

# **Government of Nepal's Public Financial Management Reform Operation Guideline, 2018**

**(Approval Date: 23/09/2018)**



**Government of Nepal  
Ministry of Finance**

**Public Expenditure and Financial Accountability Secretariat  
Anamnagar, Kathmandu**



## Preface

In achieving the objectives of strengthening of the public financial management of Government of Nepal, it has embedded new emerging reform concepts that are on international practiced along with the continued regular processes of reforms in this aspect. In this regard, the status of the performance of Nepal's Public Financial Management (based on F/Y 2062/63-2064/65 financial data) had been assessed based on PEFA (Public Expenditure and Financial Accountability) Framework. Based on the results of this PEFA assessment, the first phase PFM reform strategy has been developed and disseminated covering in this assessment report 2008. In 2009, an apex body of PEFA Steering Committee, chaired by the Finance Secretary, has been formed to lead for the effective implementation of the PFM reform strategy and this assessment report to strengthen the overall public financial management of the government. To work under this committee, a PEFA Secretariat has been established to coordinate and to implement the overall PFM reform functions of the Government of Nepal. For the due process of operation of all the reform activities, to adopt and to internalize the best practices international standards as per our requirements and to mobilize the assistance and supports of the Development Partners in this field, a "Public Expenditure and Financial Accountability Operation Directives, 2011" has been came into enactment.

Constitution of Nepal, 2072 has changed the ruling structure of Nepal Government that entail establishing an uniform type of PFM institutions, processes and systems in all three tier governments with the purpose of improving transparency and accountability that caused need of reviewing and updating the structure of steering committee and implementing units with replacement of the prevailing directives by "Government of Nepal's Public Financial Management Reform Operation Guideline, 2018" following the decision of 26<sup>th</sup> steering committee meeting and through the approval by the Finance Secretary level dated 07/06/2075.

With the provisions of this guideline, it is believed to be improved the transparency and accountability of the public financial management through implementation of the PFM reforms functions in an integrated and coordinated and uniform way in all three tiers governments.

**Government of Nepal's**  
**Public Financial Management Reform Operation Guideline,**  
**2018**

Approved on 2018/09/23

**Preamble:**

The guideline has been issued to formulate and operationalize the public financial management reform program based on Public Expenditure and Financial Accountability framework as a strategic tool through coordination among stakeholder entities and development partners for strengthening overall public financial management for a sustainable and systemic reform with transparency, promotion of accountability and enhancement of good governance by managing the changes in Public Financial Management processes and systems resulted due to recent transition in governance structure of the country.

**1. Short Title and Commencement:**

- a) The directive hereby will be named as “Government of Nepal’s Public Financial Management Reform Operation Guideline, 2018.”
- b) The “Public Expenditure and Financial Accountability Operating Guidelines and Procedure, 2011” has been repealed. The functions accomplished as of that guidelines and procedures are considered as accomplished as of this guidelines.
- c) This directive will be commenced after its approval date.

**2. Definition and Explanation:**

Unless the subject or context otherwise requires, in this guideline;

- a) “Steering Committee” stands for the public financial management reform steering committee as per the provision 4.
- b) “Working Committee” stands for the working committee established under Provision 5 for the implementation of decision of the steering committee and to provide necessary feedback to the steering committee.
- c) “Secretariat” stands for the Public Expenditure and Financial Accountability (PEFA) Secretariat established under provision 6.
- d) “Implementation Unit” stands for PFM reform (PEFA) Implementation units established under provision 10 at central entities, provinces and district level.

- e) “Task force” stands for team formed from time to time by the PEFA Coordinator with the approval of Steering Committee for the operation of specific PFM related activities to be performed by the Secretariat.
- f) “Ministry” stands for all the ministries of government of Nepal and the word implies to the office of Prime minister and council of ministers, constitutional bodies and other ministries or central entities at federal level and office of chief minister and council of ministers and other ministries at provincial level .
- g) “Study” stands for the research & analytical studies & its reporting related to the public financial management and associated other areas to it.
- h) “Chairman” stands for the chief of PFM Reform Steering Committee.
- i) “Coordinator” stands for the Joint Financial Comptroller General of FCGO designated by Financial Comptroller General for the leadership role of Public Expenditure and Financial Accountability (PEFA) Secretariat.
- j) “Member Secretary” stands for the Deputy Financial Comptroller General designated by the Financial Comptroller General Office to support the coordinator and to operationalize PFM reform related programs in a coordinated way to be performed by Secretariat.
- k) “Projects” refers to the projects operated or coordinated by the Secretariat or by other entities in coordination with the Secretariat to achieve the specific target in a project based approach which may be financed either from GoN source or through joint funding of GoN and other development partners associated with PFM functions.

## **PART - I**

### **Public Financial Management and its Reforms**

#### **3. Scope of Public Financial Management**

In the context of enhancing performance, effectiveness, transparency and accountability of the PFM related activities through the adoption of

established national and international best the scope of Public Financial Management will be as follows:

- a) Macroeconomic Forecasting
- b) Fiscal Policy, Planning and Budgeting
- c) Revenue Management
- d) Foreign Aid (Grants) and Loans
- e) Internal Debt and Investment
- f) Treasury and Cash management
- g) Public Procurement Management
- h) Internal Control and Internal Audit
- i) Public Assets and Liabilities Management
- j) Intergovernmental Fiscal Management
- k) Financial Accountability and Transparency
- l) Standard Accounting and Reporting system in Government and Public Enterprises
- m) Commitment Accounting and Control
- n) Parliamentary Oversight and Final Audit
- o) Financial Management Information System
- p) Open Budget and Citizen Engagement
- q) Fiduciary Risk, Off Budget Expenditures, PFM Performance (PEFA) Assessment, PFM Reform Strategy, PFM Capacity Development, and
- r) Other areas specified by the steering committee.

#### **4. Public Financial Management Reform Steering Committee (PFMRSC)**

- (a) A PFM Steering committee will be in place as an apex body for the policy decision, direction and guidance for establishment and operationalize an effective, efficient and competent Public Financial Management System with necessary PFM reforms in all the three tiers governments of the country based on the national and international best practices and as well as PFM performance assessment. The steering committee will have the following structure:

1. Secretary (Finance), Ministry of Finance      Chairman
  2. Secretary (Revenue), Ministry of Finance      Vice Chairman
  3. Deputy Auditor General, Office of the Auditor General  
Member
  4. Secretary (Responsible for Finance and Planning), Office  
of the Prime Minister and Council of Ministers      Member
  5. Financial Comptroller General, Financial Comptroller  
General Office      Member
  6. Secretary, National Natural Resource and Fiscal  
Commission      Member
  7. Secretary, National Planning Commission      Member
  8. Secretary, Public Procurement Monitoring Office  
Member
  9. Secretary, Ministry of Federal Affairs and General  
Administration      Member
  10. Secretary, Ministry of Physical Infrastructure and  
Transport      Member
  11. Secretary, Ministry of Education, Science and  
Technology      Member
  12. Secretary, Ministry of Health and Population      Member
  13. Joint Secretary, Budget and Program Division, Ministry  
of Finance      Member
  14. Joint Secretary. International Economic Cooperation and  
Coordination Division, Ministry of Finance      Member
  15. Chairman, Transparency International Nepal      Member
  16. Chairman, Nepal Federation of Industry and Commerce  
Member
  17. Coordinator, Public Expenditure and Financial  
Accountability Secretariat      Member Secretary
- b) Any other designated person or experts as decided by the chairman may participate as an invitee in the steering committee as per requirement.
- c) The procedure for the meeting of the steering committee and decision making process will be as follows:

1. The PFM steering committee meeting will be held at least once in every six months or more as required.
  2. The meeting will be called by the Member Secretary with the pre-consent of chairman on the appropriate venue, date and time with agenda.
  3. The decision of the Steering Committee will require a majority with the presence of at least 50 percent of the members.
  4. All the decisions of Steering Committee will be documented in a separate minute book and the Secretariat will liable for the record keeping and administrative arrangement for implementation of the decision taken.
- d) The Steering Committee will have the following duties, responsibilities and rights to enhance the transparency and accountability in the context of public financial management reforms;
1. To adopt the one door policy for the public financial management reform programs for government of Nepal;
  2. To develop and to implement the policy, strategy, work-plan for overall and sectoral development of public financial management;
  3. To provide necessary directions and policy guidance for effective and overall reform of public financial management;
  4. To lead at policy level and to coordinate for the reform of public financial management of three tiers of government including public enterprises;
  5. To update the recent PFM performance assessment indicators and to make PFM reform development action plans relevant to date and monitor its implementation status and to involve all the stakeholder agencies in implementing the PEFA Framework;
  6. To design and implement or cause to design or implement programs necessary for public financial management reforms;
  7. To approve reform projects, programs and budget for reforms as prepared and forwarded by the Secretariat;

8. To facilitate and provide guidance with policy level directions as required to the subnational level about PFM functions and process with uniform systems and procedures as required;
9. To make necessary arrangement for PFM reform programs from one door system mobilizing internal and development partners resources;
10. To perform any other required functions for assisting the policy, planning and programs for overall PFM reforms related areas of governments of Nepal.

## **5. Public Financial Management Working Committee**

- a. A working committee will be formed under the co-ordination of PEFA coordinator to assist the steering committee as required and to mobilize other related agencies regarding PFM reform as follows:
  1. Member Secretary, PFM Reform Steering Committee -  
Coordinator
  2. Assistant Auditor General, OAG -Member
  3. Joint Secretary, National Natural Resource and Fiscal Commission -Member
  4. Joint Secretary, (NPC) -Member
  5. Joint Secretary, (OPCM) -Member
  6. Joint Financial Comptroller General, FCGO -Member
  7. Joint Secretary (PPMO) -Member
  8. Joint Secretary, (MoFAGA) -Member
  9. Joint Secretary, (MoPIT) -Member
  10. Joint Secretary, (MoHP) -Member
  11. Joint Secretary, (MoEST) -Member
  12. Under Secretary, Budget & Program Division, MoF -  
Member



13. Under Secretary, Revenue Management Division, MoF - Member
14. Member Secretary, PEFA Secretariat -Member Secretary

b. The operation procedure of working committee will be as follows:

1. The meeting of working committee will be conducted as per requirement.
2. The venue, date and time of the meeting will be decided by Member Secretary as per the direction of the coordinator.
3. The secretariat will prepare and forward the agendas of meeting to be discussed in the meeting.
4. The operation methodologies of the committee could be determined by the committee itself.
5. Separate minute book will be maintained and the responsibility for documentation and implementation will be instilled to the Secretariat.

c. The ToR of working committee will be as follows:

1. To present necessary suggestions and recommendations to the Steering Committee with detail study on policy related issues or areas to be decided from the steering committee.
2. To support for developing the strategy and implementation of PFM reform activities identified for various sectors and mobilize them accordingly;
3. To conduct assessments and cause to evaluate the performance of public financial management against the PEFA indicators, open budget indicators and any other indicators developed for the same purpose in the spectrum of PFM in federal, provincial and local level.
4. To support for the internalization of performance measurement framework or mechanism related to of public financial management in different tiers of government and other related sectors.
5. To assist in developing the information center to disseminate the data, statistics, reports and publication related to PFM and its reforms of government.
6. To provide necessary directions for proper implementation of PFM reform action plans and to facilitate for the same to the Secretariat,

7. To brief and update on the status of various programs implemented in PFM sectors with review and monitoring to the steering committee meeting.
8. To develop and implement the necessary strategies and action plans in PFM sectors as identified and facilitate the concerned agencies for implementation.
9. To mobilize and provide necessary direction to the Secretariat for any other action that the committee perceives necessary.

## **PART-2**

### **Public Expenditure and Financial Accountability (PEFA) Secretariat and its Operation**

#### **6. Public Expenditure and Financial Accountability (PEFA) Secretariat**

1. There will be a secretariat to be function under the policy level guidance of the PFM Reform Steering Committee in the name of Public Expenditure and Financial Accountability Secretariat. The secretariat will function under the Ministry of Finance for designing and implementing the GoN's PFM reforms activities in different government entities through the coordination of development partners related to the sector.
2. The secretariat will have its own legal status. The secretariat will have capacitated as other existing central level entities of the GoN. The secretariat will use Government of Nepal official stamp and its logo in its operation as per annex 1.
3. For the functioning and leading the PFM reform related activities of the Secretariat, a Joint Financial Comptroller General will be designated as Coordinator by Financial Comptroller General.
4. The coordinator of Secretariat will be the Member Secretary of PFM Steering Committee.
5. For the operation of general administrative functions of the Secretariat, Financial Comptroller General Office will designate a Deputy Financial

Comptroller General as a Member Secretary, who will work under the Coordinator of PEFA Secretariat.

6. Unless, the Secretariat have permanent infrastructure the Secretariat, FCGO will provide necessary manpower and resources as per annex 2.
7. The Secretariat could procure and hire consultant and other support staff as required for its functioning with the approval of PFM steering Committee.

## **7. Role, Responsibility and Authority of the Secretariat**

Notwithstanding with the provisions mentioned elsewhere in this guideline, the role, responsibility and authority of the Secretariat will be as follows:

1. To call and manage the meeting of Steering Committee as directed by the Chairman;
2. To submit the programs and agendas to be discussed in the Steering committee,
3. To implement or cause to implement the decision of Steering Committee;
4. To make recommendation of reform measures derived from sector assessment against indicators of relevant PFM assessment framework as per the direction of PFM Steering Committee;
5. To establish the Resource Center for dissemination of information, statistics, reports and publications related to PFM of GoN;
6. To manage the human resource, physical resource and financial resource needed for the Secretariat.
7. To act as the mechanism to design the strategy for PFM reforms with development action plans, to develop reform project and manage the resources through the coordination of development partners, lead and implement the projects, and work as facilitator and monitoring of them.
8. To monitor the periodic progress of reform policies, planning and programs related to PFM and public expenditure and financial accountability of GoN.
9. To organize various events and activities such as training, seminar and workshop related to PEFA/PFM reform and to coordinate and arrange the review meetings related to such activities.

10. To act as a focal point for promoting various activities related to the PFM reform with development partners and other related stakeholders in the country.
11. To provide technical support to operationalize the PFM reform activities in different ministries of Government of Nepal and other central entities.
12. To collect and update information regarding different activities related to PFM and public expenditure and financial accountability performed by various ministries, entities, subnational entities and prepare annual progress reports submit to the Steering Committee;
13. To identify the requirements of the systems related to information technology for PFM reform, develop and implement such system and handover to the related agency or institution with sustainable implementation arrangements.
14. To coordinate and facilitate the assessment at various level of government such as local, provincial and federal level and sector entities against indicators based on PEFA framework or any other developed indicator designed for assessment of PFM sector. To promote of PEFA Framework through its orientation, interaction, etc.
15. To conduct or cause to conduct required studies contemporary to various PFM related reform activities.
16. To be activated proactively in reducing fiduciary risk prevailing in fiscal sectors.
17. To perform any other functions as directed by PFM steering committee.

## **8. Operational Procedure of the Secretariat**

1. The Secretariat will function based on the prevailing laws and procedures of GoN which will include its activities in the approved annual budget and program from respective implementing agencies.
2. The role and responsibility of the concerned staffs of the secretariat will be assigned on the basis of the functions to be performed by the secretariat. Detail job description of each individual staff with personal/sectoral work plan will be provided on the basis of these duties or functions to make their role and responsibility more clear.

3. The Secretariat will make necessary arrangement to coordinate different PFM reform related activities of different PIUs, and to communicate and inform them about the activities of the Secretariat.
4. The performed activities of the secretariat will be published and distributed through secretariat's website, journals, and newsletter. Notices and information related to PFM will also be publicized through newsletter, radio and television.
5. Secretariat will hire the consulting service through qualified expert service under prevailing laws depending upon work pressure, nature of work, necessity of expert services and need of coordination among implementing agencies.
6. Depending upon the work pressure, nature of work, need of expertise, coordination among entities, etc. the secretariat will form specific task force. The task force may consist of concerned expert beside secretariat's staff. Depending upon the nature of work the task force may work before and after the office time.
7. The secretariat can design and develop the programs to strengthen the Public Financial Management of the GoN to be implemented by concerned ministry and entities. If such programs require to be implemented by any other entities (beyond government entities) a Memorandum of Understanding (MoU) could be signed between the concerned entities and Secretariat to implement that reform programs.
8. In case of the program approved under Secretariat to be implemented through other agencies, the Secretariat could request for the concept and proposal of such activities and provide authorizations as required. It will be the responsibility of the concerned entities or agencies to implement those approved proposed programs and activities in coordination with the Secretariat along with delivering all the progress reports thereof.

## **9. The transparency of the PFM related programs:**

To Strengthen overall PFM systems of government, different strategies and programs will be developed and implemented for raising the awareness

among individuals, entities and organizations as well as to communicate about the activities of Secretariat and to maintain transparency of them.

1. Publication and Communication: The secretariat will maintain a website for publicizing the PFM related activities. The Secretariat will also publish different informative brochures, handbook, newsletter, journal and working paper related to PFM & PEFA elaborating as appropriate. Such types of information will be communicated and displayed and published through relevant paper, documentation and digital media as per requirements.
2. Organizing and participation in International training, workshop and seminar: The secretariat can organize and participate in different national and international seminars and workshops to improve and widen the skills and capacity of employees involved in PFM areas and for knowledge sharing including the international experts' participation. The secretariat will represent in PFM related national and international training, workshops and conferences as per the requirement.
3. Organizing the national, provincial and local level as well as District level training, workshop and seminars: To enhance the capacity related to public financial management, the secretariat will organize national, provincial, district and local level training, workshop and seminars as appropriate.
4. Orientation: The secretariat will conduct or manage to conduct different provincial, districts and local level orientation for PFM and its interrelated issues. The orientation of this nature will be targeted to politician, parliamentarian, executive members, constitutional bodies, different ministries, departmental officials and employees including public enterprises, boards, committees, project officials, journalist and civil society.
5. Meeting with development partners: The Secretariat will organize coordination and consultation meetings with different development partners and agencies contributing in strengthening public financial management and the appropriate decision will be implemented as appropriate.

6. Conduct study/research and publicized its reports: The secretariat will conduct study or research or cause to study or research in different PFM related areas and the report of such study will be published and made accessible to all users.

## **10. Public Expenditure and Financial Accountability (PEFA) Implementation Unit**

- (1) To implement the reform programs and activities developed by or through the PEFA Secretariat in respective sectoral ministries, entities, province or district PEFA implement unit will be established as stated below;

### **(a) In Federal ministerial/Central level entities:**

1. Joint Secretary, Planning Division - Coordinator
2. Chief, Planning Section - Member
3. Chief, Administration Section -Member
4. Chief, Monitoring and Evaluation Section - Member
5. Chief, Financial Administration Section  
-Member Secretary

Clarification: In case such designations do not exist in respective ministry or agency, members other than member secretary, mentioned in serial no 5 can be assigned by decision of respective entity.

### **(b) In Provincial level:**

1. Secretary; Ministry of Economic Affairs and Planning  
- Coordinator
2. Secretary; Office of Chief Minister and Council of Ministers  
- Member
3. Comptroller General, Provincial Financial Comptroller Office  
- Member
4. Chief Executive Officer, respective Local level where the Province Headquarter is situated - Member
5. Officer Designated by the Coordinator  
- Member Secretary

**(c) In District level:**

1. Chief, DTCO - Coordinator
  2. Chief Administrative Officer, District Coordination Committee - Member
  3. Chief Executive Officer, respective Local level where the district Headquarter is situated - Member
  4. An Officer level Representative, District administration Office - Member
  5. Officer, designated by Coordinator - Member Secretary
- (2) Implementing Unit (PIU) will conduct its meetings as following;
- (a) The Implementing unit will conduct its meeting at least twice a year or more than twice as per requirement.
  - (b) The venue, date and schedule of meeting will be ascertained by the Member Secretary as directed by the coordinator of Implementing Unit. The meeting can invite the chief of departments, committees, boards, councils and commissions or sections under the concerned entities including experts.
  - (c) Member Secretary will make arrangement to make available the agendas of meeting to be discussed to all the member participants of meeting including invitee earlier at least the day before.
  - (d) A separate minute book will be maintained for decisions of the meetings. The authentication and execution of decision will be done by Member Secretary of the meeting.
  - (e.) The other operational work plan of unit will be managed by committee itself.
- (3) Implementation Units will perform its task under its jurisdiction as follows:
1. To implement or cause to implement the decisions (applicable) of Steering Committee,
  2. To implement awareness programs in relation with Public Financial Management through coordination with PEFA Secretariat,



3. To implement strategy for Public Financial Management in different areas,
4. To assist to internalize the PEFA framework within entities and its withholding entities,
5. To develop and implement necessary or relevant programs for enhancing the fiscal transparency and accountability.
6. To adopt appropriate measures for minimization of fiduciary risks identifying of potential areas in the concerned agency and their withholding agencies.
7. To implement and cause to implement the identified measures through programs and activities for making the public expenditure and procurement transparent and accountable,
8. To assist the Secretariat for conducting PEFA assessment and other indicator based assessment.
9. To design and implement the sectoral reform work plan for the sector and withholdings under agency in line with Public Expenditure and Financial Accountability assessment reports and plans developed for implementation of such reform programs,
10. To ensure the cost-effective use of resources by monitoring of PFM related areas issues in the concerned agencies and their withholding agencies,
11. To organize discussion, seminar and interaction programs to support for overall PFM improvement,
12. To adopt necessary operation policies for establishing and providing easy access of economic activities and fiscal information to the related stakeholders,
13. To promote transparency in PFM related activities through making entities-wise detail information accessible to journalist, civil society, representative of political parties and other stakeholders,
14. To implement relevant activities of integrated public financial management reform project as appropriate and coordinate with the Secretariat as appropriate.

15. To act as contact point for concerned entities and secretariat for the activities related to public financial management reform,
16. To implement programs as per PFM reform strategy, development action plan and other reform activities in coordination with PEFA Secretariat.

**11. Establishment and Operationalize PFM Resource Centre:** The Secretariat will establish and operationalize a Resource Centre of PFM information and statistics accessible from single platform. PFM related national and international documents or publications will be collected, managed and provided to the relevant stakeholder through the Resource Centre.

Annex 1

Related to Provision 6(2)

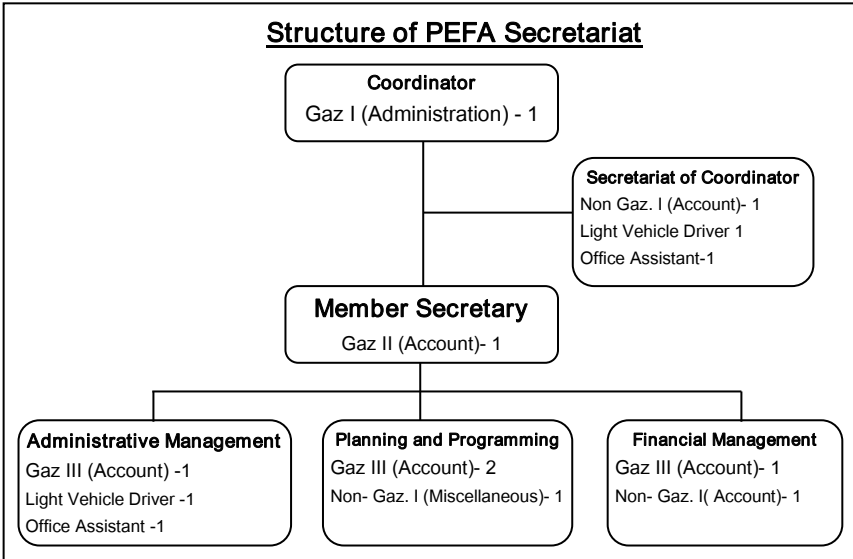
Logo of PEFA Secretariat



## Annex 2

Related to Provision 6(6)

### Structure and Human Resource of PEFA Secretariat



Human Resource of the Secretariat			
Position	Service/Group	No.	Source
၁. Coordinator	- Gaz I (Administration )	1	From FCGO's regular structure (Permanent in Civil service)
၂. Member Secretary	- Gaz II (Account)	1	
၃. Account Officer	- Gaz III (Account)	4	
၄. Accountant	Non-Gaz I (Account)	1	
၅. Library Assistant (Computer Operator)	- Non Gaz. I (Miscellaneous)	1	Light Vehicle Driver 1 PEFA Secretariat/FCGO by Service contract
၆. Light Vehicle Driver	Non classified	2	
၇. Office Assistant	Non Classified	2	
<b>Total</b>		<b>13</b>	