation with MOEST/CHERD will help put in place a SAS Help Desk at either MOEST or CEHRD with necessary IT equipment and technical experts. The Help Desk will also provide system administrative support, e.g. fixing bugs that may arise in the software, making small-scale enhancements, and other supports such as collating information of number of schools using modules of SAS. PFMSP will then hand over the SAS support to MOEST/CEHRD.

B.2.1.6 Support MOEST to collect and produce timely consolidated reports and prepare required financial statements for the year 2019/20 (B.2.1.9)

In the evolving fiscal federalism context, one of the major challenges for the federal agencies including MOEST is receiving timely financial information from the various levels of GON to be used for management and monitoring purposes. Given this situation, reporting needs to be strengthened and system must be in place for standard, accurate, and timely financial reporting at the MOEST. PFMSP in Year 4 started to support work on this activity by placing one full time PFM expert within MOEST to initially help collect, compile, and produce timely consolidated financial information of the education sector and to prepare project account to fulfil the trimester reporting requirement of MOEST and DPs. This support will be continued in the first quarter of Year 5. The PFM expert eventually will work with various entities (MOEST, MOFAGA, CHERD, Schools) to develop a standard reporting system that will help MOEST and donor partners to receive financial information on spending for federal, provincial, and local level on a timely and regular basis.

B.2.1.7 Support MOEST to publish and disseminate School Accounting Manual (previously noted as the School Integrated Financial Management Manual (SIFM) (B.2.1.11)

A School Accounting Manual (SAM) is required in the community schools to properly manage their day to day financial transactions as per the GON's Chart of Accounts (COA). In Year 3, PFMSP supported the MOEST to update the School Accounting Manual (SAM) to make it

consistent with the latest changes/revisions in GON's COA, financial rules, regulations, and guidelines. In Year 4, PFMSP supported MOEST to further update it to align with the new Financial Procedures and Fiscal Accountability Act. Upon MOEST's request, PFMSP completed the solicitation of a vendor to print 30,000 copies of the manual to be sent to community schools. Following delays due to COVID-19, PFMSP will complete the printing and dissemination work with the support of MOEST in the first quarter of Year 5. The manual will help the school accountants, head teachers, and chairpersons of School Management Committees to maintain proper account keeping of financial transactions of the schools. PFMSP will prioritize dissemination/distribution of the manuals to all community schools. Given the ongoing COVID-19 pandemic situation, PFMSP will work with MOEST/CEHRD to finalize the most efficient modality of distributing the manuals to all schools through their respective LGs with the collaborations of other DPs if necessary.

B.2.1.8 Deliver training on Internal Control Guidelines to federal and provincial education staff (B.2.1.12)

In Year 4, MOEST approved the Internal Control Guidelines – 2077, which were developed with the support of PFMSP. These guidelines were developed in order to improve the financial management and internal control functions of MOEST as well as to consolidate standard rules and regulations in one document. The document is now published and uploaded on MOEST's website. In the first quarter of Year 5, PFMSP will support development of a training curriculum and conduct a training to approximately 35 concerned staff of federal and provincial entities. The guidelines will help to assess and mitigate financial and control risks at the different level of the business processes, improve the quality of budget execution, and reduce audit irregularities.

Given the ongoing COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOEST/CEHRD with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOEST and CEHRD.

B.2.1.9 Conduct training and workshops on audit compliance and clearance for MOEST Audit Committee and other key staff (B.2.1.14)

The past and the most recent OAG reports show that MOEST and its entities have a huge volume of audit irregularities. The audit irregularities need to be resolved per the minimum target fixed by the GON. In the first quarter of Year 5, PFMSP will conduct trainings/workshops on audit compliance and clearance for MOEST and CEHRD officials and selected staff from other federal based education entities. PFMSP will provide them with examples of good audit practices and techniques to review the status of the audit settlements and to help resolve the outstanding settlements. Through this support, it is expected that MOEST will be able to reduce negative audit findings and resolve greater number of outstanding audit irregularities.

Given the ongoing COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOEST/CEHRD.

B.2.1.10 Provide technical assistance to the MOEST in settling audit irregularities through collection and consolidation of required documents from operating level offices. (B.2.1.15)

In Year 4 PFMSP commenced the needed technical assistance to MOEST in helping settle audit irregularities by deputing technical staff to work under the supervision of MOEST to prepare and review documents for settling audit irregularities particularly in infrastructure works. This support will continue in the first quarter of Year 5, as the COVID-19 related lockdown restrictions inhibited their work in Year 4. The specialists will also help develop a system to track and monitor the audit irregularities. Through this support, it is expected that MOEST will be able

to reduce negative audit findings and resolve greater number of outstanding audit irregularities particularly in infrastructure works.

Given the ongoing COVID-19 pandemic situation, PFMSP will support MOEST/CEHRD to depute technical staff by adopting safety measures.

Ministry of Health and Population

Output 2.1 (IR 2.1): Strengthened capacity of selected line ministries to operationalize and sustain adequate control environment policies and procedures

B.2.1.1 Deliver training on Planning and Budgeting guidelines

In Year 4 MOHP approved the Planning and Budgeting Guidelines of Health Sector- 2076 developed with support from PFMSP. Training on these guidelines could not be carried out as planned due to the COVID-19 pandemic situation. In the first quarter of Year 5, PFMSP will support MOHP to conduct a training on the new guidelines for 40 officials from the federal and provincial levels. Given the ongoing COVID-19 pandemic, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOHP with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOHP.

It is expected that the training will build capacity in ensuring alignment of plans and budgets with national and sectoral strategic plans; introduce a medium-term results-based approach to planning and budgeting; and to some extent develop objective costing norms for government hospitals based on adopted and uniformly applied standards for service delivery.

B.2.1.2 Deliver training on Business Plan of MOHP and its departments

In Year 4 MOHP approved a total of four five-year Business Plans of MOHP and its departments (DOHS, Department of Drug Administration -DDA, Department of Ayurveda and Alternative Medicine-DOAAM) developed with support from PFMSP. The training could not be carried out as planned due to the COVID-19 pandemic situation. In the first quarter of Year 5, PFMSP will support MOHP to deliver training on the new business plan of MOHP and three departments under the ministry to key officials who are involved in the business processes. Given the ongoing COVID-19 pandemic, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOHP with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOHP.

After the training, it is expected that MOHP and its departments will operate their business processes per the long-term Health Policy, which will result in maximum utilization of the resources through preparation of annual budgets in line with the medium-term expenditure framework (MTEF).

B.2.1.3 Conduct training and workshops on audit compliance and clearance for MOHP/DOHS and selected hospitals (B.2.1.5)

OAG's most recent annual report shows that MOHP and its entities have huge volumes of advances floating, as well as procurement related and other irregularities which need to be resolved and reduced per the minimum irregularities target fixed by the government. PFMSP supported a workshop on audit compliance and clearance to the MOHP officials in Year 3, to assist MOHP to gather the necessary documents and to strategize the process to clear audit irregularities. As this workshop was effective, with the request of MOHP, PFMSP planned to conduct more workshops in Year 4. These have been delayed by the COVID-19 pandemic and

subsequent lockdown restrictions. In the first quarter of Year 5, PFMSP will support MOHP to deliver two trainings/workshops on audit compliance and clearance to the officials of MOHP, its departments and federal based hospitals. PFMSP will provide training participants with examples of good audit practices and techniques to review the status of the audit settlements and resolve the outstanding settlements. Given the on-going COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOHP with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOHP.

Through this support, it is expected that MOHP will be able to reduce negative audit findings and resolve a greater number of outstanding audit irregularities.

B.2.1.4 Conduct third party audit/verification or appraisal of equipment, inventory at MOHP and selected hospitals and academies to establish a base-line database of medical equipment (New for Year 5)

MOHP has identified weaknesses in its inventory management system, including non-compliance among federal level hospitals and health academies that have not regularly updated lists of existing medical equipment and proper utilization of such medical equipment. MOHP therefore intends to conduct a third-party audit/verification of existing equipment at hospitals and academies under MOHP's purview and recommend set up of a comprehensive inventory management system. As the first step in rectifying the weaknesses, MOHP recently has requested PFMSP for technical assistance for short-term consultants to develop a detailed terms of reference (TOR) with detailed checklist of medical equipment for a competitive solicitation for a firm to conduct the third party audit and design the inventory management system. The urgency of this task has been heightened due to the ongoing COVID-19 pandemic in Nepal.

In this context, PFMSP will provide initial support in the first quarter of Year 5 to assess current inventory/asset issues, including an analysis highlighting broader challenges, suggestions, and recommendations related to strengthening assets control and inventory management, and prepare a TOR with a detailed checklist of medical equipment for conducting a third-party audit/verification and/or appraisal of such equipment. Pending a more clear understanding of the requirements to conduct the full audit/verification and confirmation of the PFMSP's ability to support this activity within PFMSP's limited Year 5 timeframe, this activity will help complete an inventory at MOHP and selected federal level hospitals and academies, thereby helping establishing a base-line database of medical equipment.

Output 2.2 (IR 2.2): Strengthened capacity of selected line ministries to manage the procurement process in adherence with the Public Procurement Act and related rules and regulations

B.2.2.1 Deliver procurement trainings based on updated procurement guidelines

With the new federal structure, new capacity development needs have surfaced at the federal and provincial levels regarding knowledge and skills of procurement planning and execution. Furthermore, the need to develop capacity in procurement practice has increased due to staff turnover. PFMSP planned to deliver training on the updated procurement guidelines in the second and third quarters of Year 4. However, due to COVID-19 and related restrictions, PFMSP had to delay finalization of the updated guidelines and postpone the training on the updated guidelines.

The guidelines are currently expected to be finalized by the end of Year 4 or in the beginning of Year 5. In the first quarter of Year 5, following MOHP's formal approval of the updated guidelines, PFMSP will support MOHP to deliver training program on procurement planning and

execution, based to approximately 50 procurement officers from federal and provincial level health offices/hospitals. Given the ongoing COVID-19 pandemic situation, PFMSP will finalize the most efficient training modality (e.g. in-person; virtual; and/or hybrid) with MOHP with the goal of institutionalizing knowledge and training capacity beyond PFMSP's lifespan, including through potential collaboration with the MOHP.

The training will enhance the capacity of the procurement officers on effective planning and implementation of procurement of health-related goods and services.

IR3/Component C: Strengthened Financial Management Functions of National Reconstruction Authority

Output 3.1 (IR 3.1): NRA develops policies and procedures for transparent and accountable execution of reconstruction and recovery funds

C.3.1.1 Support for periodic review of accuracy of data entered in NRA/FMIS

In the first quarter of Year 5, PFMSD will continue its support of periodically reviewing the accuracy of data entered into the system by users. This will help NRA to maintain the accuracy of the reports it produces.

Output 3.2 (IR 3.2): The 2015 post earthquake recovery process is perceived credibly by Nepal's citizens and the international community

C.3.2.1 Provide support for appropriate public reporting of NRA financial information on regular basis.

PFMSD will continue to support the NRA to produce and publish its financial reports in its regular newsletter and website.

3. Incorporation of Cross Cutting Interventions

USAID's cross-cutting issues are Resilience, Gender Equality and Social Inclusion (GESI), Youth, Science and Technology, Innovation, and Participation. PFMSP activities intersect more with the issues of GESI, Technology, and Innovation. Furthermore, PFMSP is specifically working on Gender Responsive Budgeting (GRB) in collaboration with USAID's GESI Advisor and other Democracy and Governance Office projects.

In Year 5, PFMSP will continue to collect and report information on budget allocations for GRB by using the GON's three category classification of either (i) direct gender related, (ii) indirect gender related, or (iii) gender neutral.

PFMSP's effort on Gender Budgeting/GRB

In Year 2, PFMSP produced a report on Gender Budgeting Assessment in Nepal, May 2018. It contained recommendations to evolve the current practice of simple "gender-relevant budget classification" to a more issue-focused approach that would result in budget measures being responsive to identified gender needs as a part of results-based budgeting.

In Year 3, PFMSP supported development of budgeting and planning guidelines for MOEST and MOHP, in which PFMSP has worked to integrate GRB. Also, in collaboration with USAID's GESI Advisor and through USAID's role in the GESI Working Group, PFMSP co-designed and co-funded a one-day GRB training-cum-workshop to share in-depth information about Gender Responsive Budgeting and Gender Budgeting among the IDPG Members. This included representatives of UN Women, United Nations Development Program (UNDP), World Bank and other stakeholders in gender and equity issues.

In Year 4 (February 2020), USAID approved PFMSP's Technical Paper as Guidance to GON on Advancing the practice of Gender Budgeting, November 2019. Soon after the approval of the paper, USAID's GESI adviser circulated the technical paper among other DPs and USAID's implementing partners and shared it with GON counterparts including GRB Committee members during GRB committee meeting on August 6, 2020.

In coordination with USAID, previous plans to conduct GRB training were deferred and PFMSP's Year 4 GRB priority was to support increased understanding of proactive GRB, as a better understanding of GRB has to be built at the senior levels of government and among all stakeholders in PFM and GRB in Nepal. Improved understanding of GRB would lead to progress incorporating GRB into all GON budgets. With this key priority, in May 2020 PFMSP in collaboration with Niti Sambad/NDI provided training to members of the parliamentary Women and Social Committee along with Finance Committee members and National Planning Commission (NPC) officials on result-based budgeting and modern views of GRB in May 2020. This joint effort of PFMSP and NDI proved to be useful to get a better understanding of these concepts as the chairperson of the parliamentary panel Niru Devi Pal said the committee decided to direct the federal and provincial governments to put gender rights at the heart of the GON's budgets.

Subsequently, MOF's Joint Secretary of the Budget Division, Dhani Ram Sharma, who is also the Chair of GRB Committee at MOF, expressed his interest and enthusiasm to follow up on this topic, in coordination with the GRB committee and the Nepal Administrative and Staff College (NASC). Joint Secretary Sharma expressed interest in how some of the recommendations from the technical paper could be practically applied during the next year's budget cycle (NFY 2078/79).

Thus, PFMSP has begun discussions with USAID on developing a 10-week course of two-hour online GRB sessions for NASC staff and possibly other select participants to help institutionalize

government knowledge of and commitment to an enhanced, transformative GRB system for Nepal. This effort will follow squarely in line with PFMSP's effort to advocate for mainstreaming GRB into the GON's budgeting system with the purpose to improve Nepal's budgeting so that it both results-oriented and gender responsive.

In Year 5, through technical assistance from PFMSP's Gender Budgeting Expert (STTA consultant), and in coordination with USAID's Gender Advisor, PFMSP will pilot an online episodic course on integrating transformative GRB into Nepal's budgetary process, primarily targeting NASC staff members who in turn will be responsible for developing guidelines/processes for mainstreaming transformative GRB.

PFMSP will continue to work with other USAID projects such as CS:MAP, Niti Sambad, and Sajhedari Support to Federalism to assist with the GRB concept and technical practices on PFM issues for integrating into their sub-activities and strategies wherever necessary, as to be determined in further consultation with USAID.

4. Communication, Coordination and Collaboration Plan

Given the need for full handover of PFMSP's innovations in Year 5, and the need to ensure effective collaboration and coordination in an evolving environment, PFMSP has refined its Year 5 coordination plan to ensure effective communication and synchronization of workplan programmatic interventions with relevant stakeholders. The following table lists by major counterpart PFMSP's plans for coordination through regular and special topical reviews.

Stakeholders at different Levels	Coordination and collaboration Areas
Government	
Implement-Whole of project Steering/Coordination Committee comprising members from MOF/ FCGO/ PEFA/MOEST/ MOHP and NRA	<ul style="list-style-type: none"> ● Since no Coordination/Steering Committee formed per awaited, no meeting will be conducted.
MOF/ FCGO/ PEFA Secretariat	<ul style="list-style-type: none"> ● Quarterly review meetings with MOF, FCGO and PEFA Secretariat to review the progress on AWP and share the lessons learned. ● Handover of the support program to MOF and FCGO will be performed.
NNRFC	<ul style="list-style-type: none"> ● Monthly/Quarterly progress sharing meeting with NNRFC, implementation of planned activities, progress, lessons, and way forward. ● Virtual meeting and in-person meeting in few numbers of people will be conducted.
MOHP	<ul style="list-style-type: none"> ● Handover of support program will be held. ● Quarterly virtual meeting with the Policy Planning and Monitoring Division, Health Coordination Division, Quality Standards and Regulatory Division, Financial Administration Section, and Department of Health Services. ● Monthly activity progress review meeting with Financial Administration Section. ● Participate in PFM Committee Meeting, when requested.
MOEST	<ul style="list-style-type: none"> ● Handover of support program will be held. ● Quarterly progress review meeting with Policy and Planning Division, Financial Administration Section, Department of Education. ● Attend PFM Reform Working Group Meeting. ● Monthly activity progress review meeting with Financial Management, and Planning and Monitoring units within the ministry.
NRA	<ul style="list-style-type: none"> ● Handover of support program will be held. ● Quarterly progress reviews meeting with Policy and Planning Division and Financial Administration Division
Donors	
MDTF/WB	Meetings likely to be held virtually: <ul style="list-style-type: none"> ● Participate in and actively contribute to whole-of- government PFM reform action plans; share AWP's and progress reports. ● Share workplans and quarterly progress report. ● Attend Technical Committee meetings and share relevant information. ● Sharing issues, challenges and lessons regarding system integration periodically.

Education Donor PFM Working Group	<ul style="list-style-type: none"> ● Participate in donor forums and present PFMSWP work and collaborate with other donors/projects. ● Provide periodic updates on financial management information system comparisons, SUTRA, SAS, and the grants development work started with NNRFC. ● Share AWP and quarterly progress reports.
Health Donor Working group	<ul style="list-style-type: none"> ● Participate in donor forums and present PFMSWP work and collaborate with other donors/projects. ● Provide similar input as with the Education Working Group above.
NRA Donor Working Group	<ul style="list-style-type: none"> ● Provide periodic updates on NRA's PFM issues –particularly those related to the FMIS implementation; share progress report.
GESI Working Group	<ul style="list-style-type: none"> ● Support USAID's GESI Advisor on continuation of GRB work supported by PFMSWP.
Provincial and Local Governance Strengthening Project (PLGSP)/MOFAGA	<ul style="list-style-type: none"> ● Have quarterly meeting and exchange of information about PLGSP and PFMSWP on PFM reform area
USAID	
PFM Working Group	<ul style="list-style-type: none"> ● Quarterly virtual interactions regarding developments on fiscal federalism and other important PFM topics ● Hold quarterly virtual meeting/workshop between PFMSWP and USAID to discussion on quarterly progress report, lessons and way forward ● Hold regular virtual consultation and meetings with USAID health, education and DR4 offices
D&G Meetings	<ul style="list-style-type: none"> ● Present analytical overview of specific PFM issues at monthly meetings virtually; ● Provide other information as required/requested by USAID.
USAID/D&G Projects where USAID has directly encouraged more cooperative joint activities: <ul style="list-style-type: none"> ● Sajhedari-STF; ● Policy Dialog; ● CS: MAP 	<ul style="list-style-type: none"> ● Provide technical input on required PFM related issues including Gender Budgeting and knowledge products on PFM and fiscal federalism to IPs for supporting at the local government and provincial level; ● including a process-oriented dialog with the NNRFC on resource allocation ● Provide tools for assessing PFM practices; show how good policy and results-focused medium-term budget processes should be conducted and what the budget documents for parliamentarians and the public should contain; provide approaches for evaluating fairness/transparency of grant/transfer programs ● Receive information received in discussions with Sajhedari-Support to Federalism (STF); CS: MAP, and USAID's Policy Dialogue projects for insights into SNG thinking ● Hold quarterly review and reflections workshop/meeting among PFMSWP and other DG partners ● Collaborative activities as mentioned in sub-section" Collaborative Activities with USAID Projects" of Section 3.

<p>Cooperation with other relevant USAID projects</p> <ul style="list-style-type: none"> ● Strengthening Systems for Better Health Project and ● Early Grade Reading Project ● Others TBD, in collaboration with USAID in the course of Year 4 implementation 	<ul style="list-style-type: none"> ● Maintain regular communications, virtually, and share / or discuss cooperation opportunities of mutual benefit
<p>Individual Updates to Departments</p>	<ul style="list-style-type: none"> ● Monthly update meetings, virtually, with CoR/ ACoR and Activity Managers of Health, Education, DR4 ● Quarterly program review, virtually, with OAA staff on contract related matters.

Collaboration with USAID Projects:

PFMSP’s general approach to collaborating with other projects will be to provide 1) PFMSP staff/consultants and related support/facility to other USAID projects for PFM-related staff training and/or orientation in Kathmandu or selected implementation sites as determined appropriate by USAID; and 2) PFMSP staff/consultants and support/facility for GON counterparts to provide training/support at SNG locations for counterparts who need localized, more intensive support to “ground-truth” the use of the IT systems and/or other tools PFMSP has been developing. PFMSP will remain open and flexible to specific needs as they emerge from either other USAID projects, (e.g. Sajhedari-STF identifies SNGs who required more “on-the-job” support; CS:MAP wants to provide PFM training to grant recipient NGOs working on budget transparency at the SNG levels); or emerge from PFMSP’s work with GON counterparts (e.g. the FCGO decides to test/develop a LG-specific PEFA self-assessment tools) that will result in support/training to SNGs in collaboration with Sajhedari-STF.

5. Summary of Activity and Targets

Expected Results	Activities	Unit	Targets 2020-21		
			Annual Target	Q1	Q2
Outcome 1 (IR 1): Improved budget planning and execution capacity of the government of Nepal					
Output 1.1 (IR 1.1): Improved procedures, guidelines and systems for PFM functions established in targeted agencies; and GON's capacity to operate and maintain them					
An electronic PEFA self-assessment tool is tested by FCGO for implementation	A.1.1.1 Support FCGO in piloting the PEFA Self-assessment Excel based workbook of selected Federal ministries/agencies.	Number of Agency	2	1	1
GON officials apply learning on international standards of PFM, fiscal decentralization methods, medium term results focused budget formulation etc. in a federal environment	A.1.1.2 Organize experiential training to GON staff on fiscal federalism, results-focused budget formulation, good Public Financial Management system.	Number of People	5		5
E-learning modules ready, to expand sustainable training opportunities for government officials at all levels.	A.1.1.3 Develop e-learning modules on PFM areas (e.g. Upgraded LMBIS/P-LMBIS, TSA/PTSA, SAS, SUTRA CGAS)	Number of E-learning Modules	3		3
Output 1.2 (IR 1.2): Selected ministries/agencies are capable of executing the budget and producing timely, uniform and accurate reports on different aspects of the budget cycle in compliance with GON requirements					
Federal and Provincial Ministries/ Agencies actively using LMBIS leading to reduction of time needed by MOF staff to make corrections	A.1.2.1 Train GON staff on LMBIS and P-LMBIS	Number of People	300	200	100
To strategically and technically support the Commission to strengthen the foundational set-up of fiscal federalism in Nepal. This will be done through promoting an	A.1.2.2 Support development of and/or training on fair and objective grant transfer formula(s) through regular access to robust financial data from various GON systems (database Management) or sources	Data protocol document prepared and submitted	1	1	

Expected Results	Activities	Unit	Targets 2020-21		
			Annual Target	Q1	Q2
evidence-based and representative policy response by the Commission in conceptualizing, understanding, designing and managing elements of fiscal federalism.	A.1.2.3 Help build the capacity of NNRF in understanding and implementing the different pillars of fiscal federalism.	Completion Report	1		1
	A.1.2.4 Support NNRF to develop knowledge products on fiscal federalism and local finance for educating local governments.	Number of Knowledge products printed and circulated to local governments.	7	5	2
	A.1.2.5 Help to design or implement incentive-based performance measurement system.	Report including training	1		1
	A.1.2.6 Provide administrative and technical support to enable the leadership of the Commission to deliver on strategic and emergent needs. (New in Year 5)	Reports including Policy, technical notes, presentations, research brief	6	3	3
LGs submit timely, complete, and accurate information on budgets and actual expenditures to FCGO	A.1.2.7 Support FCGO to deliver training to LGs on Planning, Budgeting and Accounting (including SUTRA) jointly with NPC, MOF and FCGO. (A.1.2.6)	No. of people	1000	1000	
	A.1.2.8 Operate SUTRA Help Desk at FCGO and prepare for the transition of the support desk to FCGO management (A.1.2.7)	Months of Support	3	3	
Output 1.3 (IR 1.3): The PFM is strengthened and extended resulting in modern, transparent, reliable, secure and resilient system that follows international best practices					
MOF's Budgeting System enhanced, and linkages established with TSA for better reporting and controls.	A.1.3.1 Finalize and implement the new LMBIS, PLMBIS system enhancements and Integration with TSA and PTSA (1.3.2)	System	1		1
	Upgrade few additional modules/ enhancements such as Digital approval (Decision making process), Multi-year project module and monitoring Grants through specific Reports, Spell check, Standardizing Activity Based budgeting (Chart of Activities), integration with NPC project bank.				

Expected Results	Activities	Unit	Targets 2020-21		
			Annual Target	Q1	Q2
MOF Budget Information System (LMBIS), IT infrastructure functions and other systems are functioning efficiently and in physically secured environment	A.1.3.2 Support for upgrades in the Data Center- SIEM and other upgrades (battery relocation). (A.1.3.4)	Data Center	1	1	
	A.1.3.3 Support for regular maintenance and system operation of Hardware and Software - Anti-Malware and Data Center Support. (A.1.3.5)	No. of Months	3	3	
A Standard Government Accounting and Reporting System developed, tested for rollout and linkage with other crucial system	A.1.3.4 Assist in implementation of a standard CGAS through support for IT infrastructure (equipment) at the center (FCGO), and districts (DTCOs). (A.1.3.9)	Power Back units for DTCO	20	20	
Foundations for GON to implement the accrual-based accounting system.	A.1.3.5 Support FCGO to complete the study on basic requirements to transition to accrual accounting (A.1.2.10)	Report	1		1
GON accounting manual updated based on new OAG approved formats and adequate training is provided.	A.1.3.6 Support trainings and workshops/ seminars on good PFM practices such as accounting and fiscal reporting for FCGO, MOF and selected PTCOs (A.1.2.11)	Report	1		
MOF IT staff certified in TOGAF	A.1.3.7 Arrange for MOF/ FCGO staff to take certification on TOGAF (carried over target) (A.1.3.12)	Person	2	2	
Outcome 2 (IR 2): Improved control environment and procurement capacity in targeted ministries and / or agencies – Ministry of Education, Science and Technology					
Output 2.1 (IR 2.1): Strengthened capacity of selected line ministries to operationalize and sustain adequate control environment policies and procedures					
MOEST offices start preparing budgets in line with new guidelines based on federal structure.	B.2.1.1 Design and deliver training on Planning and Budgeting guidelines for federal and provincial officials (B.2.1.2)	Number of People	60	60	
An automated School Accounting Software (SAS) is developed and implemented in USAID's 34 focus districts	B.2.1.2 Support to conduct Master ToT on School Accounting Software (SAS) (B.2.1.5)	No. of people	40	40	
	B.2.1.3 Support to conduct ToT on School Accounting Software (SAS) (B.2.1.6)	No. of people	342	342	

Expected Results	Activities	Unit	Targets 2020-21		
			Annual Target	Q1	Q2
	B.2.1.4 Support the roll out of School Accounting Software (SAS) in 20 USAID priority districts and 14 Earthquake districts (B.2.1.7)	Number of Schools	672	672	
	B.2.1.5 Support to establish SAS Help Desk at MOEST/CEHRD Including Hardware (B.2.1.8)	Help Desk	1	1	
Consolidated reporting from local level schools available at the central level	B.2.1.6 Support MOEST to collect and produce timely consolidated reports and prepare required financial statements for the year 2019/20 (B.2.1.9)	Financial Reports	3	1	1
Enhanced and more effective future trainings focused on needs.	B.2.1.7 Support MOEST to publish and disseminate School Accounting Manual (SAM) (previously SIFM) (B.2.1.11)	Copies	30,000	30000	
Eight (8) MOEST offices and twenty-one provincial education units are trained to improve the quality of budget execution	B.2.1.8 Deliver training on Internal Control Guidelines to federal and provincial education staff. (B.2.1.12)	Number of People	35	35	
Proper system in place to keep track of and reduce audit irregularities through strengthened audit committees	B.2.1.9 Conduct training and workshops on audit compliance and clearance for MOEST Audit Committee and other key staff (B.2.1.14)	Event	1		
	B.2.1.10 Provide technical assistance to MOEST in settling audit irregularities through collection and consolidation of required documents from operating level offices. (B.2.1.15)	Progress Reports	Ongoing		
Output 2.2 (IR 2.2): Strengthened capacity of selected line ministries to manage the procurement process in adherence with the Public Procurement Act and related rules and regulations					
Outcome 2 (IR 2): Improved control environment and procurement capacity in targeted ministries and / or agencies – Ministry of Health and Population					
Output 2.1 (IR 2.1): Strengthened capacity of selected line ministries to operationalize and sustain adequate control environment policies and procedures					
25 MOHP federal offices and social development ministries (health section) of four (4) provinces in USAID priority areas start preparing budgets in line with new guidelines	B.2.1.1 Deliver training on Planning and Budgeting guidelines (B.2.1.4)	No. of people	40	40	
	B.2.1.2 Deliver training on Business Plan of MOHP and its departments	No. of people	25	25	

Expected Results	Activities	Unit	Targets 2020-21		
			Annual Target	Q1	Q2
Proper system in place to keep track of and reduce audit irregularities through strengthened audit committees	B.2.1.3 Conduct training and workshops on audit compliance and clearance for MOHP/DOHS and selected hospitals (B.2.1.5)	Event reports	2		1
	B.2.1.4 Conduct third party audit verification or appraisal of equipment, inventory at MOHP and selected hospitals and academies to establish a base-line database of medical equipment (New in Year 5)	Report	1	1	
Output 2.2 (IR 2.2): Strengthened capacity of selected line ministries to manage the procurement process in adherence with the Public Procurement Act and related rules and regulations					
Enhanced capacity of procurement officers on effective procurement planning and execution	B.2.2.1 Deliver procurement trainings based on updated procurement guidelines	No. of people	50	50	
Outcome 3 (IR 3): Strengthened PFM functions of National Reconstruction Authority					
Output 3.1 (IR 3.1): NRA develops policies and procedures for transparent and accountable execution of reconstruction and recovery funds					
Improved financial management, transparency, accountability and effective tracking and monitoring of post-earthquake reconstruction, recovery funds. (Activity wise, Donor wise, Sector wise, Location wise)	C.3.1.1 Support for periodic review of accuracy of data entered in NRA/FMIS	Month	3	3	
Output 3.2 (IR 3.2): The 2015 post earthquake recovery process is perceived credibly by Nepal's citizens and the international community					
Reports on project allocation and expenditure data managed through NRA will be made publicly available. Increased transparency and accountability	C.3.2.1 Provide support for appropriate public reporting of NRA financial information on regular basis	Article	1		1