

Ministry of Federal Affairs and Local Development
Local Governance and Community Development Programme II

Minutes of the 18th Sub- NAC Meeting

17th November 2016

The Ministry of Federal Affairs and Local Development organized the 18th Sub-National Advisory Committee meeting on 17th November 2016 under the chairpersonship of Mr. Reshmi Raj Pandey, Joint Secretary/National Programme Director to discuss progress status of LGCDP II, status Update on the 7th NAC meeting decisions, brief highlight on annual progress report of LGCDP II 2015-16, highlight on unaudited financial management report 2015/16, status of Programme Results Matrix, highlight on findings of joint field visit, sharing the concept note of future sub- national governance programme, transition phase of sub-national governance programme, proposed Policy recommendations for the 8th NAC meeting. Major key highlights, discussion points and decisions are given below:

Welcome Remarks by Mr. Reshmi Raj Pandey, National Programme Director

Mr. Reshmi Raj Pandey welcomed participants on behalf of LGCDP. In his opening remarks, the Chair informed that in the final year of LGCDP II, activities are taking place at full swing; LLRC is formed and fully operational, local government grant was doubled, ministry is in preparation of LSGA-the draft is under discussion and two days discussion was held on it recently. Government is the final stage of finalizing 14th Plan, high level government authorities had discussions at Dhulikhel. The Chair also informed that concept note for third phase of the programme has been prepared and thanked SDC for supporting the consultant cost for it. Likewise, a transition management plan is being discussed between government and development partners.

Opening Remarks by DP Chair-Mr. Diepak Elmer, Deputy Head of Mission, Embassy of Switzerland in Nepal

DP Chair, Mr. Diepak Elmer appreciated the efforts of MOFALD/LGCDP in providing relevant documents prior to the meeting as per the JFA. He spoke of LLRC formation and tabling of bills of different commissions to the parliament as achievements and hoped for the local election to take place by April as per the constitution. He also recognized the team efforts of LGCDP and ministry in successfully conducting various joint field visits (GESI, PFM, joint field visit to Myagdi and Mustang) which was fruitful to note the progress and challenges of LGCDP in different part of the country.

He also appreciated the efforts of MOFALD for initiating the steps for future local governance programme. DPs have received the draft concept note. He informed that more DPs are interested for future local governance programme and would also like to seek their feedback. It is huge opportunity and together can address the challenge to institutionalize the Decentralization in Nepal in the changed context.

The DP Chair further added that DPs believe that future program will require a whole-of-government approach from the Government of Nepal and key role of MoFALD's with active involvement of all key Ministries and agencies, including the Ministry of Finance, the National Planning Commission, the Ministry of General Administration, the Office of the Prime Minister, the new National Natural Resources and Finance Commission, the Federal Parliament.

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On the other hand, he also made note of some critical issues to be addressed in the last year of the programme implementation. The issues that need continuous follow up are to address audit issues and urged the government to give the upmost priority for the requested information and act upon the concerns. He also urged to update the HH level UCPA data and manage the data centrally for the easy access to all as UCPA data that identifies DAGs HHs are the basis of inclusive service delivery. He also underlined now that FRRAP (2015-2017) has been endorsed, its implementation is key and looking forward to note the progress.

Lastly, he proposed to discuss on the exit strategy (Transitional management plan) of LGCDP after the NAC meeting considering LLRC report and local election are the two main parameter which would change the context drastically, are still unknown.

Progress Status

Mr. Chhabi Lal Rijal, National Programme Manager presented information on the status of previous Sub NAC decisions, third trimester physical and financial progress, status of Programme Result Matrix, findings of the joint field visit and on sharing the concept note of future sub national governance programme which is given below:

1. Status update on actions taken on decision of previous Sub NAC meeting

Most of the Sub NAC decisions are complied with are listed below:

- As per the committee recommendation, MoFALD issued necessary instruction to resolve issues raised in OAG report and inform MoFALD within a week on the action taken.
- FRRAP 2015-17 document published and circulated
- As per the committee recommendation, a Joint Task Force was formed to formulate concept note for the next phase. It was complied with and concept paper on sub national governance prepared.
- As per the NAC recommendation to expedite recruitment of programme officers, MoFALD made an alternative arrangement to replace D/UGEs by assigning PO/SD/engineers as LGCDP focal persons.
- As per the recommendation, LGAF has analysed district good governance report and updated compliance monitoring guidelines.

Highlights on Progress in ASIP 2015/16

- Physical Progress

Some of the key physical progresses in each output areas as follows:

Output 1:

- 80% WCFs are under category A & B against the target of 65%.
- 4777 CACs have been formed against the target of 5000
- Underlying Causes of Poverty Assessment (UCPA) has been completed in 2,977 VDCs and 653 wards of Municipalities.

Output 2:

- 89 % DDCs established grievance handling mechanism against the target of 60%

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- VDCs redressed 77% of registered complaints
- 60 % of grievances reported during public addressed by local bodies against the target of 50%

Output 3:

- IPT and house land tax implemented in 13 additional municipalities with that number of municipalities adopting IPT reached 61
- MARS software developed and piloted in 5 wards of KMC.

Output 4:

- 7% LBs (DDC and municipality) adopted gender responsive budget against the target of 10%.
- VDC accounting software installed in additional 100 VDCs
- 59% municipalities and 67% DDCs have spent more than 80% of budget allocated for women, children and disadvantaged group

Output 5:

- 9473 LBs' staff and 56,648 stakeholders received training on various fields.
- Websites of 100% DDCs 76% municipalities updated against the target of 100%.

Output 6:

- 6 new quality lab established against the target of 10
- 125 municipalities and 62 DDCs prepared M/DTMP
- Community Mediation Centres established in 193 in 25 districts against the target of 200

Output 7:

- Sunol municipality, Biratnagar Sub Metropolitan City and Tetariya VDC declared as child friendly
- GRB localization strategy 2072 approved.
- 2 wards and 1450 households of Chitwan district and 77 households of Ramnagar municipality declared as EFLG. One settlement/role of Bharatpur municipality declared as EFLG settlement

Output 8

- Technical support provided to LLRC on GIS, developing criteria and standards of local bodies restructuring.
- IEC materials developed and disseminated regarding major provision of constitution and carried out the *Jantako Sambidhan Jantako Majhama* Campaign.

Issues and challenges

Some of the main issues and challenges are listed below:

- Limited resources for capacity building of WCF and CAC members
- Coordination and harmonization between LGAF and other accountability related programme
- MCPM is applied only in 20 % of the grant of the Government of Nepal.
- Large volume and value of audit observations not settled by DDCs despite regular progress in settling audit arrear.
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- No initiation to develop Institutional Development Plan of National Service Provider (LDTA).
- Harmonizing various models of community mediations practiced by MoFALD, USAID, DFID, JICA

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- Implement GRB system in planning and budgeting processes of LBs.
- Transition plan in federal context.

1. Status of Programme Result Ma/-'oitrix

- MoFALD prepared MTBF and approved by MoF
- As per the target to timely fund transfers (50% by second trimester) and adherence to Minimum Condition/Performance Measures (MC/PM), it has been complied with 90% of the budget authorized for disbursement in first trimester
- With regards to special programme initiated in difficult and remote areas with special modality, border area development programme implemented in 20 districts.
- Trimester expenditure reports prepared and submitted by DDC and Municipalities to MoFALD

2. Financial highlights

- LGCDP Expenditure in FY 2072-73 (2015-16) is 90%.
- Trimester wise trend of financial deliver during FY 2015-16 is 14%, 41% and 91% respectively.
- LGCDP expenditure for last 3 financial years: FY 2013-14 – 96%, FY 2014-15 – 93%, FY 2015-16 – 91%.
- Progress in settlement of MoFALD audit arrears in FY 2013/14- 40.58%, 2014/15 – 42.77%, 2015/16- 43.25%.
- Outstanding LGCDP audit arrears- 1.19 billion.

3. Concept Note on Sub National Governance Programme

Concept note prepared on sub National Governance Programme reviewed by the Joint Task Force on 16th Nov 2016. The concept note provides broad overview view of the sub national Governance programme.

The concept note outline four key pillar

- i. Enhancing Capacities of Central ministries/ Agencies to cope with new mandate and functions.
- ii. Institutional building at sub national level of governance.
- iii. Capacity Development.-
- iv. Public Finance Management

In addition to the above 4 pillars MoFALD has suggested to add

- v. Basket Fund for Local economic Development and Income Generation.

Key Discussions and Comments

Norway:

Norway is committed to continuing cooperation with Nepal on sub-national governance together with other development partners.

In the bilateral agreement, Norway committed up to NOK 5 million through LGCDP to pilot integration of energy services through local governance structures, and disbursed NOK 1.5 Million in 2014. Due to

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different understanding between MoFALD and Royal Norwegian Embassy (RNE) on the use of these funds, and concern of duplication of another Norwegian funded project, the remaining NOK 3.5 million is not foreseen to be disbursed. .

Norway's funding to the aligned project with UNICEF on Child-Friendly Local Governance ended in September. The preparation of a CFLG roll-out plan by MoFALD and line ministries is appreciated. Norway believes that the CFLG is a good framework for realisation of child rights, and therefore encourage MoFALD to integrate CFLG in future local governance programs.

In the joint field visit, the progress of the ongoing local level restructuring process and also the challenges were observed. The success of citizen's empowerment at the local level and economic empowerment of women, disadvantaged communities and children are encouraging. It is important to have an effective transition of these good achievements to the new local government structures. Norway is encouraged to see that citizens are aiming to take part in the future elected local government systems. This reaffirms that local election will create new avenues for future cooperation.

The unsettled audit areas (including LGCDP I) is a major concern.

Mr. Gopi Krishna Khanal, Joint Secretary, MoFALD:

Mr. Gopi Khanal clarified on the energy fund. The initial agreement of the Norwegian fund was to utilise it on awareness building of solar energy for SMs and CACs. However, GoN has already spent more than billion Nepalese rupees on solar street light last year, and more funding will be provided by Ministry of Finance this year; it's a successful endeavour whereby people are mostly aware of it. It was therefore GoN had proposed to utilise that fund to train solar technician and electrician at the local level, give trainings to handyman and technician to fix solar panel and other solar issues. However, the proposal was not acceptable to Norway. Due to separate priorities, the energy fund could not be utilised. Having said that, there is still massive demand for training local engineers and electricians in repairing and maintenance of solar panels and street lights- hence still request for the funding.

NPD: The NPD remarked that due to different understanding between MoFALD and RNE on the use of these funds, the remaining NOK 3.5 million is not foreseen to be disbursed by RNE. Thus, NPD recommend this shall be formalized in an official communication between MoFALD and RNE subsequently and recommend to NAC the same.

UN Women: Mr. Krishna Bhattarai commented on the following:

Output 7: Regarding progress shared under Output 7 on GRV being practiced at the local level. How many local bodies have formed district level GRV committee? Whether such committee are functional or not? UNWOMEN would like to receive more updated report in this regard.

Joint monitoring visit in eastern Nepal- A Joint monitoring visit was held in eastern Nepal (Morang, Dhankuta and Terathum) lead by MoFALD including UNWOMEN, SDC, UNDP, DP Cell. The visit was also

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organised to monitor GESI issues. Would like to receive findings and recommendations from this joint field visit that was conducted in September.

NPM: NPM informed that report is ready and will be shared soon.

UNDP: Mr. Yam Nath Sharma commented on the following:

Findings of the Concept note: It mentions that CACs would be the entry point of local economic activities which might undermine the private sector. They have pivotal role in bringing economic development at local level.

Regarding use of CACs and WCFs in election promotion: He further informed that the Election commission of Nepal supported by project ESP funded by Norway, EU and DFID has been conducting number of trainings to the prospective leaders, those who are likely to contest. Likewise, the project has been conducting mock polling, and training and educating people on how to conduct polling. Depending on the outcome of these trainings, it needs to be scaled up, especially in the remote areas.

ADB: Mr. Raju Tuladhar made note of the following:

He acknowledged the progress related to number of outputs, particularly Output 4 related to financial management. It was noted that one of the major progress in the last three months is the sub national PEFA assessment. Assessment is being completed. It will be bench marks for the financial management system because this is the first survey that was done at the sub national level and approved by PEFA steering committee. It is a crucial document. More importantly, besides the findings, the report also provides broad recommendation on improving financial management at local level. In this regard, when and how does the government plan to disseminate this important document more widely? In fact, encourage the Government to do that. How the government intends to internalize these recommendations going forward? One of the proposal discussed earlier was to integrate it with the new fiduciary reduction action plan 2015-17. This is something ADB requests Government to consider.

MARS: It is one of the major reform areas of LGCDP II supported by ADB SPMP. ADB would like to see MARS fully implemented in all wards of KMC. It is particularly important because the Government is keen to roll out this system to other municipalities. Unless it is made effective in KMC, it would be difficult to roll out to other municipalities. Thus, it needs to be continued.

Integrated Property Tax: Good progress has been made on integrated property tax but overall supervision and monitoring required by MoFALD.

Similarly, the VDC accounting software roll out and risk based internal audit, new audit guidelines that has been developed- piloting and implementation is required.

NPD: SPMP has been crucial support to LGCDP II. PEFA findings and recommendation, and MARS roll out, these should be part of SPMP II. MARS implementation will be milestone in the new federal structure (Rural and Urban Municipality)-request for ADB's continued support and technical guidance.

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JICA: Ms. Yuki provided following updates:

Output 5:

JICA has been supporting LDTA with a project on capacity building since January. Early to share any results but progress will be shared soon followed by a joint meeting.

Output 6: The results presented on community mediation is remarkable-almost towards achieving target numbers. Appreciate the support of MoFALD's authorities in this regard. However, there are issues on harmonization. JICA with other development partners have been organising harmonising meeting so that a more harmonized approach can be created.

NPM: Presentation on Concept note on Sub National Governance programme and Transition Phase Plan

NPD:

Concept note: Ministry added one more pillar to support people at grassroot level- basket fund for local economic development and income. NPD requested DPs to provide comments by next Wednesday (23rd November 2016) before the NAC meeting.

Transition phase plan: In the transition phase-output 4, 9 will be major components. Social Mobilisation and Governance might share some budget based on the MTR suggestion. In order to finalise these issues, a Joint Task Team that was formed for the Concept note design of sub national governance programme should be delegated the task to finalise the transition phase plan.

Submit the Concept Note to the NAC meeting with DPs feedback incorporated.

AOB

SDC: Mr. Prakash Regmi underlined that FRR meeting needs to take place prior to NAC. Audit arrears and mitigation should be one of the major agenda and have a dedicated discussion on it.

Mr. Guru Subedi, Under Secretary, MoFALD: Invited DPs to join the upcoming Field Visit lead by MoFALD regarding observation of EFLG and CFLG on 25th and 26th November in Sunaul and Chitwan.

Closing Remarks: Mr. Gareth Rannamets, Governance Advisor, and DP Co-Chair provided his closing remarks.

Mr. Gareth recognised the meaningful progress of the programme, also highlighted in the presentation. Some important achievements include: last year 120, 000 projects recommended by WCFs were approved by the Council which is on increasing trend compared to previous years. It is important achievement because people in these communities are able to choose how the fund targeted towards them is utilised. Almost, 300,000 people are reached via CACs, the vast majority of which are women. The support these

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CACs are receiving is life changing in certain circumstances. This year the WCFs functions has been analysed, and more than 80% have been categorised either A and B. It is a reassurance that many of these institutions are functioning and fulfilling their roles.

These results reflect what the programme has been achieving while at its final year of the implementation. The DP Co-chair acknowledged efforts of staffs all around, at the local bodies and all stakeholders in achieving these results.

Nevertheless, there are challenges as well. Most concerning is the audit arrears and its increasing trends towards the end of the programme. It needs serious attention or might undermine the progresses made thus far. He agreed with the suggestion of having a dedicated discussion on the upcoming FRR meeting. Likewise, FRR action plan being approved is a good achievement. Again, it is a good suggestion on incorporating findings of Sub National PEFA findings into FRRAP.

The DP Co-chair acknowledged Mr. Chhabi Rijal's tenure as LGCDP NPM and his contribution to LGCDP during the short period.

With regards to the concept note for the long term programme, he acknowledged the positive and collaborative approach of all involved in the last six months in the finalisation of the concept note. He thanked the consultant Mr. Pitamber Sharma on a very impressive document. He hoped to have similar approach and discussion under the same spirit in order to finalise the transition phase of the programme as well.

Finally, he noted that considering LSGA has been recently revised, and that there may be many changes, and other similar documents, that a careful approach is needed in making decisions. In the end, he offered that Development Partners are ready to support the government in these and many other areas should the support is required.

Closing remarks by NPD: Mr. Reshmi Raj Pandey thanked the DP Co-chair for his closing remarks and other participants for the valuable inputs. As highlighted by the Dp Co-Chair on WCFs and CACs work; their roles in the aftermath of the April 2015 Earthquake and in the recovery process in finding out households for individual house reconstruction. Election commission is also using WCFs members in voter list updating. During the field visit observations, line agencies have mentioned that having WCFs on the ground has been useful in other government line agencies coordination at the local level. The programme has reached 1 million households despite the challenges is a remarkable achievement. FRRAP document has been published and will now focus on implementation.

Currently, Ministry is focused on restructuring- focussed on lawmaking processes. From the recent Joint Field visit to Myagdi and Mustang, it was reported that even at the ward level, communities are discussing on which *Gaunpalika* or Municipality will they fall on. This reflects the Ministry's participatory approach in orienting communities on the constitution.

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Moving forward, managing transition year is important task ahead including designing of the new phase of the programme. Thanked the consultant for the concept note. Audit arrears will be given due focus. In the end, he thanked all participants for their suggestions and valuable inputs.

Decisions:

- DPs shall provide comment on the draft concept note on Sub-National Governance Programme by 23rd November 2016.
- Joint Task Team formed to support in designing new sub-national governance programme should be delegated the task to finalize the transition phase plan.
- Submit the concept note in the 8th NAC meeting for endorsement.
- The remaining NOK 3.5 million in Norway's bilateral agreement for piloting integration of energy in LGCDP II will not be disbursed. This shall be formalized in an official communication.

Participants List:

S.NO	NAME	DESIGNATION	ORGANIZATION
1.	Mr. Reshmi Raj Pandey	Chair and Joint Secretary/NPD	MoFALD
2.	Mr. Chhabi Lal Rijal	National Programme Manager/Under Secretary	MoFALD/LGCDP
3.	Mr. Ramesh Sharma	Admin. Officer	LGCDP
4.	Mr. Diepak Elmer	DP Chair/Deputy Head of the Mission	Embassy of Switzerland
5.	Mr. Gareth Rannamets	DP Co-Chair/Governance Advisor	DFID
6.	Mr. Gopi Khanal	JS	MoFALD
7.	Mr. Jeevan K. Shrestha	JS	MoFALD
8.	Ms. Edle Hamre	DCM	Norwegian Embassy
9.	Ms. Vibeke Sorum	1 st Secretary	Norwegian Embassy
10.	Mr. Raj Kumar Dhungana	Governance Advisor	Norwegian Embassy
11.	Mr. Yam Nath Sharma	ACD	UNDP
12.	Ms. Yuki Daizumoto	Assistant Representative	JICA
13.	Ms. Maki Tsumagazi	Governance Advisor	JICA
14.	Ms. Kristine Blokhuis	Deputy Rep	UNFPA
15.	Ms. Martina Voss	Programme Officer	UNV
16.	Ms. Marie Thrane	Counsellor	Danish Embassy
17.	Ms. Meghan Nalbo	Deputy Director Democratic Gov. Officer	USAID

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18.	Mr. Prakash Regmi	P. O	SDC
19.	Mr. Chakra Pani Sharma	US	MoFALD
20.	Mr. Rishi Raj Acharaya	US	MoFALD
21.	Mr. Narahari Bhandari	US	MoFALD
22.	Mr. Bijay Thapa	Assistant Representative	UNFPA
23.	Ms. Anjali Pradhan	Chief of CFLC Unit	UNICEF
24.	Mr. Krishna Prasad Bhattarai	Programme Officer (Governance)	UNWOMEN
25.	Mr. Raju Tuladhar	Senior PFM Specialist	ADB
26.	Ms. Rachana Shrestha	Senior PFM Officer	ADB
27.	Ms. Pragyan Joshi	Programme Officer	UNCDF
28.	Mr. Parshuram Upadhyay	Federal Specialist	LGCDP
29.	Mr. Laxman Pandey	Acting Executive Director	NAVIN
30.	Mr. Shesh Neupane	ESG	ADDCN
31.	Mr. Prem Raj Joshi	US	MoFALD
32.	Mr. Madan Koirala	US	MoFALD
33.	Mr. Ramu Raj Kadariya	US	MoFALD
34.	Mr. Bharat Kumar Sharma	US	MoFALD
35.	Mr. Bhupendra Sapkota	US	MoFALD
36.	Mr. Hum Bhandari	Senior Liasion Officer	MoFALD
37.	Mr. Chiranjivi Timsina	US	MoFALD
38.	Ms. Sangita Yadav	Programme Officer	SDC
39.	Mr. Gopal Adhikari	US	MoFALD
40.	Mr. Khem Raj Ojha	US	MoFALD
41.	Mr. Toya Narayan Subedi	US	MoFALD
42.	Mr. Nama Raj Adhikari	SPO	JICA
43.	Mr. Bishnu Puri	Consultant	UNCDF
44.	Mr. Shiv Raj Pokhrel	Governance Specialist	LGCDP
45.	Mr. Bandhu Pd Bastola	US	MoFALD
46.	Mr. TulasiBahadur Shrestha	US	MoFALD
47.	Mr. Pradip Kumar Niroula	US	MoFALD
48.	Mr. Mahesh Aryal	SDE	MOFALD
49.	Mr. Anil Chandrika	DP Coordinator	DP Cell

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50.	Mr. Raghu Shrestha	CMS	DP Cell
51.	Mr. Himlal Adhikari	Account Officer	MoFALD
52.	Mr. Bhupendra Sapkota	US	MoFALD
53.	Mr. Bishnu Datta Gautam	US	MoFALD
54.	Mr. Bijaya Raj Subedi	US	MoFALD
55.	Mr. Navin K Joshi	Legal Officer	MoFALD
56.	Mr. Raju Shrestha	AFO	ADDCN
57.	Mr. Birendra Parajuli	Accountability & Civil Oversight Specialist	LGCDP
58.	Mr. Keshav Acharya	CDS	LGCDP
59.	Mr. Chandra Prakash Sigdel	CDS	LGCDP
60.	Ms. Nirmala Thapa	GESI Specialist	LGCDP
61.	Mr. Ek Raj Sigdel	LES	LGCDP
62.	Mr. Nagesh Badu	Programme Coordinator UNV	LGCDP
63.	Mr. Hari Pangyani	AO	LGCDP
64.	Mr. Devendra Kumar Jha	Section Officer	MoFALD
65.	Ms. Reshu Karki	CO	LGCDP
66.	Mr. Mohan P. Dhakal	PFM Specialist	DP Cell/LGCDP
67.	Mr. Niroj Karki	ICT	MoFALD

