

# Minutes of the 4<sup>th</sup> LGSP Project Steering Committee Meeting.

Venue: NEC Conference Hall

Date: 27<sup>th</sup> January, 2010.

The 4<sup>th</sup> Project Steering Committee Meeting (PSCM) for the Local Governance Support Programme (LGSP) was chaired by the Hon. Secretary of the GNHC and attended by the members of the PSC (Project Steering Committee), the development partners, and other relevant government agencies (refer annexure 1 for the list of participants).

## 1. Opening address by the Chairperson

The Chair welcomed the PSC members from the GNHC, developmental Partners and other government officials. The Chair introduced the Steering Committee's Terms of Reference and the performance of the project.

## Adoption of the Agenda

The Agenda of the meeting was presented to the members for endorsement. In the agenda the Resident Coordinator of Austrian Coordination Office proposed a discussion on the issues in the recent LGSP Audit Report. LOD proposed another agenda to be discussed which is about the timing of the Annual Review of the LGSP

## 2. Follow up of the 3<sup>rd</sup> Steering Committee Meeting

The Project Manager presented the following updates of the 3<sup>rd</sup> PSCM.

- It was informed that the development of Community Contract Protocol is completed and is in place. The draft protocol in collaboration with the Dept. of Local Governance will be piloted and experimented in Wangduephodrang Dzongkhag for feedback and further improvement for finalization. On the same subject the Project Manager apprised and clarified the Project Steering Committee Members that the revised procurement rules and regulations allowed such protocol to operate for projects within the ceiling of Nu.0.500 m. Due to the immense benefit the protocol implementation will have on the LGs, the Chair supported the idea of finalizing the Community Contact Protocol as soon as possible and also directed that the pilot be done as soon as possible and finalize the protocol for distribution to the LGs.
- It was informed that the cross cutting themes and issues such as gender, environment, etc are mainstreamed and concerns included in the local development planning manual for LGs. The mainstreaming and inclusion of other the cross cutting issues and themes such as climate change and natural resource management, food security and nutrition etc will be taken up in collaboration with the Joint Support Programme recently signed for environment, climate change and poverty mainstreaming in policies, plans and program
- It was informed that efforts will be made to develop curriculum for mainstreaming cross-cutting themes and issues and incorporated in the Integrated Capacity Development Plan of the LGs for future capacity development programmes. Also, attempts will be made to mainstream cross-cutting issues in the Annual Grants Guidelines.

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- It was informed that the contribution of SESP of 40m DKK is reflected in the LGSP and will be a budgetary support to LGs as the Annual Grants. The first installment of SESP contribution will be released with other contributions from LOD and UNCDF from July 2010.
- It was informed that the Department of Local Governance (DLG) is included in the PSCM and the working group of LGSP.
- It was informed by the DLG representative that the capacity building plan for advocacy and sensitization of the revised Local Government Act (LG Act) has been already sensitized and advocated to few stakeholders. However, the status of the LG Act is not clear because it has been submitted to His Majesty the King for endorsement. Meanwhile the DLG has gone ahead and prepared the LG Act Rules and regulations for LGs. The DLG will target and sensitize more LG functionaries once the revised LG Act is approved.
- It was informed that the revision of Annual Grants Guidelines (AGG) by Dec is completed with support from an international technical assistance. However, for the application of AGG by LGs for the 2010-2011 annual planning & budgeting could not be timely taking in to consideration the comments received from the Ministry of Finance(MOF) and proposal from them that further discussion be held between the GNHC and MOF before finalization and circulating the same to the LGs for 2010-11 annual planning and budgeting. Ms.Suela, UNCDF representative shared that the same concerns and highlighted the importance of finalizing the guidelines soon. Given that these issues related to grants system are technical, and since UNCDF provided support for technical assistance with the development of the draft guidelines, if there is a need for assistance of TA, during the development and improvement of the grants system/guidelines UNCDF will be pleased to assist the programme. On the Annual Grants the Dy. Resident Representative, UNDP also gave his reflection on the Annual Grants Guidelines as a tool to impose certain restriction on the spending of the LGs.
- Mr .TN, representative from the DNB, MoF informed that the issue of annual grants was put up to the Finance Minister and the Secretary .Due to some other urgent works the issue could not be resolved at their level. Therefore, it was proposed to have a separate meeting to resolve the issue.
- As recommended by the Joint Technical Review technical working group for capacity building, it was informed that the technical group will be formed once the development of capacity development strategy is taken up under the new AWP. As far as possible it will be formed by strengthening the present working group of LGSP.
- It was informed that the budget notification call for 2010-11 had included that if there are any unfinished activities in 2009-10 FY, they should be indicated to the DNB for inclusion in the subsequent FY as spillover.

### **3. Information on Gewog-wise disbursement (fund release) of annual capital grants since 1<sup>st</sup> July, 2009.**

The information on the releases and expenditure details of the LGs especially for the Gewogs were presented to the members. Mr. Tek,LOD representative questioned whether there was any analysis done on the spending pattern of the LGs. On this the Chair informed that the LGs were mostly tied down with several bottle necks such as shortages of engineers and therefore proper and pre- planning was very difficult. Also on the same issue pointed out by the Chair, Mr. Kunzang Norbu UNDP suggested if some budget could be allocated for proper and pre-planning, then it can

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immensely help the LGs. On the same issue, Mr. Stedel SNV representative said that the employing more engineers seem to be not the solution as it has been an issue for a long time. Instead he suggested that the pre-planning works could be outsourced to which DNB representative informed that such plans on outsourcing is in the pipeline.

### 4. Progress Report, LGSP(PLaMS)

The LGSP progress report for Sept-Dec 2008-09 was presented through the PLaMS and online. A brief presentation was also made on the results logic i.e. program outputs, indicators and plan targets. The Programme Officer, UNCDF/UNDP questioned that whether the budget reflected in the 10FYP was 100 or 80% as Gewogs were confused on the same. On this the Chairs clarified that the RAF based annual indicative ceiling is 100% for LGs 10th FYP.

The Programme Officer, UNCDF/UNDP also requested if the PLaMS report could give information on the numbers of people trained by gender.

On the one stop shop and integrated service delivery for the LGs, the DLG will be playing a major role in terms of development, piloting and rolling out to all Dzongkhags and Gewogs. The DLG would also explore relevant technologies to support and implement the activities.

The Project Manager also reminded that the previous joint technical review focused on evaluation of the capacity building initiatives and the AGG. Therefore, it was suggested that this year the technical review may focus on the overall management and progress of the LGSP activities. The Chair also supported the same idea and encouraged that the working group could work out the TOR.

Ms.Suela, UNCDF questioned if the working group helped the project management unit in the delivery of the project. The project manager informed that it provided an immediate forum where many support could be sought on issues and problems and decisions can be taken at the working group level which immensely contributed to the smooth flow of project implementation.

### 5. AWP 2010-11, LGSP & the results logic of the AWP, LGSP(PLAMS)

As required the Project Manger presented the LGSP AWP for the fiscal year 2010-11 in the PLaMS which is operated and based online with an improved results logic, outcome, outputs, indicators and activities.

It was informed that the contribution of the Swiss Development Cooperation (SDC) and SESP which is Danida supported programme was also added to the overall budget of LGSP.

On the timing of developing and piloting of the performance based grant which was presented to be carried out in the next fiscal year (in one cycle), it was suggested by Ms. Suela, UNCDF, that the normal practice is to pilot for minimum 2-3 years in order to be able to see the impact. It is therefore recommended that piloting be carried out in two cycles instead of one cycle. This is to facilitate a proper piloting in one fiscal year so that enough lessons are learnt and that feedback from lessons learnt are taken into account while piloting the grants in the next cycle. To this, the project management said that it's a good suggestion and that the project management will pilot the performance based grants in two cycles.

The Programme Officer, UNCDF/UNDP also shared that there is already some kind of informal system of rewarding the performing LGs by the Dept of National Budget (DNB), Ministry of Finance (MOF) based on a certain criteria which usually take place during a budget review/discussion with the LGs. Therefore, developing and introducing the performance based grant basically would be formalizing the present informal system of recognizing the performing LGs. The efforts of this activity will also look at streamlining the performance based system and strengthening it wherever

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needed. To this Tek, LOD agreed to share Public Expenditure financial Accountability (PIFA) document with the members. On the same issue, the DNB representative informed that they have been internally doing analysis and compilation of the performance of the Gewogs. To this, the Chair requested the DNB representative that the MoF should carry out this activity and look into strengthening the present system of recognizing the performing LGs and introduces a formal system for carrying out this functions. He also requested that once this system is formalized and mainstreamed in the Annual Grants system it should be made public so that the performance of LGs is assessed and evaluated annually for reward or penalty based on relevant and robust criteria. This request was agreed by the DNB representative to be carried out by MOF.

On the exposure tour proposed to Denmark and Tanzania on fiscal decentralization, inter-govt fiscal transfers, grants system, formulas, resource allocation, manuals, guidelines etc, Kunzang Norbu, UNDP said that on the same proposal the UN country office is willing to share their experiences on decentralization. He recommended that the teams while on the way to the proposed countries should visit the country office in Delhi to get some briefing on the same experiences. The DNB, MoF wanted their name to be included in the activity 1.3 and 1.4 as they play an important part in the training and sensitization of the local governments to which the Chair recommended the PMU to look into the matter. The SNV also shared their concern that the budget allocated for the LGs training was less, to which the Project Manager explained that plans and budget was made taking into consideration the availability of the LGs for the trainings, the capacity of the LGs and also the budget ceiling provided by developmental partners annually.

On the activity regarding studies of rural taxes, Ms. Suela, UNCDF mentioned that UNCDF has conducted studies in other countries in the region with regard to local revenues and is willing to share their experiences and facilitate this activity, if needed.

The project manager informed that PLAMS in collaboration with Perspective Planning Division, GNHC is being improved especially integration with Multi Year Rolling Budget (MYRB)/Public Expenditure Management System (PEMS) of the MOF. The Chair reported that PLAMS besides other advantages will capture the expenditure and plan details online. On the PLAMS, the Dy. Resident Representative, UNDP commended the works done especially on the advantages of having a remarks column. He also provided some recommendations especially on the timeline columns of the AWP for clarity on the government and calendar fiscal year differences. He also suggested that the overall presentation of the AWP in PLAMS can be revised in coordination with the Programme Officer, UNCDF/UNDP.

Mr. Kunzang Norbu, UNDP, suggested that the same group of people trained in MYRB could be trained for PEMS, to which DNB representative informed that people will be trained in PEMS with the final figures put in the MYRB.

The LOD emphasized on the need for submission of the physical and financial reports from 205 Gewogs which is the trigger to release the second tranche (installment) of Block Grants to Gewogs as per the LGSP project document. This request was due by January 2010. The adherence to the triggers once fulfilled would be informed to the DPs for the next release formally in a letter. The documents should it be required for review or information would be made available to the DP's on request but would otherwise remain with the LDD and need not be shared with the DPs

On the activity and budget for joint annual review, it was suggested that the joint technical review be rephrased as Support to Joint Technical Review, also in view of the budget support for TA to be borne by the individual DPs.

It was also clarified that the AWP of the DLG and other relevant organizations under LGSP will be formulated in coordination with each other and presented together as practiced. However, the reporting to the SCM will be presented by respective agencies involved in for the activities implemented by them.

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### 6. Any other issues

#### **Auditors Report on the accounts and operations of the project - "Local Governance Support Programme(LGSP)" (01.07.2008 to 30.06.2009).**

On the recent LGSP Audit Report, the Resident Coordinator, ACO informed that the Audit Report that they received has the expenditure details of DPs jointly and not of individual donor partners against individual support provided. Also, the report specifically mentions only one donor's name (Danida) project which will not be appropriate for the ACO to submit to their Parliament as Audit Report of their support to LGSP. To this the Project Manager said that he shared the concern of ACO and explained that even the auditors were not very clear on how to go about auditing the joint programme. The concepts and objectives of the joint programme and common basket funding are also new to the auditors, although during the period of audits the PMU tried to explain to the auditor as far as possible on the same. The project manager as shared with DPs on many occasions also explained again that it is very difficult to get the details of expenditures for each DPs because all the budget was going into a common basket. On the same issue, the LOD representative recommended that the contribution income by each DPs to be reflected separately and the expenditure details can be reflected as a joint figure.

To resolve the issue on audits and to meet the requirement of each DPs, it was decided that the DPs and the PMU, GNHC will have a meeting with the Royal Audit Authority (RAA) on a suitable date to work out a clear future auditing needs and report. It was also suggested that the meeting should recommend that LGSP auditing should take place once fulfilling the requirement of each DPs but auditing should not take place for each individual DPs separately.

On this Mr. Ramesh, ACO suggested that the expenditure details maintained by the PMU which had segregated details of funds used from the different DPs to be attached with the audit report to which the Chair advised that it has to be consulted with the RAA.

The PMU submitted that the ex-country trainings under output 3 for Gewog /Dzongkhag Administrative officers and Tsodrungs(DT Secretary) were organized and taken up under the present AWP. On this, an endorsement was sought from the SCM and was duly endorsed and approved.

The DLG submitted a proposal for endorsement and approval of exposure trip of their staff on the best practices of local governance in the region in view of their recent re-establishment and the need to build their capacity. The SCM endorsed and approved the said proposal, the budget for which will be used from the remaining budget from the total budget provided to DLG to conduct trainings on "7 habits of Highly Effective People" to the LG

#### **Follow up.**

The timing for the next Joint Annual Technical review is expected to start from 16<sup>th</sup> of August, 2010. The working group will have a meeting in shortly in March to draft the TOR for the LGSP review and GNHC will sent out the letter for the working group meeting.

The 5<sup>th</sup> PSCM, LGSP is scheduled to be held on 21<sup>st</sup> September, 2010.

Meeting between the MOF and LDD on the AGG

PMU, LGSP to arrange a meeting with RAA and the DPs for the a clear future auditing needs and report

#### **Closing Remarks**

The Chair, Secretary of GNHC thanked the PSC for their effort and dedication in supporting the PMU, GNHC and facilitating a smooth implementation of such complex project.

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### Annexure 1

| Sl no | Name list of participants | Agency                               |
|-------|---------------------------|--------------------------------------|
| 1     | Secretary                 | GNHC                                 |
| 2     | Bakhodir Burkhanov        | DRR,UNDP                             |
| 3     | Christian Mazal           | RC,ACO                               |
| 4     | Suela Krifsa              | Regional Portfolio Specialist, UNCDF |
| 5     | David Stiedl              | Country Director,SNV                 |
| 6     | Tashi Pem                 | DRC,Helvatas                         |
| 7     | Karma Galey               | CPO,MoCHA                            |
| 8     | Kunzang Norbu             | UNDP                                 |
| 9     | Chencho Gyalmo Dorjee     | PO,UNDP/UNCDF                        |
| 10    | Tshering Yanki            | UNDP/UNCDF                           |
| 11    | Tek B Chhetri             | SPO, LoD                             |
| 12    | Karma Dema                | PO,LoD                               |
| 13    | Ramesh Chhetri            | PO, ACO                              |
| 14    | T.N Sharma                | SPO, DNB,MoF                         |
| 15    | Sangay Penjor             | DCD, GNHC                            |
| 16    | Kuenzang L . Sangey       | DCD , GNHC                           |
| 17    | Karma Jamtsho             | PM,LDD,GNHC                          |
| 18    | Thinley Om                | LDD, GNHC                            |
| 19.   | Tashi                     | LDD, GNHC .                          |

