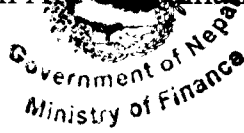


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Government of Nepal
Foreign Affairs and Coordination Division

Tel. No.: { 4259837
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MINISTRY OF FINANCE
Singhdurbar
KATHMANDU, NEPAL

F/NPPR-2007/064/65

Date: 1 October 2007

Ms. Susan Goldmark
Country Director
The World Bank
Durbar Marg, Kathmandu.

Subject: Action Plan of NPPR 2007

The Government of Nepal appreciates for your active participation and cooperation for the successful completion of Nepal Portfolio Performance Review Meeting on 30-31 August 2007. Please find attached the Nepal Portfolio Performance Review 2007 (NPPR 2007) Action Plan (AP). The AP has been designed as agreed with you and other development partners and stakeholders during the NPPR 07 Meeting. The attached Action Plan has been approved by the Government. We look forward for your continuous support for the effective implementation of this Action Plan.

With best regards,

Sincerely yours,

Madhu Kumar Marasini

Madhu Kumar Marasini
Under Secretary

2007 NEPAL PORTFOLIO PERFORMANCE REVIEW (NPPR) ACTION PLAN FOR IMPROVING PORTFOLIO PERFORMANCE

Focus Area	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	
1. Human Resource Management	<ul style="list-style-type: none"> Frequent transfer of key Project Staff (includes Director, Technical Staff and Finance Staff) Need for strengthened capacity for project management. Inadequate provision of daily and subsistence allowances (DSA). 	<p>Policy Actions</p> <ul style="list-style-type: none"> Early Cabinet approval of the amendment to the Financial Administration Regulations (FAR) which have taken into consideration of increased DSA. Ensure full compliance and enforcement of the Civil Service Act on placement and transfer of staff in projects. Review and recommend incentive packages for placement of civil service staff in remote and unserved areas. 	<p>MOF</p> <p>OPMCM, MOGA, MOF, FCGO</p> <p>OPMCM, MOF, MOGA, FCGO</p>	<ul style="list-style-type: none"> Amendment of FAR with provision for increased DSA, and dissemination. Full enforcement of Civil Service Act Recommendations submitted to the Cabinet for incentive packages for remote areas. 	<p>January 2008</p> <p>April 2008</p> <p>April 2008</p>	
		<p>Process Actions</p> <ul style="list-style-type: none"> As interim measure until the guidelines are prepared, the Government of Nepal (GON) to issue circular to all line Secretaries to strictly follow the Civil Service Act on matters related to staff transfers and arrangements for handover and takeover. Make arrangements with the Nepal Administrative Staff College (NASC) to design/modify training on Project Management, and increase the frequency of such training. Dissemination of all the above actions through circular and publishing in MOF website. 	<p>MOF/MOGA</p> <p>MOGA</p> <p>MOF</p>	<ul style="list-style-type: none"> Issuance of circular to all line ministries Training curriculum on Project Management revisited, and frequency increased. Timely dissemination of actions taken. 	<p>October 2007</p> <p>March 2008</p> <p>As need arises</p>	
		<p>Innovative Actions</p> <ul style="list-style-type: none"> Prepare Human Resource Development Plan including in it capacity building components. Develop a concept note and implementation plan for a training monitoring system to maintain a database and track the training of individuals of civil service staff. 	<p>MOF Line Ministries</p> <p>MOGA and Line Ministries</p>	<ul style="list-style-type: none"> GON to issue circular to all line ministries to prepare human resource development plan, and submit the same along with the annual work program and budget. Preparation of human resource development plan. Preparation of a concept note and implementation plan of a training monitoring system. 	<p>January 2008</p> <p>June 2008</p> <p>January 2008 and ongoing</p>	
		<p>Policy Actions</p> <ul style="list-style-type: none"> Review the implications of the existing provision of variation order in the Act and take necessary actions based on such a review. 	<p>PPMO</p>	<ul style="list-style-type: none"> Report on the review of the implications of the existing provision of variation order, with recommendations for actions. 	<p>July 2008</p>	
		<ul style="list-style-type: none"> Effective implementation of the Procurement Law. Effective reinforcement of variation order provisions. 				
		2. Procurement Management				

Focus Area	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates
		<ul style="list-style-type: none"> Develop a concept note and implementing plan for a training monitoring system to maintain a database and track the training of individuals of civil service staff. 	MOGA and Line Ministries	<ul style="list-style-type: none"> Preparation of a concept note and implementation plan of a training monitoring system. 	January 2008 and ongoing
2. Procurement Management	<ul style="list-style-type: none"> Effective implementation of the Procurement Law. Effective reinforcement of variation order provisions. 	<p><u>Policy Actions</u></p> <ul style="list-style-type: none"> Review the implications of the existing provision of variation order in the Act and take necessary actions based on such a review. <p><u>Process Actions</u></p> <ul style="list-style-type: none"> Establishment of and operationalization of the Public Procurement Monitoring Office (PPMO). Prepare an institutional strengthening proposal for strengthening PPMO and implementation of immediate core actions (e.g. revised Public Works Directives, Standards Bidding Documents, training etc.) Approve and implement institutional strengthening TA Project. 	PPMO OPMCM PPMO PPMO, World Bank, ADB	<ul style="list-style-type: none"> Report on the review of the implications of the existing provision of variation order, with recommendations for actions. PPMO established, fully staffed and operationalized. Institutional Strengthening Proposal prepared and submitted to World Bank and ADB for TA support TA Grant provided for PPMO strengthening 	July 2008 October 2007 December 2007 March 2008
3. Financial Management	<ul style="list-style-type: none"> Delay in fund release due to delay in program approval. Procurement plans not submitted with work program during budget discussion. Fund releases do not take place until the agreements are signed with development partners although provision of retroactive financing is made. Late submission of financial reports and audit reports. Reinforce decentralization of financial management. 	<p><u>Policy Actions</u></p> <ul style="list-style-type: none"> Explore possibility of advancing the timing for work program and budget discussion and ensure that they are approved prior to beginning of new fiscal year. Review possibility of delegating sectoral program approval authority and resource reallocation to line ministries/agencies. As required by the Procurement Act, ensure that procurement plans are submitted during budget discussion. 	MOF NPC MOF NPC MOF, NPC Line Ministries	<ul style="list-style-type: none"> Spending authorization issued timely and fund released as per work program schedule. Delegation of program approval authority to line agencies Procurement plan submitted during submission of budget request. 	January 2008 January 2008 May 2008

Focus Area	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates
		<p>Process Actions</p> <ul style="list-style-type: none"> Depending on the advance preparation of a Project, MOF to make a provision for release of funds under retroactive financing. Approval of amendment to Local Body Financial Administration Regulations (LBFAR). <p>Innovative Actions</p> <ul style="list-style-type: none"> Finalize the PFM Benchmark exercise as per PEFA Guidelines, and develop the Financial Management Improvement Action Plan. Discuss the Action Plan and develop an integrated FM Improvement Program. 	<p>MOF Line Ministries</p> <p>MOLD</p> <p>MOF, FCGO World Bank</p> <p>MOF, FCGO World Bank ADB, DFID</p>	<ul style="list-style-type: none"> Fund release made under retroactive financing as agreed Approval of amendment to LBFAR Final PFM Benchmark Report and Action Plan for FM Improvement Preparation of the FM Improvement Program under sector-wide approach 	<p>January 2008</p> <p>October 2007</p> <p>December 2007</p> <p>June 2008</p>
4. Results Based Management	<ul style="list-style-type: none"> Management for Development Results (MfDR) extended to all line ministries. 	<p>Policy Actions</p> <ul style="list-style-type: none"> Finalize Sectoral Results Framework for Ministry of Physical Planning and Works (including Department of Roads and Department of Water Supply and Sewerage), Ministry of Local Development (including Department of Local Infrastructure and Agriculture Roads), and Ministry of Education and Sports Explore possibility of expanding MfDR to all line ministries and take decision to extend MfDR to other line ministries. Develop proposal for sector-wide approach (SWAp) for Rural Roads. <p>Process Actions</p> <ul style="list-style-type: none"> Organize experience sharing workshop of organization chain development for MfDR developed in MPPW, MLD, MOEST and NPC. <p>Innovative Actions</p> <ul style="list-style-type: none"> Develop a work program to strengthen the Planning Divisions of all line ministries. 	<p>NPC, MPPW, MOLD, MOES, ADB, MOF</p> <p>NPC, Donor Agencies, MOF</p> <p>NPC, MOF, MOLD</p> <p>MOF, NPC, ADB</p> <p>NPC, Line Ministries</p>	<ul style="list-style-type: none"> Sectoral Results Framework finalized Decision taken to extend MfDR to other line ministries Sector plan prepared for rural roads and a proposal for SWAp developed. Experience sharing workshop organized to disseminate the learning in 4 ministries to all line ministries. Work Program developed to strengthen the Planning Division of line ministries. 	<p>January 2008</p> <p>February 2008</p> <p>June 2008</p> <p>January 2008</p> <p>January 2008</p>

Focus Area	Challenges	Appar Actions	Responsible Agencies	Performance Indicators	Start Dates
		<ul style="list-style-type: none"> Develop a concept note and implementation plan for a training monitoring system to maintain a database and track the training of individuals of civil service staff. 	MOGA and Line Ministries	<ul style="list-style-type: none"> Preparation of a concept note and implementation plan of a training monitoring system. 	January 2008 and ongoing
2. Procurement Management	<ul style="list-style-type: none"> Effective implementation of the Procurement Law. Effective reinforcement of variation order provisions. 	<p><u>Policy Actions</u></p> <ul style="list-style-type: none"> Review the implications of the existing provision of variation order in the Act and take necessary actions based on such a review. <p><u>Process Actions</u></p> <ul style="list-style-type: none"> Establishment of and operationalization of the Public Procurement Monitoring Office (PPMO). Prepare an institutional strengthening proposal for strengthening PPMO and implementation of immediate core actions (e.g. revised Public Works Directives, Standards Bidding Documents, training etc.) Approve and implement institutional strengthening TA Project. 	PPMO OPMCM PPMO PPMO, World Bank, ADB	<ul style="list-style-type: none"> Report on the review of the implications of the existing provision of variation order, with recommendations for actions. PPMO established, fully staffed and operationalized. Institutional Strengthening Proposal prepared and submitted to World Bank and ADB for TA support TA Grant provided for PPMO strengthening 	July 2008 October 2007 December 2007 March 2008
3. Financial Management	<ul style="list-style-type: none"> Delay in fund release due to delay in program approval. Procurement plans not submitted with work program during budget discussion. Fund releases do not take place until the agreements are signed with development partners although provision of retroactive financing is made. Late submission of financial reports and audit reports. Reinforce decentralization of financial management. 	<p><u>Policy Actions</u></p> <ul style="list-style-type: none"> Explore possibility of advancing the timing for work program and budget discussion and ensure that they are approved prior to beginning of new fiscal year. Review possibility of delegating sectoral program approval authority and resource reallocation to line ministries/agencies. As required by the Procurement Act, ensure that procurement plans are submitted during budget discussion. 	MOF NPC MOF NPC MOF, NPC Line Ministries	<ul style="list-style-type: none"> Spending authorization issued timely and fund released as per work program schedule. Delegation of program approval authority to line agencies Procurement plan submitted during submission of budget request. 	January 2008 January 2008 May 2008

Focus Area	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates
5. Donor Harmonization and Project Management	<ul style="list-style-type: none"> Need for strengthening donor coordination and harmonization TA harmonization Inadequate budget for operations and maintenance. Lack of policy on Resettlement. Delayed availability of funds for land acquisition and resettlement. 	<p>Policy Actions</p> <ul style="list-style-type: none"> Revise the Foreign Aid Policy, 2002 in the context of strengthened donor coordination and harmonization keeping in view the Paris Declaration on Aid Effectiveness 2005 GoN's ownership over TAs Approval of the national policy on land acquisition and resettlement. <p>Process Actions</p> <ul style="list-style-type: none"> Ensure adequate allocation of budget for operations and maintenance. Review decision making process and shorten the process to expedite decision making. Prepare action plan to strengthen the Department of Cadastral Survey. 	<p>MOF, NPC World Bank ADB, DFID</p> <p>MOF, WB, ADB, DFID</p> <p>MOF/Line Ministries NPC</p> <p>MOF NPC, OPMCM</p> <p>Ministry of Land Reforms Ministry of Home Affairs</p>	<ul style="list-style-type: none"> Revised Foreign Aid Policy prepared. MOF's extended ownership Approved Policy on land acquisition and resettlement. Adequate allocation of O&M budget – to be discussed during budget submission. Dissemination of revised procedure of decision making in government agencies. Action plan prepared to strengthen Department of Cadastral Survey, and implementation plan associated with required budget. 	<p>May 2008</p> <p>On going</p> <p>June 2008</p> <p>March 2008</p> <p>June 2008</p>
6. Monitoring of Implementation of Action Plan	<ul style="list-style-type: none"> Ensure implementation of agreed action plan for improving portfolio performance. 	<p>Process Action</p> <ul style="list-style-type: none"> Review and update the implementation status of the Action Plan on a quarterly basis. Post the update in the MOF website. Review the progress in the bimonthly review meeting in MOF chaired by the Finance Minister, and in the monthly meeting held in the line ministries 	<p>MOF Steering Committee World Bank ADB, DFID, JBIC</p> <p>MOF, Line Ministries</p>	<ul style="list-style-type: none"> Preparation of status report on a quarterly basis and disseminate to development partners. Discussions in monthly and bimonthly meeting. 	<p>December 2007</p> <p>March 2008</p> <p>June 2008</p> <p>Monthly and Bi-monthly</p>

FCGO: Financial Controller General's Office, MOES: Ministry of Education and Sports, MOF: Ministry of Finance, MOGA: Ministry of General Administration, MOLD: Ministry of Local Development, MPPW: Ministry of Public Planning and Works, NPC: National Planning Commission, OPMCM: Office of Prime Minister and Council of Ministers, PPMO: Public Procurement Monitoring Office, ADB: Asian Development Bank, DFID: Department for International Development, JBIC: Japan Bank for International Cooperation,