



Aide Memoire

6th NATIONAL ADVISORY COMMITTEE MEETING

30th November 2015

The Local Governance and Community Development Programme –II (LGCDP –II) is a national programme executed by the Ministry of Federal Affairs and Local Development (MoFALD) through local bodies (DDCs, Municipalities and VDCs). The goal of the programme is to contribute towards poverty reduction through better local governance and community development. LGCDP II is supported by wide range of multilateral and bilateral development partners (DPs) for 2013-2017 under programmatic approach signing a common Joint Financing Arrangement (JFA).

The 6th National Advisory Committee meeting was held under the chairpersonship of Mr. Madhav Prasad Regmi, Secretary, MoFALD on 30th November 2015 at Kathmandu. The meeting was graced by Ms. Kunti Kumari Shahi, Honorable Minister of State for Federal Affairs and Local Development as chief guest, and Mr. Biraj Bahadur Bista, Honorable Assistant Minister of State for Federal Affairs and Local Development as a special guest. The Head of the Missions, Joint Secretaries, and representatives from line ministries and development partners attended the meeting.

The 6th NAC meeting discussed on the status of action taken on 5th NAC decisions, annual progress in 2014-2015, financial monitoring report, Programme Recruitment Facility, an update on recovery and reconstruction, ToR of Mid-Term Review, political unrest in Terai and its impact on LGCDP II implementation and revised Fiduciary Risks Reduction Action Plan. The meeting commenced with opening remarks by Mr. Reshmi Raj Pandey, Joint Secretary / National Programme Director.

Welcome remarks by Mr. Reshmi Raj Pandey, Joint Secretary/National Programme Director

Mr. Reshmi Raj Pandey welcomed all the participants and expressed gratitude for the valuable time provided by the honorable chief guest and special guest. Mr. Pandey informed that the new constitution provides for strong roles and responsibilities including taxation system and concurrent functions. Similarly, the constitution mentions local elections as transition management whereby local bodies will be restructured. For this, there will restructuring commissions. Natural Resource and Fiscal Commission has been envisioned in the new constitution. It has the right to recommend the Government of Nepal for

revenue sharing and mandatory equalization grant. Despite the ongoing situation, the programme is confident to support the Government of Nepal in the restructuring process. The main responsibility is to operationalize the provisions of the new constitution.

Opening remarks by Dr. Gail Marzetti, Head of DFID in Nepal and DP Chair

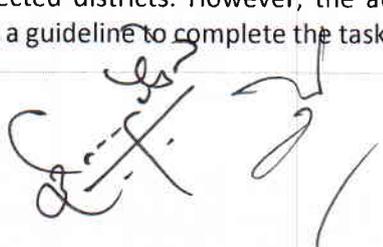
Dr. Gail Marzetti, congratulated MoFALD for holding the 6th NAC meeting in a timely manner despite enormous challenges faced due to the ongoing political unrest in Terai and crisis of essential supplies including fuel. Thanked the entire LGCDP team for continuing to work through the difficult time and expressed sympathy for experiences due to the current difficulties and noted that the promulgation of the new constitution is a landmark and provides a moment in history with a real possibility for local elections next year. Interim local elections will be the first major step towards implementation of the new constitution. It will open new opportunities for real political reforms at the local level, open political space to resolve longstanding issues of service delivery and accountability. It is a historic opportunity to deliver better governance and poverty reduction.

DFID and other DPs are very keen that the Ministry remains to prepare and advocates strongly for calling local elections at the earliest and remain committed to providing necessary support. MoFALD has the mandate to lead preparations including a road map for implementing federalism as envisaged in the constitution. Evidence from other countries shows that locally elected councils with clear mandates and discretionary finance can play a crucial role in reducing local conflict, increasing people's sense of belonging and building state legitimacy. If all of these are done well it can also help address poverty. In this respect, MOFALD has a crucial role in setting out a clear vision for the reforms – lifting the discussion out of the weeds of detail and into a higher level discussion around the mandate and purpose of elected bodies. DFID along with other donor partners shares MoFALD's vision around politically empowering ordinary people at the local level.

The programme has actively engaged nearly 900,000 community members through the Ward Citizens Forums and Community Awareness Centres. With the ongoing support for oversight, accountability and skills on planning and decision making to these members, there is now huge opportunity to make a difference in improving local governance and service delivery. It is equally encouraging to note that the programme has provided over 2000 livelihood improvement scheme grants to the Community Awareness Centres from which over 11,000 small projects were funded to improve the income of the most vulnerable and marginalised community who would be able to move out from acute poverty. Congratulated the LGCDP team for its dedication and leadership in not only giving highest priority to continue implementation of the annual work plan but also making encouraging achievements towards achieving the programme objectives.

The lack of progress on establishing the New Reconstruction Authority or clarity with the line ministries to plan reconstruction works was a concern. It was noted that DFID and some other donor partners are committed to providing additional funds for the reconstruction of Village Development Committee buildings and human resource through the LGCDP-II. However, in the absence of clarity and direction from the government on reconstruction and lack of progress in appointing additional staffs as agreed, the funds cannot be committed immediately and may soon lose this funding.

Likewise, a fund was approved in early July this year to build temporary shelters for 240 VDCs in highly earthquake affected districts. However, the authorisation to DDC went only during the first week of November with a guideline to complete the task in three months. DPs are highly concerned about this five



months delay in sending authorization and not sure whether the local bodies will be able to complete the works in three months. Thus, emphasized for MoFALD to give top priority to this activity.

Dr. Gail thanked all stakeholders for their support and cooperation in fulfilling the role of DP lead while informing that the position will be taken by Swiss Development Cooperation from January next year.

Presentation by Mr. Reshmi Raj Pandey, Joint Secretary/National Programme Director

Mr. Reshmi Raj Pandey highlighted the status of action taken on decisions of the last NAC meeting. Major decisions that have complied includes a review of AQAA recommendations steps towards localization of AMEP at the sub-national level, and O & M study in earthquake affected VDCs. The current TA is extended for DGEs and UGEs until July 2016 and for PCU/RCU specialists up to July 2017. A task force has been constituted to review all the proposed options of the Programme Recruitment Facility study and come up with recommendations for the DPs, UNDP and Government of Nepal's consideration.

Mr. Pandey highlighted major achievements by outcomes which are as follows:

Outcome 1: 90 % VDCs and 100% municipalities conducted ward level planning workshops in 2014/15 in which 1.2 million citizens including WCFs and CACs members participated of which 46.7 % were women. Local Bodies included 41% of projects (137,765) demanded by WCFs and 49% of the projects (24470) demanded by children in their annual plans. The public audit was successfully conducted in 56% VDCs; 80% Municipalities and 99 % DDCs and a Public hearing were conducted in 85% VDCs, 81% Municipalities and 100% DDCs; Social Audit was conducted in 14% VDCs, 36% Municipalities and 64 % DDCs.

Outcome 2: LBs own-source revenue including revenue sharing reached Rs 8.6 bn in 14/15 compared to Rs 7.29 bn in 13/14 is an increment by 17.95 %. 70 DDCs out of 75 DDCs, all the 58 municipalities and 2547 (70%) out of 3625 VDCs met the minimum conditions (MC) in 2014/15. 89% VDC Secretaries posts are fulfilled and 80% of them are operating from their respective VDC. Programme Recruitment Facility study completed and action plan prepared. 22,579 human resources trained on MCPM, Resource Mobilization and Management Guidelines, annual planning guideline, EFLG, CFLG, GESI, Disaster Risk Reduction (DRR), DPMAS, Web-based reporting, periodic plan and GIS, greatly enhancing the overall performance of these sectors. Trained LBs staff of districts on the right to information (RTI) creating awareness amongst staff on RTI.

Outcome 3: 5 DDCs/DTOs established new quality lab, 55 municipalities submitted draft MTMP, 115 community mediation community mediation centres established in line with the Mediation Act (2011), Vital Registration and Social Protection MIS established in 24 districts, District Periodic Plan (DPP) is in place in 32 districts and preparation of DPP is in progress in 27 districts, 35 DDCs and 18 Municipalities adopted Environment Management Plan (EMP), 49 DDCs and 8 Municipalities conducted GESI Audit, CFLG adopted in 75 DDCs and 58 Municipalities



Outcome4: LDТА institutional development plan (IDP) prepared and LDТА Council formed committee to review and implement a new structure in line with IDP. Study and workshop organized on the restructuring of local bodies and criteria for federal capital.

Presentation by Mr Eshor Raj Poudel, National Program Manager/Under Secretary

Mr. Eshor Raj Poudel highlighted on financial status, issues & challenges, programme results matrix, recovery & reconstruction, midterm review and political unrest in Tarai region which are given below.

Financial Monitoring Report of 2014-15: About 97.2% of annual budget spent. Opening balance in FCGO account by 02 Nov 2015 was NPR – 736,885,715.

Issues and challenges: Some of the key issues and challenges are: need to streamline social harmonization practiced by various stakeholders; Local Bodies especially VDCs are not receiving budget on time; accountability and civic oversight activities require intensive monitoring and supervision for effective implementation; inadequate accounting staff; poor reporting and no coherent functional recording resulting in lack of meaningful data from LBs; Inadequate monitoring of audit and procurement plan of LB; Inadequate capacity of National Service Provider (LDТА); Establishment of linkage between Periodic and Annual Development Plans; need to design their structure & other legal framework for 5 extended commissions in the constitution of Nepal 2072.

Programme Result Matrix: Status as of 30th November: 53% of the budget disbursed in the first trimester, a concept note has been prepared to discuss the performance based sectoral grant to LBs with line ministries, additional program is planned for difficult and remote areas with special modality, the financial compliance unit at MoFALD is establishment and functional, trimester expenditure reports prepared and submitted to DDC and MoFALD.

Update on Programme Recruitment Facility: MoFALD will prepare a timeline for the whole recruitment process and will complete the recruitment by 31st March 2016. One Programme Officer will be provided to all the Municipalities to facilitate the LGCDP activities and one Engineer will be provided for 88 Municipalities. MoFALD to prepare the recruitment guideline along with quality control and quality assurance of the whole process and present it to the Task Force for its endorsement

Recovery and Reconstruction: Authorization of funds transferred to cover 670 CAC in 12 earthquakes affected district, Authorization and Guideline issued to 12 earthquake affected districts for setting up temporary office space based on ASIP 2015/16, MoFALD sent proposal to DPs for additional support for 14 earthquake affected districts to restore government functions, with the support from DFID a team is working on the detail project documents to support the construction of VDC permanent structures, building by-laws and building code on disaster resilience building prepared by MoFALD, recovery and reconstruction planning and capacity development plan for earthquake affected district is under preparation with technical support by UNDP Early Recovery Programme.

Mid Term Review: A task team has been formed to facilitate Mid-Term Review of LGCDP II. The Team has prepared ToR along with time line.



Political unrest, Terai situation and impact on LGCDP II implementation: It was reported that working environment in local bodies and line agencies are severely affected due to the protracted bandh in the 15 districts of Terai. In Dhanusha, Mahotari, Saptari, Siraha, Sarlahi, Rautahat, Bara and Parsa districts, staff feel insecure to stay in office to carry out regular activities.

Joint Field Visit observation and recommendation by DP representative – Ms. Shailee Manandhar, Programme Manager, DFID.

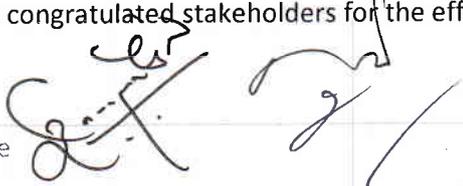
A three-day joint field visit programme was organized prior to the National Advisory Committee Meeting as mandated by JFA within the programme districts. The main objective of the visit was to observe and monitor the present status of LGCDP activities and its effectiveness in the local governance and community development programme that would be helpful in the formulation of new strategies if/when needed. The visit was organized under the leadership of MoFALD Secretary Mr. Madhav Prasad Regmi and participated by representatives from Donor Partners. The visit was conducted in Jhapa, Ilam and Panchthar districts.

A number of key observation and recommendations were made by the visiting team. Some of them are as highlighted below:

Compared to phase I of the LGCDP programme Phase II has been able to tremendously increase participation of women, Dalit and children in local level decision-making processes. Citizen engagement has been greatly enhanced in the local decision-making processes such as IPC, VDC councils, social audits and public hearings. The team recommended conducting a comprehensive study on delay in disbursement and transfer of funds from central to districts and from districts to VDCs and municipalities. The team also recommended that the programme augments its efforts to strengthen internal revenue of LBs more aggressively. There is an urgent need to review at the Local Bodies level the impact of PEFA-FRRAP hence recommends a dedicated monitoring mission. The team also recommended MoFALD to implement the Municipality Roadmap with no further delay.

Remarks by chief guest Ms. Kunti Kumari Shahi, Hon'ble Minister of State for Federal Affairs and Local Development

Hon'ble Minister Ms. Kunti Kumari Shahi expressed pleasure in attending the sixth National Advisory Committee meeting and noted that LGCDP is one of the largest reform programmes in the area of local governance and envisaged to institutionalise reform initiatives like social mobilisation, downward accountability and improvement of public financial management both at local and central level. It is a flagship programme of the Government of Nepal to bring positive changes in the lives of citizens and poor people. The programme focuses on effective, equitable and sustainable service delivery through community empowerment, capacity development and policy reform to improve local governance. The overarching goal of LGCDP-II is to contribute towards poverty reduction while the purpose is to improve access to locally and inclusively prioritized public goods and services. During the last two years, LGCDP II has achieved remarkable progress in the area of social mobilization, downward accountability, capacity development, public financial management and results-based planning & monitoring system. Moreover, the programme has spent 97% of the planned budget in 2014/15 which is commendable effort and therefore congratulated stakeholders for the effort.



The role of community institutions such as Ward Citizen Forums (WCFs) and Citizen Awareness Centres (CACs) are engaged actively in eliminating social problems such as dowry system, untouchability, illiteracy, chaupadi, witchery, early marriage, domestic violence and other forms of discrimination. It was made note of that these institutions have been instrumental in declaring local bodies as an open defecation free zone, full immunization, vital events registration, enhancing social harmony and so on. These institutions are also participating actively in planning and decision-making process of local governments. The role and importance of these community institutions were realised during the recent earthquake devastation. It was made possible to spend Rs500 million in earthquake affected districts within one month because of the active involvement of WCFs and CACs. These organizations have been acknowledged and appreciated by all stakeholders.

Likewise, the programme has delivered livelihood improvement grants to poor and marginalised through Citizen Awareness Centres which is expected to contribute in improving their income and reducing poverty. The programme has reinforced participatory and inclusive planning process to formulate an annual plan of local bodies. Now, local bodies are more responsive to the demands of citizens especially children, women and disadvantaged groups. Moreover, the programme has institutionalized child-friendly local governance, environment-friendly local governance and gender equity & social inclusion initiatives. The programme has also institutionalized downward accountability mechanism in local bodies.

Hon'ble Minister Ms. Shahi mentioned that after the promulgation of Constitution of Nepal, the Government of Nepal has given utmost priority for the local elections and this will widen the scope of LGCDP. It is likely to have a big impact on the local government system – MoFALD is preparing policy paper highlighting transition plan, timeline and resources need. As LGCDP is a joint creation for effective, inclusive and result oriented local governance in Nepal, and hoped that development partners and stakeholders will support and guide for effective implementation of LGCDP II. On behalf of the Government of Nepal, she expressed gratitude to all the development partners for their continued support in the area of local governance and community development.

Discussion and Comments:

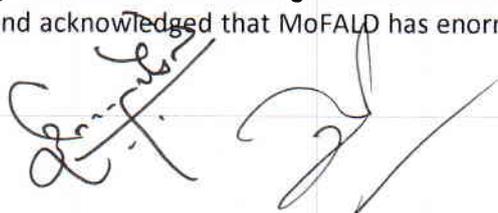
Comments by Ms. Radhika Aryal, Joint Secretary, Ministry of Women, Children and Social Welfare

Ms. Aryal congratulated MoFALD and DPs for the progress of LGCDP II and mentioned that out of nine outputs only 1 output was moderately unsatisfactory. She noted that total disbursement of 55% in the first trimester is quite satisfactory.

A concern was expressed regarding women, children, elderly and people with disability. Gender responsive committee has been initiated in all 75 districts but it is not clear whether this has been started in Municipality and VDC as well? It is, therefore, good to know that GESI audit has been carried out in 49 districts and CFLG initiated in all 75 districts.

Remarks by Ms. Kirsten Gellan, Her Excellency, Ambassador of Denmark

Her Excellency Ms. Kirsten Gellan congratulated the Government on the successful promulgation of the constitution and acknowledged that MoFALD has enormous tasks in the days to come in the light of the



new constitution. Thanked the entire team of LGCDP and the ministry for their continuous efforts towards local governance reform.

It was informed that Danish development aid is phasing out of Nepal and closing the Embassy soon. In the situation, it was noted that the ongoing programs and projects shall be completed within the agreed timeline. In this regard, additional resources the Embassy is providing for the construction of permanent VDC building requires clarity on the way forward from the Government and expressed concerns about the slow progress. It was re-informed that the delay will risk in losing of the additional resources.

Appreciated ministry's effort to promote downward accountability with the mobilization of the civil societies under LGAF (Local Governance and Accountability Facility). The annual governance report provides some constructive policy level feedbacks and recommendation which needs to be factored. DPs are interested to see this unique initiative to be institutionalized.

The delay in fund flow has affected effective service delivery. It needs to be looked at properly. Perhaps, tie up with some kind of results matrix. Likewise, audit arrears are alarming and henceforth require serious action on issues raised. She queried on the strategy MoFALD is undertaking to ensure smooth service delivery during the current Terai unrest pointed out that local election should be the utmost priority of the ministry to ensure local development and secure sustainable development.

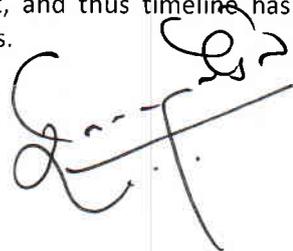
In response to the query, Mr. Reshmi Raj Pandey mentioned that suggestions are well noted and pointed out that local governance decentralization process in Nepal shares a long-standing friendship and support from Danish Government.

Comments by Mr. Krishna Prasad Jaisi, Spokesperson ADDCN

Mr. Jaisi made an inquiry whether there has been enough inter-ministries coordination in terms of budget for conducting the local election in the current fiscal year. Likewise, another observation in the programme result matrix is that GoN decided not to publish red book budget-II. However, there are so many implications to that.

He mentioned that local election is pertinent. Local Bodies associations have proposed amendments in the Local Self Governance Act last year. Coordination amongst political parties, ministries, agencies needs to be increased vigorously. If needed, LBs association can play a substantial role in putting pressure to political parties or initiate the dialogues for a local election.

In response to the query, Mr. Reshmi Raj Pandey mentioned timeline issue of 2015/16 and 2016/2017 for the local election. As per the constitutional provisions mentions local governance election as transitional management, and thus timeline has been mentioned for local bodies restructuring and formation of commissions.



Comments by Mr. Roland F. Steurer, Country Director, GIZ

Dr. Roland F. Steurer noted that, all the activities under the project Capacity Development of new Municipalities have been aligned with LGCDP, such as building codes and by laws. The Recovery Programme (RPN) is a new programme financed by German Government, currently working in post-earthquake recovery particularly in Dhading, Rasuwa and Nuwakot which is based on the MoU with MoFALD. The activities of this programme have been aligned at the district level, especially the shelter part and ongoing training activities are fully in cooperation as per the guideline of the Ministry and will be aligned with the LGCDP.

In response to query Mr. Reshmi Raj Pandey appreciated the cooperation in Dhading, Rasuwa and Nuwakot districts by GIZ. He also appreciated GIZ for showing interest to support in renovation of some of the heritage buildings in Bhaktapur Municipality damaged by the earthquake.

Comments by Mr. Parsuram Upadhya, Executive Director of VDC Associations

Mr. Parsuram Upadhya mentioned that Parliament Committee has directed the government to declare local election date. The new constitution explicitly demands that local election is held within 6 months. For this, there are some necessary steps that have to be immediately started and require amendments in the LSGA. He requested the ministry to give priority for the agenda. He also mentioned that LBs associations are always keen to engage and mobilize its resources in support of the programme.

Comments by Ms. Rownak Khan, Acting In charge, Deputy Representative UNICEF

Ms. Rownak Khan pointed out that information on the participation of women and children with a gender disaggregated data would allow assessing the situation much better. She also made a remark on the block grant at the VDC level which is an excellent initiative for target groups and disadvantaged population. However, it is yet not know how much of this fund is allocated and how these funds are utilized. From UNICEF side, there is a simplified format that has been developed to monitor tracking of the funds in 15 districts. It has been under discussion with MoFALD. It is thus requested if the format can be used as a pilot in these 15 districts and results can be replicated elsewhere. It was requested that MoFALD considers implications for CFLG while reviewing the federal structure.

Comments by Mr. Ghanshyam Khatiwada, representative from VDC Associations

Mr. Ghanshyam Khatiwada highlighted that the progress status of LGCDP is remarkable and the results are also evident at the local level. However, the absence of local elected bodies is causing a severe problem and thus lack of sustainable results. Younger generations are losing the opportunity to play a leadership role in the communities that can also be a platform for national leaders. LBs associations have been working relentlessly and jointly advocating building conducive environment to hold a local election.

Comments by Mr. Renaud Meyer, Country Director, UNDP

Mr. Renaud Meyer congratulated Ministry for a remarkable budget delivery and progress status of LGCDP. He noted that linking of LGCDP with the constitution and follow up. It is evident that there will implications of the new constitution in the programme. It is a phase of rethinking linkages between national and local level while the country is being remodelled. In this regard, LGCDP is not only a network but also has accumulated a lot of resources in dealing with the district, VDCs and Municipalities. The federal discussion can benefit with the overall planning and managing devolution of power to the local level. Thus, it is recommended to consider these aspects while planning of activities for the following year.

Additionally, MTR takes this into consideration and is implemented within the timeframe discussed. A lot of results presented are related to local public service delivery which is welcomed. However, LGCDP also needs to put efforts at the policy level – laws that need to be looked at, systems and structures that are supportive to the establishment of the federal structure while ensuring that voices of citizens are acknowledged.

Regarding the query Dr. Hari Paudel, Joint Secretary, mentioned that the Federal Affairs Division has initiated work to implement federal government structures. A comprehensive plan to implement constitutional provision is underway. There is a provision of three tiers of government-central, provincial and local in the Constitution. The suggestions shall be considered accordingly.

Comments by Ms. Meghan Nalbo, Deputy Director, Democracy and Governance USAID Sajhedhari

Ms. Meghan Nalbo mentioned that USAID is looking to align Sajhedari at the national level; a final document is under review for the same. It is the opportunity for WCFs/CACs at the ward level and VDC level to engage citizens in bottom up and demand driven, self-identified, inclusive participatory process. She requested to clarify with local bodies in the earthquake affected districts, to identify priorities with citizens' engagements that can be then rolled up at the district level.

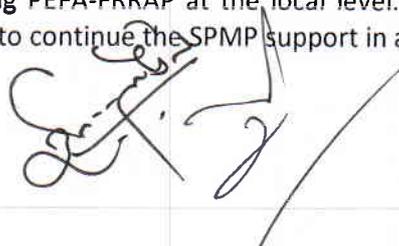
Comments by Mr. Kenichi YokoYama, Country Director, ADB

Mr. Kenichi YokoYama informed that ADB has keen interest based on the new constitution to further continue the SPMP support and local sub-national PEFA FRRAP assessment to ensure transparency and accountability. In this context, ADB would like to seek clarification on how the new constitution is being implemented? With regards to local election, ADB echoes other stakeholders that it needs to be implemented sooner. However, it also depends on how will be the future local governance structure, particularly, its efforts to consolidate VDCs and transformation to municipalities. Thus, when the local election will be held depends largely on how many VDCs or municipalities are envisioned? What would be the staffing structure? What is the government intention in defining the local governance system?

In relation to the policy direction, ADB has a keen interest on the outcome of the Sub-national PEFA assessment. It is obviously taking longer than expected. Compared to first Sub-national PEFA, a significant gap has been noted in timeliness of budget execution, record keeping, accounting, internal control, and others. It is a good opportunity to sit together on the basis of PEFA findings. It is expected that the Government takes strong necessary specific actions to address these gaps.

It is noted that in functionalizing the public financial management, it is important to have staffing structure. At the moment, the three thousand above VDCs only have SLC graduate as accountant assistant does not help in institutionalizing public financial management. The Government has initiated to provide one qualified accountant at VDCs but the concern is when it will be implemented.

In response to query Mr. Reshmi Raj Pandey thanked ADB for SPMP support which has been instrumental in activating and localizing PEFA-FRRAP at the local level. ADB vice president in a meeting with Chief Secretary has committed to continue the SPMP support in a more enhanced way.



Comments by Mr. Gokarana Mani Dawadi, Joint Secretary and Chief of Monitoring and Evaluation Division

Mr. Dawadi informed participants of initiatives being taken by the Monitoring Division to strengthen ministry's M & E. The division has developed 151 indicators and formed 10 clusters whereby each Joint Secretary is assigned one cluster. Each cluster has one engineer, one account officer and a planning officer who will together intensively monitor planning process and activities, implementation and performance so that the expected results are met. The division is also ensuring third party monitoring via LGAF. A first draft of the integrated governance report has also been shared with the ministry.

Closing Remarks

Closing Remarks by Mr. Puspa Lal Shakya, Joint Secretary, National Planning Commission, Government of Nepal

Mr. Puspa Lal Shakya mentioned that earthquake reconstruction bill is pending in the parliament. GoN has given responsibility to NPC to coordinate activities of the reconstruction bill. Recently, NPC allocated budget ceiling to all the ministries and requested to provide programme and priorities within seven days as per the NPC guidelines.

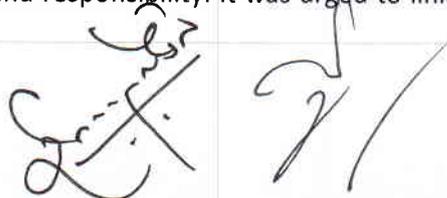
Redbook part II is an important document of the Government of Nepal. It reflected proportional distribution for the targeted groups and remote areas. DDC and municipalities need to adhere to planning commission guideline while proposing projects and programmes as per the LSGA act. Thus, local bodies need to choose projects which are participatory and relevant, ongoing and give best results. DDC council needs to adhere to budget ceiling and guideline. NPC has provided a format for new proposals, budget needs for new projects.

It was noted that as per the SDGs target, GoN needs to improve governance system resource allocation, reduce fiduciary risk, increase the capacity of local bodies, and ensure more accountability and transparency to improve service delivery and governance.

Closing Remarks by Mr. Diepak Elmer, Head of Development Cooperation, SDC and DP Co-Chair

Mr. Diepak Elmer congratulated MoFALD on successfully concluding the NAC meeting and to the Government of Nepal on the successful promulgation of the new constitution. Mr. Elmer expressed DPs' commitment to supporting MoFALD in the implementation of the constitution and hoped that MoFALD will be able to assume the responsibility in an efficient and effective way in the days to come.

The role of Citizen Awareness Centers and Ward Citizens Forums as change agents at the local level in the absence of elected representatives was highlighted and emphasized that with the proven success of social mobilization process, now the focus should be on the institutionalization of those institutions in the long run, with clear roles and responsibility. It was urged to link annual strategic implementation plan (ASIP)



of this year to achieve the target under social mobilization, mainly to increase the number of CAC so that more and more disadvantaged group households can be benefitted from the programme. In this context, he reminded Switzerland's additional contribution of 7.5 million CHF to LGCDP to increase the number of CAC.

More needs to be done to establish a self-sustaining mechanism where CSOs are proactively engaged in monitoring as well as to provide constructive policy level feedback to MOFALD and local bodies to improve the local service delivery. Managing fiduciary risks is one of the main objectives of LGCDP II. The first phase of implementing fiduciary risk reduction action plan is just over. While the implementation seems satisfactory in activity level, the result is not encouraging. Having put so much of efforts in financial management and managing fiduciary risks, the development partners are a bit concerned about the conclusion of OAG (Office of the Auditor General) report. Audit arrears are increasing day by day and the figure seems alarming. Some of the issues raised in last audit report are very serious. In this regard, MoFALD needs to address the issue raised by the office of the auditor general (OAG) and provide a regular update in the NAC meeting.

It was noted that DPs are looking forward to MOFALD leadership to drive the Mid-Term Review of LGCDP-II and the outcome of MTR, which will provide ample opportunity for GoN and DPs to adopt the programme in the changed context and also provide the basis for future of local governance reform in the federal context.

Nepal is passing through very difficult time in its history. People are struggling to maintain their daily life. In this regard, ministry's effort to provide a regular update on the implication of current context in the program was appreciated. It was pointed out that DPs are committed to joining the hand to provide all kinds of support to GON to minimize the adverse impact from the current situation to the programme.

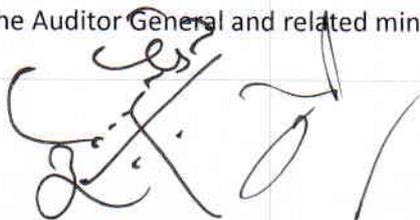
Mr. Elmer requested MoFALD to work on the foundation of local election which is instrumental in reshaping the local governance reform in federal structure and reiterated DPs commitment to support the programme in the future also.

Closing remarks by special guest, Hon'ble Assistant Minister of Federal Affairs and Local Development, Mr. Biraj Bahadur Bista

Mr. Biraj Bahadur Bista, Hon'ble Assistant Minister mentioned that holding of a local election is the utmost priority of the Government of Nepal. He pointed out that MoFALD will take all the necessary measures to implement the programme smoothly and effectively and expressed thanks to development partners for continued support in the area of local governance and community development.

Closing Remarks by Mr. Madhav Prasad Regmi, Secretary, MoFALD

Mr. Madhav Prasad Regmi acknowledged the suggestions and assured that the decisions will adhere towards achieving the set of results. Mr. Regmi mentioned that despite the devastating earthquake, the progress is encouraging. The support of National Planning Commission, Financial Controller General's Office, Office of the Auditor General and related ministries is instrumental in achieving the results.



Mr. Regmi pointed out that Integrated Property Tax in most of the new municipalities has made impressive internal revenue collections, members of the CACs have been empowered and they are now more articulate about their rights. Accountability mechanism introduced by the programme are showing promising results, whereby most of the WCF members are well aware of the total budget received and spent at the Local level.

The concerns of DPs regarding late disbursement of funds to LBs, which will be addressed as agreed in the NAC decision to have an in-depth study and present its findings to the upcoming Sub NAC for necessary action. The delayed in the implementation of the earthquake package planned in ASIP 2015/16, are due to the current political transition and have impacted the implementation. Mr. Regmi assured that ministry will take appropriate steps to address these gaps and expedite the implementation especially on the temporary VDC shelters and additional human resource for all the LBs in earthquake-affected districts.

With the new constitution in place, the governance reform is on top priority for the government and MoFALD in particular. The new legislation, amendment of the existing legislations, acts and regulations need to be developed, federalization is one of the key focuses of the ministry, also with the renewed mandate of conducting the local election in next six months, and all these requirements demand a wide range of support from all stakeholders.

There is a serious budget constraint and the current budget will not be sufficient to achieve the set result of LGCDP-II. Thus, requires serious consideration.

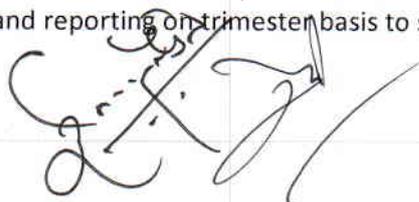
Mr. Regmi thanked NAC members, representatives from DPs and line ministry for the continued support and encouragement for the successful implantation of LGCDP II.

Decisions

The National Advisory Committee made following decisions based on the recommendations of Sub-NAC to prepare necessary acts, rules, regulations, strategy, guidelines and procedures to implement the LGCDP II smoothly, effectively and efficiently.

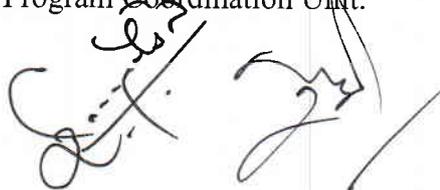
1. NAC endorses the recommendation made by Sub NAC to identify the vulnerable population of urban core areas of the municipalities to incorporate economic empowerment in social mobilization without undermining the principles of transformational social mobilization.
2. NAC recommends the Programme management to put in place a detailed capacity development plan in line with the Institutional Development Plan of LDTA and further strengthen the role of LDTA as the National Service Provider for social mobilization and initiate concrete action to implement the IDP of LDTA.
3. NAC endorses the recommendation presented by Sub NAC to further strengthen the LGAF secretariat with the adequate human resource by providing Public Finance Management cum LGAF Specialist at each of the six RCUs.

4. Based on the Constitution of Nepal, NAC recommends MoFALD to prepare all necessary acts, rules and regulations on revenue administration and sharing at all the level of the government from sub-national to national.
5. NAC appreciates the effort made by MoFALD in introducing VDC accounting software in 1196 VDCs and reiterate the need to roll out in other VDCs and continue support of capacity development for institutionalizing the financial transactions through accounting software.
6. NAC endorses the proposal submitted at the sub-NAC to strengthen the quality lab established at the district level, by establishing a quality lab at the center level, which will provide technical backstopping.
7. NAC endorses the proposal of the sub-NAC to develop a guideline on community mediation operational guidelines at the district level and suggest exploring the possibility to develop a community mediation harmonization framework.
8. NAC endorses the recommendation of the Sub NAC on establishing a robust coordination mechanism between the Ministry of Population and Health, Women Children and Social Welfare and Department of Vital Registration on strengthening birth registration and to achieve the set target to have 100% recording of all vital events at the community level.
9. NAC endorses the recommendation for creating a separate sub output focusing on Municipal development to carry on the recommendation of Road Map/ Study Report of New Municipality focusing on municipal development with integrated manner. Sub output group composition will have representatives from, interested DPs, Output 1,3,4,5 and 6 as members and the coordinator of this sub output group will be Section Chief of Municipal Management Section.
10. In the light of new sub output focusing on the municipality, NAC endorses the recommendation of sub-NAC recommendation to change LED related activities from ASIP output 1 to be shifted in sub output related to the municipality. The Sub Output Group will take responsibility of implementing the LED related intervention.
11. NAC endorses the recommendation of the sub-NAC decision to revise the CFLG declaration target for districts and Municipalities/ VDCs as per the recommendation of the CFLG National Steering Committee to develop a concrete rollout strategy by engaging line ministries and other child right organization to implement CFLG.
12. NAC endorses revision of SIP target of declaring at least 300 VDCs, 4 Municipalities and 4 DDCs as EFLG by 2016/17 to 10000 HH and 200 Wards will be declared as EFLG by the 2016/17.
13. NAC endorses the revision of SIP target of at least 30 % projects of local bodies adopt Environment Management Plan (EMP) by the end of 2016/17 to 80% districts and 75% Municipalities (out of 58 municipalities) adopt Environment Management Plan (EMP).
14. NAC reiterates MoFALD to ensure the expenditure tracking of the targeted population with regard to the allocation of 10% for women, 10% for children and 15% for DAGs including systematic documentation and reporting on trimester basis to sub-NAC.



15. NAC endorses the recommendation of the Sub NAC on revising the output 8 and 9 in the light of the Constitution of Nepal in relation to federalization/decentralization and the new commissions. NAC recommends the Ministry to develop a position paper, including the roadmap of implementation, of the Government and present in May 2016 NAC.
16. NAC takes note of the ongoing Terai unrest and the impact of the current situation and recommends PCU to provide a regular update to the entire member on the impact in programme implementation and the strategy to address the challenges due to ongoing unrest in the programme implementation.
17. NAC recommends creating an FRRAP Task Force under the leadership of Joint Secretary Planning and Foreign Aid Coordination to finalize the Zero draft presented to NAC and presented the revised FRRAP to the next sub-NAC.
18. NAC endorses the recommendations of the PRF Task Force to extend the technical assistance until July 2016 in the case of DGEs & UGEs with replacing by locally hired PO-LGCDP in all DDCs and municipalities and until July 2017 for PCU and RCU Specialists.
19. NAC appreciates the MoFALD effort to strengthen public administration through introduction of performance-based contract signed between MoFALD Secretary and LDOs & EOs. NAC recommends PCU to support MoFALD to establish annual assessment system of the performance of LDOs and EOs based on the results indicators of the performance contracts.
20. NAC recommends PCU to conduct a comprehensive study on the late disbursement and transfer of funds from central to DDF & MDF, from DDF to VDF and report back to next NAC meeting along with key recommendations.
21. NAC recommends GoN to conduct the local election as soon as possible.

NAC thanked Mr. Purusottam Nepal, the outgoing National Program Manager, for his contribution in implementing the programme effectively and efficiently during his three years tenure in the Program Coordination Unit.



S.No	Name of the Participants	Designation	Organization
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4.	Gail Marzetti	Head	DFID
5.	Diepak Elmer	Charge de' Affaires	Embassy of Switzerland
6.	Reshmi Raj Pandey	JS/NPD	MoFALD
7.	Ishwar Raj Poudel	PM/Under Secretary	LGCDP/MoFALD
8.	Shankar Pd Adhikari	Secretary	MoCPA
9.	Lekha Nath Acharya	Joint Secretary	MoAD
10.	Pushpa Lal Shakya	Officiating Secretary	NPC
11.	Jaganath Devkota	JFCG	FCGO
12.	Roland F. Steurer	Country Director	GIZ
13.	Maria E. Barron	Democracy & Government Office Director	USAID
14.	Tsutomu Shimizu	Chief Rep	JICA
15.	Sangita Yadav	Program Officer	SDC
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18.	Geetanjali Singh	Deputy Representative	UN Women
19.	Kristen Blokhuis	Dep. Rep	UNFPA
20.	Rownak Khan	Dep. Rep	UNICEF
21.	Renaud Meyer	Country Director	UNDP
22.	Edle Hamre	Dep. Head	Norwegian Embassy
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25.	Shailee Manandhar	Prog. Manager	DFID

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32.	Bijaya Raj Subedi	US	MoFALD
33.	Tirtha Man Tamang	PO-P&D	UNFPA
34.	Durga Pd.Khatiwada	Prog.spe	UN Women
35.	Yuka Kitamatsu	Representative	JICA
36.	Nama Raj Adhikari	Sr Prog. Officer	JICA
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38.	Shaligram Rijal	Director	DoCR
39.	Chiranjivi Timsina	US	MoFALD
40.	Himlal Adhikari	Account Officer	MOFALD
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45.	Manju Lama	Programme Officer	Embassy of Denmark
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49.	Ghanashyam Khatiwada	VC	NAVIN
50.	Krishna Pd Jaishi	Spokesperson	ADDCN
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52.	Prof. Bishnu Sapkota	Exe. Director	LDTA
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65.	Saroj Shrestha	RCCU	LGCDP
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75.	Mohan P. Dhakal	PFM Specialist	LGCDP
76.	Lila Nath Upadhyay	Na.Su	LGCDP
77.	CP Sigdel	RGCDE	LGCDP

78.	Pragyan Joshi	PO	UNCDF
79.	Purusottam Nepal	US/NPM	MoFALD/LGCDP
80.	Madhab Timalisina	PA Minister	MoFALD
81.	Sailendra Bdr Kuwar	PSO	Security
82.	Surendra Bdr Bhandari	AFO	LGCDP
83.	Pushpa Basnet	RGCE	Dhulikhel
84.	Shiva Regmi	Prog. Coordinator	Sthaniya TV Programme
85.	Rogon Karki	”	”
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87.	Keshav K. Acharya	CD Specialist	LGCDP
88.	Tika Ram Panthi	RGCE, Biratnagar	LGCDP
89.	Purusottam Adhikari	RGCE	RCU Hetauda
90.	Niyam Maharjan	LIBC Specialist	LGCDP
91.	Mahesh Maharjan	MIS Specialist	LGCDP
92.	Abhisek Shrestha	ICTV	LGCDP
93.	Krishna Kumar Shrestha	ICTV	LGCDP
94.	Kumar Sharma	Media Annapurna FM	

Handwritten signature and scribbles, possibly indicating approval or correction of the table data.

List of Abbreviations

ADB	Asian Development Bank
ASIP	Annual Strategic Implementation Plan
JFTA	Joint Funding for Technical Assistance
CAC	Citizens' Awareness Centre
CCU	Cluster Coordination Unit
CD	Capacity Development
CEDAW	Convention on Elimination of Discrimination Against Women
CFLG	Child-Friendly Local Governance
CFLGC	Child-Friendly Local Governance Committee
CIAA	Central Investigation of Abuse Authority
CoC	Code of Conduct
CSO	Civil Society Organization
CSP	Community Support Programme (DFID)
DACAW	Decentralized Action for Children and Women Program
DAG	Disadvantaged Group
DDC	District Development Committee
DDF	District Development Fund
DDP	District Development Plan
Dfid	Department for International Development (UK)
DG	Director General
DIMC	Decentralization Implementation and Monitoring Committee
DoLIDAR	Department of Local Infrastructure Development and Agricultural Roads
DoWCD	Department of Women and Child Development
DP	Development Partner
DPMAS	District Poverty Monitoring and Analysis System
DRM	Disaster Risk Management
DSMC	District Social Mobilization Committee
DTCO	District Treasury Comptroller's Office
DTMP	District Transportation Management Plan
DTO	District Technical Office
EFLD/G	Environmentally Friendly Local Development/Government
EO	Executive Officer (Municipalities)
FCA	Foreign Currency Account
FCGO	Financial Comptroller General Office
FRRAP	Fiduciary Risk Reduction Action Plan
FY	Financial Year
GESI	Gender Equality and Social Inclusion
GON	Government Of Nepal
GIZ	German Society for Technical Cooperation
GRBA	Gender Responsive Budgeting and Auditing
HDI	Human Development Index
HRD	Human Resource Development
IEC	Information, Education and Communication
INGO	International Non-Governmental Organization
IPC	Integrated Planning Committee
IPFC	Integrated Planning Formulation Committee
IT	Information Technology
JFA	Joint Financing Agreement
JICA	Japan International Cooperation Agency
LA	Line Agency
LB	Local Body (Refers To All Levels of Local Government)
LBA	Local Body Association
LBFAR	Local Body Financial Administration Regulations
LBFC	Local Bodies Fiscal Commission
LDC	Least Developed Country
LDTA	Local Development Training Academy
LED	Local Economic Development
LG	Local Government
LGAF	Local Governance Accountability Facility
LGCDP	Local Governance and Community Development Programme



LIP	Livelihood Improvement Programme
LPP	Local Periodic Plan (M/V/DPP)
LSGA	Local Self-Governance Act 2056 (1999)
LSP	Local Service Provider
M&E	Monitoring and Evaluation
MAAS	Municipal Accrual Accounting System
MARS	Municipal Administration and Revenue System
MCPM	Minimum Conditions and Performance Measures
MDF	Municipal Development Fund
MDP	Municipal Development Plan
MLD	Ministry of Local Development
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development
MOGA	Ministry of General Administration
MOHA	Ministry of Home Affairs
MOWCSW	Ministry of Women, Children and Social Welfare
MSMC	Municipal Social Mobilization Committee
NAC	National Advisory Committee
NACS	NAC sub-committee
NGO	Non-Governmental Organization
NIM	National Implementation Modality
NPC	National Planning Commission
NPD	National Programme Director
O&M	Operation & Maintenance
OAG	Office of the Auditor General
OPMCM	Office of the Prime Minister and Council of Ministers
PAA	Programme Alignment Approach
PBGS	Performance Based Grant System
PCU	Programme Coordination Unit
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMA	Public Financial Management and Accountability
PPMO	Public Procurement Monitoring Office
PPP	Participatory Planning Process
PPSF	Policy and Programme Support Facility
PRF	Programme Recruitment Facility
QA	Quality Assurance
RBM	Results Based Management
RCU	Regional Cluster Unit
RTI	Right to Information
SDC	Swiss Development Cooperation
SDO	Social Development Officer
SM	Social Mobilization
SPMP	Strengthening Public Management Program (ADB)
SWAp	Sector Wide Approach
TA	Technical Assistance
TASC	Technical Assistance Sub-Committee
TYP	Three Year Plan
UN Women	United Nations Development Fund for Women
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	US Agency for International Development
UNV	United Nations Volunteers
VDC	Village Development Committee
VDF	Village Development Fund
VDP	Village Development Plan
WCF	Ward Citizen Forum