



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
STRENGTHENING SYSTEMS FOR SOCIAL PROTECTION AND CIVIL REGISTRATION PROJECT
APPROVED ON DECEMBER 2, 2016
TO
FEDERAL DEMOCRATIC REPUBLIC OF NEPAL

SOCIAL PROTECTION & JOBS

SOUTH ASIA

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ABBREVIATIONS AND ACRONYMS

DONIDCR	Department of National ID and Civil Registration
DOCR	Department of Civil Registration
FM	Financial Management
IECCD	International Economic Cooperation Coordination Division
MOFAGA	Ministry of Federal Affairs and General Administration
MOHA	Ministry of Home Affairs
NIDMC	National ID Management Centre
SSA	Social Security Allowances
SSSPCR	Strengthening Systems for Social Protection and Civil Registration



BASIC DATA

Product Information

Project ID P154548	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 02-Dec-2016	Current Closing Date 30-Nov-2021

Organizations

Borrower Government of Nepal	Responsible Agency Department of National ID and Civil Registration, Ministry of Home Affairs
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Project Development Objective (PDO)

Original PDO

The project development objective is to improve the coverage of social security allowances and civil registration, and the delivery of social security allowances.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-59120	02-Dec-2016	23-Jan-2017	21-Jul-2017	30-Nov-2021	150.00	5.00	146.35

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. Project implementation has been under way for 1.5 years, and the achievement of the Project Development Objective (PDO) is rated Moderately Satisfactory while Implementation Progress (IP) is Moderately Unsatisfactory due to the recent changes in the Government institutional arrangements. The disbursement rate remains low but expected to increase to 8 percent following the completion of the verification process for achievement of DLI1 on January 30, 2019.

2. The Government of Nepal, through its Ministry of Finance, sent a letter to the World Bank on January 22, 2019 informing of the October 14, 2018 merger of the Department of Civil Registration (DOCR) and National ID Management Centre (NIDMC) into the Department of National ID and Civil Registration (DONIDCR). The letter further requested adjustment and changes to the project to address the merger as well as clarify that DONIDCR is responsible for the fiduciary accountability of the project since October 14, 2018, although budget allocated to the project would remain under the Ministry of Federal Affairs and General Administration (MOFAGA) until the end of the current fiscal year. This project restructuring only proposes to change the implementing agency name to DONIDCR under the Ministry of Home Affairs (MOHA). A second restructuring will be initiated to further clarify any changes to the scope of the project.

II. DESCRIPTION OF PROPOSED CHANGES

3. The Strengthening Systems for Social Protection and Civil Registration (SSSPCR) Project supports the development of the national population registry, strengthening of the civil registration system, and modernization of the payment system. It was designed to address some of the civil registration system gaps and to contribute to the development of a more robust and complex foundational system to uniquely, securely and accurately identify the Nepali population. The Project was prepared with MOFAGA team, and the Project Management Unit set at the DOCR, which was the department in charge of civil registration system and social security allowance payments.

4. As the Government of Nepal promotes institutional reforms to improve its management capacity and efficacy of policies and programs in the new federal context, DOCR and NIDMC were merged, named DONIDCR, and placed under MOHA. This merger is welcomed and crucial for the long-term impacts of SSSPCR given that national identity and civil registration systems form the pillars of a robust foundational system.

5. Therefore, the merger of the two departments offers the SSSPCR an opportunity to expand its scope to reflect the mandate of the new department, and the building of the robust foundational system, which would require a further restructuring. However, a detailed analysis of business process, interoperability of systems and relevant legislation, and in-depth discussion with DONIDCR would be required for (i) developing business processes for an interoperable system, (ii) assessing data access, security and privacy, (iii) designing proper communication, grievance redress mechanism, and accountability measures. In addition, the pending issue of sub-national project implementation arrangement may also need to consider the presence of district level offices of MOHA and any potential role of these offices in project activities. This analysis may take several months and affects mainly component 1 and 3 of SSSPCR.

6. The desired broader restructuring would take a few months and a delayed restructuring, would have implications on key SSSPCR activities for other components such as modernization of payment system, recruitment of procurement specialist; payment of existing contracts (risk of ineligibility); digitization of civil registration registers; development of Civil



Registration Grievance Redressal Mechanism (GRM) system/module; and delays in reimbursement against Disbursement Linked Indicators (DLIs) achieved.

7. In order not to delay these activities, this proposed restructuring addresses only the change in implementing agency name from DOCR/MOFAGA to DONIDCR /MOHA, to be followed by the second and more technical restructuring, to address the potential change in scope of the project, sub-national implementation arrangements, any changes necessary in the Results Framework, and adjustments needed to improve both progress towards achievement of PDO and overall Implementation Progress.

8. This proposed restructuring will keep the original design to establish district level Program Implementing Units to support project implementation. As of now, district level Program Implementing Unit were not created due to the federalism strategy of the country, and therefore there has been no fund flow to, and procurement and implementation at the local level. This will continue to be the case until the second restructuring and more in-depth restructuring is completed. Any use of funds/implementation will be limited to the central level implementing agency. Hence, the proposed changes to the Institutional and Implementation Arrangements are:

- (a) The implementing agency of SSSPCR will be the DONIDCR.
- (b) A Project Steering Committee (PSC) will be chaired by the MOHA secretary and will include: (i) Joint-Secretaries from MOHA; MOFAGA; Ministry of Finance; Ministry of Health and Population; Ministry of Education, Science and Technology; Ministry of Women, Child and Senior Citizen; and of National Planning Commission; (ii) the Executive Director of Nepal Rastra Bank, and (iii) the Director General of DONIDCR.
- (c) A Project Technical Committee (PTC) will be chaired by the Director General of DONIDCR and will include: (i) Under-Secretaries from Citizenship and NID Management Section of MOHA; Development Support Coordination Section from MOFAGA; Ministry of Health and Population; Ministry of Education, Science and Technology; and Ministry of Women, Children and Senior Citizen (ii) the Director of Nepal Rastra Bank; (iii) the Director of the Central Bureau of Statistics; and (iii) the Director of Civil Registration Management Section of DONIDCR.
- (d) The DONIDCR will set up the PMU to be headed by the DONIDCR director-general as the project director. The existing directors and section officers at the DONIDCR will support the project director in line with their regular portfolio of responsibilities while also being responsible for their designated component activities. Besides, the PMU will include several consultants for financial management, procurement, and specific technical areas, as needed.
- (e) At the local level, district level Program Implementing Units establishment won't be supported and no fund flow to, no procurement activities and no implementing support will occur until the next restructuring is completed.

9. Both Financial Management (FM) and Procurement arrangements will be adjusted to correct some minor issues identified during the past implementation year. However, a deeper adjustment on both activities will follow on the upcoming technical restructuring.



10. The proposed adjustments on FM and Procurement are:

(a) *Financial Management*: The overall budget for the Project including the EEP for SSA for current FY 2018/19 remains under MOFAGA but DONIDCR holds the fiduciary accountability. The former DOCR Finance Officer is assigned to DONIDCR and continues to be responsible for the Project. Moreover, PMU was informed that about the types of project expenditures acceptable as per the Financing Agreement signed. To improve current FM performance, the PMU will:

- (i) Adjust the Term of Reference of the FM consultant in the upcoming weeks and aim to complete the hiring process by May 31, 2019;
- (ii) Review process to obtain expenditure quarterly reports from the local governments related to the Social Security Allowances (SSA) by revising the Social Security Operations Regulation;
- (iii) Discuss the potential of incorporating provisions in the Operating Guidelines issued by the Budget Division of MOF to ensure implementation of reporting and control mechanism for strengthening controls on SSA payment; and
- (iv) Take actions to provide trimester internal audits as per government policy.

(b) *Procurement*: The Project procurement plan is in the STEP system and procurement activities are being implemented from the last 2 fiscal years. To improve current procurement performance, the PMU will:

- (i) Ensure compliance with the new procurement procedures and guidelines;
- (ii) Work with the World Bank procurement specialist when needed;
- (iii) Finalize the recruitment process of procurement consultant initiated last year (not completed due to the merger of departments) by May 31, 2019.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Implementing Agency	✓	
Institutional Arrangements	✓	
Financial Management	✓	
Procurement	✓	
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓



Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
APA Reliance		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

IMPLEMENTING AGENCY

Implementing Agency Name	Type	Action
Department of National ID and Civil Registration	Implementing Agency	New
Ministry of Home Affairs	Implementing Agency	New