



Government of Nepal

Ministry of Federal Affairs and General Administration

Provincial and Local Governance Support Programme (PLGSP)

National Advisory Fiduciary Risk Management Sub Committee
(NAFRMSC) 1st Meeting

Aide Memoire

May 10, 2021

SinghaDurbar, Kathmandu



(Final)

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The 1st National Advisory Fiduciary Risk Management Sub Committee (NAFRMSC) Meeting of the Provincial and Local Governance Support Programme (PLGSP) was held under the chair of Mr. Eak Narayan Aryal, Secretary of the Ministry of Federal Affairs and General Administration (MoFAGA), Government of Nepal (GoN), on 10 May 2021. The main purpose of the meeting was to provide updates on the implementation status of PLGSP, oversee and advice on fiduciary risks and propose mitigation measures, and recommend to forward the Fiduciary Risk Reduction Action Plan (FRRAP) to the PLGSP National Executive Committee (NEC) for approval. In addition, the independent audit report by the Office of the Auditor General (OAG), including audit opinions and arrears related to PLGSP, was acknowledged.

Joint secretaries of MoFAGA, senior officials of sectoral ministries, representatives of the Joint Financing Agreement (JFA) development partners (DPs), UNDP, and representatives of local government associations participated in the meeting. The list of participants is provided in Annex 2. Considering the COVID-19 pandemic, the meeting was organized in a mixture of in-person and virtual modality. The meeting concluded with the following decisions.

Opening remarks:

Mr. Chiranjivi Timsina, the National Programme Manager (NPM) of PLGSP, welcomed all participants at the 1st NAFRMSC meeting and briefly presented the agenda of the meeting.

Mr. Eak Narayan Aryal, Secretary of MoFAGA, addressed the meeting by welcoming the participants and appreciating their in-person and virtual presence. He stated that the NAFRMSC provided a platform for discussion about the fiduciary risks, associated areas on public financial management (PFM), and its reform. He stated that various government-led sectoral programs have been introduced with the aim of promoting people-centric development that delivers tangible results for citizens. Accordingly, the PFM reform initiatives introduced by the GoN support to minimize the fiduciary risks. He shared that this national programme also aimed to support the PLGs in improving their overall governance system.

He further mentioned that better infrastructure was likely to improve peoples' prosperity. He reiterated that PLGSP should focus on delivering on the results, engage in collaboration and coordination with stakeholders, and make concerted efforts to minimize the fiduciary risks.



He highlighted that MoFAGA has published its ten-year vision paper, with focus on four specific pillars, and that PLGSP would support to achieve the vision.

The discussion notes of the meeting are presented in Annex 1.

Decisions:

1. The progress of PLGSP during the period of 16 July – 15 March 2021 (Fiscal Year (FY) 2077/78) was acknowledged.
2. The NAFRMSC recommended to forward the Fiduciary Risk Mitigation Strategy with Action Plan to the PLGSP NEC for approval. The final document should incorporate comments and suggestions provided by NAFRMSC members.
3. The Audited Financial statement of the PLGSP (2019/2020) was submitted in the NAFRMSC and the independent audit report by OAG, including audit opinion and arrears related to PLGSP, was acknowledged.

Closing remarks:

Cynthia Rowe, DP Chair, British Embassy Kathmandu, in her closing remarks thanked the Committee for a very insightful, lively and participatory discussion. She further noted the particular interest among DPs in hearing feedback and suggestions from all of the participating agencies. In response to a comment, she highlighted that DPs remain fully committed to provide support to all levels of governments to implement federalism in line with the Constitution.

She highlighted that there are still outstanding issues in terms of full closure of the Local Governance and Community Development Programme (LGCDP) II and shared that DPs would greatly appreciate these issues to be resolved and full closure to be finalized. She requested MoFAGA to take necessary action to address this.

Further, she noted that DPs look forward to receive the final Fiduciary Risk Reduction Action Plan (FRRAP), incorporating feedback and suggestions as shared during the NAFRMSC meeting. She also shared that UK will initiate an Annual Statement of Progress (ASP) for the PLGSP fiduciary risk assessment in 3-6 months, as mandated by internal procedures.

In closing, she highlighted that DPs look forward to further collaboration and partnerships with stakeholders present in the meeting, to honour commitments and ensure successful implementation of the PLGSP.

Mr. Eak Narayan Aryal, Secretary of MoFAGA, in his closing remarks, thanked all the participants for their feedback, suggestions, concerns, and commitments for effective implementation of Fiduciary Risk Reduction Action Plan (FRRAP). He assured to address the valuable feedback and suggestions received from all stakeholders to the extent possible. In closing, he thanked all participants for the continuous collaboration and support.



Annex 1: Discussion Notes

1. Mr. Chiranjivi Timsina, PLGSP NPM, shared the agenda as follows:

1. PLGSP Progress update
2. Fiduciary Risks Mitigation Strategy and Action Plan
3. PLGSP Audit Report of the Fiscal Year 2019/20
4. Discussion
5. Decisions
6. AOB
7. Closing remarks

Mr. Chiranjivi Timsina briefly presented the progress of the PLGSP for the period of 16 July 2020 – 15 March 2021. While presenting the progress he highlighted the following activities by program outputs.

Output-1

List of laws has been collected, ToRs has been prepared for preparation of 15 model laws and consultant hiring process is underway

Output-2

- FRRAP prepared and approved for LGs, model FRRAP prepared and circulated to PGs
- FRRAP for PLGSP for prepared and approved from NAFRMSC
- CDMIS software in place
- First draft of 22 training packages for PCGG submitted by LDTA
- Training standardization tools for PCGG- drafted and shared with the ministry and feedback provided
- Baseline information collection completed from secondary information
- M/TOT for resource persons of LISA has been completed.
- LISA guideline revised and approved, LISA assessment is being done by 119 LGs
- Hand book on book on SDG localization for PLGs drafted -endorsement awaited.
- Final draft prepared on local taxation policy study
- Final draft report of Audit arrear clearance strategy shared with Ministry, to be finalized.

Output-3

- Four consultative workshops completed PPD, PPM and ED of the respective provinces to expedite the implementation.
- MoFAGA/PCU supported provinces in the P/ASIP preparation (guidelines, pre-planning, PCC meeting in person/virtually)

Output-4

- **Province-1 prepared PCGG act and circulated for consent at MOIAL**
- Bagmati Province formulated Provincial Good Governance Act and two regulations, and also a guideline to review the laws of LGs



- Karnali Province prepared acts:
 - Provincial Service Commission (PSC) act,
 - Provincial Police act,
 - The Integrated Centre for Good Governance Act is under progress.
 - 2 Module Laws /regulation for LGs in progress

Output-5

- Gandaki Pradesh cabinet endorsed GESI Guidelines
- Five provinces i.e Province 1, Province 2, Bagmati, Sudurpaschim and Karnali Pradesh organized ToT on GESI.
- All seven provinces have appointed GESI focal persons in Provincial government line ministries
- Karnali province trained 25 government staff (18 female) on GRB

Output-6

- Lumbini Province trained 44 government officials on public procurement, Province -2 trained 17 IT staff (2 female),
- Lumbini Province developed a common standard framework for all PGs websites with data exchange and information use ability
- Lumbini Province drafted procedural Guideline on ICS for PGs
- Karnali province developed HR-MIS for managing records of civil servants

Output-7

- PCGG established through legislation in Gandaki and through executive order in all other provinces.
- Assets transfer from LDTA regional training center to PCGG completed in all Provinces.

Output-8

- IT service to LGs is continued to strengthen information management systems and improving service delivery.
- Karnali Province completed two events of orientation on preparation of Revenue Improvement Action Plan
- MoFAGA prepared procedural guideline to prepare CD plan,
- SuTRA is being implemented in 753 local governments
- Strong data backup system established with live server
- 7 ITOs deployed to support SuTRA implementation at provinces
- Workshop organized on FRRAP in three provinces for LGs officials (Chief Admin Officers)-Bagmati, Sudurpaschim and Gandaki

Output-10

- Total 605 local elected representatives, government officials trained on Gender mainstreaming, GRB and GESI (312 Women and 292 men and 1 other)



Output-12

- Second draft of IPF guideline shared with stakeholders concerned for review and feedback, yet to be finalized

Output-13 & 14

- A total of 4051 government officials and elected representatives trained on different thematic areas including in-service, pre-service training, out of which 23% were female and 77% Male.

TA Support

- Out of 109 positions: 78 joined (72%), 17 yet to joint (15%), 14 ongoing (13%)
- Procurement process for vehicle is on-going. It is expected time of delivery is September-November 20021.

Financial Progress

- The total budget for the year 2020/21 is 3206 million NPR (of which GON contribution is 43.90 million and that of JFA is 3162.10 million NPR). The expenditure (in '000') during the reporting period is 272905 (9%) for JFA. The expenditure is 33 % at the federal level and it is 3 % at the province level.
- Similarly, the total budget for the year is 388,036.987 under TA and the expenditure for the reporting period is 193,153.987 (49.7 %).

Priorities for the next quarter

- Expedite the programme implementation and budget delivery through regular follow-up/advice to expedite the implementation and increase delivery.
- Finalization of the IPF Operational Guidelines
- Customize the PLGSP to the COVID-19 context, such as organizing capacity building activities in small groups or virtually to the extent possible.

Following the presentation on PLGSP progress, Mr. Chiranjivi Timsina briefly presented the Fiduciary Risk Reduction Action Plan (FRRAP) of PLGSP.

- The Joint Financing Agreement signed for PLGSP between the Government of Nepal and DPs states;
 - MoFAGA is responsible for formulating policy related to accountability and transparency in service delivery and mitigating the fiduciary risks.
- In addition to the FRRAP of PLGSP, there have been numbers of tools and systems developed and implemented in PLGSP that contribute to reducing fiduciary risk in the PLGSP;
 - LISA
 - LGs monitoring guideline through DCC
 - Model FRAP for PG



- FRRAO for LGs
- Procurement guidelines and training
- SUTRA
- Internal control system guideline and orientation
- RIAP
- In addition he highlighted on the following points. Detailed presentation is available at PCU.
- Process followed in preparation of FRRAP
- FRRAP Strategy and Implementation Arrangement
- Fiduciary Risk Reduction Action Plan Implementation Committee
- Potential risk areas and measures taken in FRRAP
- Financial Management Improvement Plan (FMIP) Framework (Potentials risk, Reduction measures, action in FRRAP)

Following the presentation on the FRRAP, Mr. Chiranjivi Timsina highlighted on the PLGSP audit report.

OAG's observation

"The program financial statement including statement of memorandum of advance account, in all the material respects, give a true and fair view of the financial position of the PLGSP as of 15 July 2020(31 Ashad 2077) and the results of its operation and its cash flow for the year and then ended in accordance with GON accounting policies. Funds provided under JFA between the development partners and Government of Nepal have been utilized for intended purpose."

Open discussion

2. Following the presentation of Mr. Chiranjivi Timsina, the floor was opened for open discussion. Cynthia Rowe, DP Chair, British Embassy Kathmandu, greeted everyone, by congratulating for the joint effort to organize this first NAFRMSC meeting of the PLGSP. She noted that this is an important milestone for PLGSP and puts in place a key pillar for Programme governance. She commended all stakeholders for the development of the Fiduciary Risk Reduction Action Plan (FRRAP) and noted that it builds on the findings of the Fiduciary Risk Assessment conducted in the previous year. The development of a risk assessment-based action plan and MoFAGA's strong commitment to implement it was appreciated and well developed. She further noted that the Financial Management Improvement Plan (FMIP), using the six key dimensions for sound financial management, is important and appreciated. She continued by highlighting the importance of strengthening the fiscal management of the Programme, including by engaging and ensuring ownership of Provincial and Local Governments. To this end, she noted that the Provincial Centers for Good Governance (PCGGs) should provide dedicated capacity development on PFM and noted the scope for collaboration between PLGSP and other PFM-related programmes. Further, she requested that the FRRAP and FMIP should be treated as live documents and be regularly updated. Additionally, a separate independent fiduciary risk assessment for the Innovative Partnership



Fund could be conducted. In closing, she requested MoFAGA to share the consolidated PLGSP Audit Report with the DPs and other stakeholders and requested further information regarding how recommendations would be addressed.

3. Mr. Gyanendra Poudel, Joint-Financial Comptroller General, mentioned that the Financial Comptroller General's Office (FCGO) is one of the implementing agencies of PLGSP. SuTRA is currently being rolled out with systems-based planning, budgeting, accounting and reporting. Data security and support center, ensuring quick response in support service is backstopped by FCGO and logistics support is vital. He further added that SuTRA was implemented in almost all LGs and they had been able to report electronically. He mentioned that this was important for generating revenue by designing models as per the requirements of the local level and that the process is ongoing to build a revenue module in SuTRA. He mentioned that he could see big investment requirements for local level system service enhancement, as well as highlighted the need to harmonize multiple different frameworks currently available. He noted that SuTRA and PAMS are very important systems implemented with very satisfactory progress in LGs, and that systemic sustainability is one of the risks which should be addressed in the Action Plan.
4. Dr. Bhisma Bhusal, Joint Secretary, NNRFC mentioned that accountability, transparency and open data sources are the key for fiduciary risk management. He shared that FCGO is the main agency for the FRRAP and that the indicators being developed by NNRFC support to reduce the fiduciary risks. He further shared that civic engagement should be further encouraged to reduce fiduciary risks.
5. Dr. Kiran Rupakheta, Joint Secretary, NPC mentioned that the Fiduciary Risk Mitigation Strategy and Action Plan was well documented and comprehensive and that the FMIP is well designed. The focus should be on FRRAP monitoring practices and the monitoring system software development should be compatible with the national monitoring system. He also mentioned that the term 'internal control' is vague and that it should be more specific.
6. Mahesh Bhattarai, Joint Secretary, MoF, commented that the presentation was good, and appreciated that the presentation and the decision points were shared in advance. He mentioned that the document is well developed and asked whether it is only for the PLGSP or for all of the PFM system. He also suggested some specific corrections to be made in the documents and noted that the Action Plan should be implemented through the Offices of the Chief Ministers in the Provinces. Further, he highlighted the need to develop accompanying Provincial/Local Action Plans.
7. Mr. Bernardo Cocco, Deputy Resident Representative UNDP, TA Partner, greeted the participants and expressed pleasure in participating in the 1st NAFRMSC meeting. He addressed that the meeting was an important event to discuss the FRRAP. In terms of the Action Plan, he commented that it was comprehensive and well written. He also looked forward for the comments to be taken into account in the spirit of a live document. From UNDP's side, as the PLGSP TA Partner, he mentioned the commitment to support and contribute in implementing the FRRAP and conducting orientations.
8. Mr. Krishna Neupane, Secretary, ADDCN, mentioned that the Fiduciary Risk Mitigation Strategy and Action Plan is a great initiative of the Programme. He further reiterated that LG



associations have a role to play as representatives of the people, and that they should be considered and engaged in the development and implementation of these kinds of initiatives.

9. Mr. Kalandhi Devkota, MuAN Executive Director, mentioned that the document is very important and that it plays a positive role in mitigating the fiduciary risk in public finance. He additionally mentioned that SuTRA should be oriented more deeply in LGs to clarify the operation of the software. He suggested that a tool similar to LISA should be developed for PGs. He also shared that MuAN is interested to play an active role in the implementation of the FRRAP as well as in PLGSP.
10. Bishnu Dutta Gautam, Joint Secretary, MOFAGA, mentioned about the name of the Committee and suggested to incorporate the internal audit in the Action Plan.
11. Bashant Adhikari, Joint Secretary, MOFAGA, mentioned that the LISA is implemented in all LGs and that this is different from MCPM. LISA is a self-assessment tool and it is facilitated by MoFAGA. He noted that the FRRAP will be a helpful tool for the fiduciary risk reduction.
12. Dr. Gopi K. Khanal, National Programme Director (NPD), shared that the PLGSP was a national framework Programme for building the institutional capacity of federal governance in Nepal. He highlighted on the achievements and progress made in the programme. He mentioned that the PCU has drafted the model fiduciary risk reduction plan of PLGs and that the procedure for fiduciary risk assessment has been approved for LGs. The Fiduciary Risk Mitigation Strategy and Action Plan of PLGSP is one of the major tools to reduce the fiduciary risk and he was thankful to all stakeholders for the ownership and commitment to support its implementation.

The NPD, while clarifying the points, mentioned that the FRRAP document has been developed with the support of government officials and shared with the DPs. He further added that all the feedback received was noted and would be taken as inputs to improve the FRRAP.



Annex 2: List of participants

S.N.	Name of the participant	Designation	Organization
1	Mr. Eak Narayan Aryal	Secretary	MoFAGA
2	Dr. Gopi K. Khanal	Joint Secretary/National Programme Director	MoFAGA/PLGSP
3	Mr. Bishnu Dutta Gautam	Joint Secretary	MoFAGA
4	Bashant Adhikari,	Joint Secretary	MoFAGA
5	Mr. Rajiv Pokharel	Joint Secretary	MoFAGA
6	Mr. Narayan Prasad Aryal	Joint Secretary	MoFAGA
7	Mr. Baburam Gyanwali	Under Secretary	MOFAGA
8	Mr. Chiranjivi timsina	Under Secretary/ National Programme Manager	MoFAGA/ PLGSP
9	Mr. Prahalad Kumar Karki	Under Secretary	MoFAGA
10	Shyam Dahal	Section officer	MoFAGA
	<i>Virtually Attended</i>		
11	Gyanendra Paudel	Joint FCG	FCGO
12	Dr. Bhisma Bhusal	Jount Secretary	NNRFC
13	Dr.Kiran Rupakheta,	Jount Secretary	NPC
14	Mahesh Bhattarai,	Jount Secretary	MoF
15	Ms. Cynthia Rowe	Head of Governance and Service Delivery	FCDO/British Embassy
16	Mr. Bernado Cocco	Deputy Resident Representative	UNDP
17	Mr. Kalandhi Devkota,	Executive Director,	MuAN
18	Mr. Krishna Neupane	Secretary	ADDCN
19	Mr. Madhu Bishwakarma	Gov. Advisor	FCDO/British Embassy
20	Mr. Krishna Bhattarai	TA coordinator	UNDP
21	Ms. Dagny Mjos	Head of Development Cooperation	Royal Norwegian Embassy
22	Mr. Rajkumar Dhungana	Governance Advisor	Royal Norwegian Embassy
23	Mr. Tek Tamata	Portfolio Specialist	UNDP
24	Mr. Egbert Pos	Governance Advisor and Deputy Team Leader for GSDT	FCDO/British Embassy
25	Ms. Shailee Manandhar	Senior Programme Manager	FCDO/British Embassy
26	Ms. Preeti Das	Programme Officer	FCDO/British Embassy
27	Mr. Anders Magnusson	Programme Specialist / Federal Governance Specialist and Development Partner Coordinator	UNDP / PLGSP



28	Pranay Sharma	Governance cum Legal Expert	PPIU- Province -1
29	Semanta raj neupane	IT & e-Governance Expert	PPIU - Bagmati
30	Pradip Koirala	Secretary	OCMPM
31	Mr. Rajendra Pyakuyral	Executive Director	National Association of Rural Municipality in Nepal
32	Anup KC	Provincial Programme Manager/ Under Secretary,	OCMCM Bagmati
33	Keshav Upadhyaya	PPM	Karnali
34	Saroj Guragain	Secretary,PPD	Province 1- OCMCM
35	Ananda Saru	Secretary,PPD	Karnali Province - OCMCM
36	Hari Bahadur K C	Joint Secretary	Ministry of Agriculture and Livestock
37	Santaman Tamang	Vice Chair	ADCCN
38	kiran thapa	PPD	Sudurpaschim Province - OCMCM
39	Mr. Navaraj Gelal	Spokesperson	ADCCN
40	Lekhnath Pokhrel - Chhatradev chairperson	Secretariate member of NARMIN and Chair of Chhatradev RM, Arghakhanchi	National Association of Rural Municipality in Nepal
41	Punita Mandal	Governance cum Legal Expert	PPIU Province 2
42	Mr. Hari P. Guragain	Administrative Officer	MoFAGA/PLGSP
43	Mr. Basanta Raj Paudel	Account Officer	MoFAGA/PLGSP
44	Mr. Chandra Kanta Sharma Poudel	Coordination and Monitoring Specialist	PLGSP
45	Mr. Baburam Shrestha	PFM Expert	PLGSP
46	Ms. Kirti Thapa	GESI Expert	PLGSP
47	Ms. Dixita Silwal	HR and Liaison Expert	PLGSP
48	Mr. Nagesh Badu	IT Specialist	PLGSP
49	Ms. Ranju K.C.	CO	MoFAGA/PLGSP
50	Sakun Shrestha	Program Associate	PLGSP

The End