



GOVERNMENT OF NEPAL

MINISTRY OF LOCAL DEVELOPMENT

LOCAL GOVERNANCE AND COMMUNITY DEVELOPMENT PROGRAMME
(LGCDP)

Programme Document
11 July 2008

Summary of the Programme

Project Period	16 July 2008 – 15 July 2012 (4 years)
	Approach Period: June to July 15, 2008
	Inception Period: July 15, 2008 to Jan 15, 2009
Executing Agency	Ministry of Local Development
Implementing Agencies	Local Bodies (District Development Committees, Municipalities and Village Development Committees) through Community Organisations and NGOs
Geographic Coverage	<ul style="list-style-type: none"> • DDCs - 75 districts • VDCs - 3915 • Municipalities - 58
Development Partners	<ul style="list-style-type: none"> • ADB • DANIDA • CIDA • DfID • UN System (UNDP, UNICEF, UNCDF, UNFPA, UNV etc.) • Government of Norway • SDC • GTZ • JICA • World Bank • Government of Finland
Financial Resources	<ul style="list-style-type: none"> • Government of Nepal US\$ 260.8 million (Block Grant Allocation to LBs) • Donors commitment US\$ 161.5 million
Programme Components	<ul style="list-style-type: none"> • Empowerment of citizens and communities for active engagement with local governments and strengthening downward accountability • Local bodies (DDCs, Municipalities and VDCs enriched with block grants for community led local development • Capacity Development of local governments for effective service delivery • Policy Support for decentralisation and Local Governance (Devolution, Fiscal decentralisation, Human Resources Development, Action Research etc.) • Gender and Social Inclusion

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ADDCN	Association of District Development Committees in Nepal
AWPB	Annual Work Plan & Budgets
CA	Constituent Assembly
CB	Capacity Building ¹
CC	Consultative/Advisory Committee
CD	Capacity Development
CDF	Community Development Fund
CDGs	Capacity Development Grants
CDPs	Capacity Development Plans
CDS	Capacity Development Strategy
CEDAW	Convention on the Elimination of Discrimination against Women
CIDA	Canadian International Development Agency
CMC	Chairperson Manager Conference
CO	Community Organisation
CPA	Comprehensive Peace Agreement
CPN	Communist Party of Nepal
CPN-UML	Communist Party of Nepal – United Marxist Leninist
CRC	The Convention on the Rights of the Child
CSO	Civil Society Organisation
CY/CYI	Children and Youth, Child/Youth Inclusion
DAG	Disadvantaged Group
DDC	District Development Committee
DDF	District Development Fund
DFDP	Decentralised Financing and Development Programme
DfID	Department for International Development (UK)
DIMC	Decentralisation Implementation and Monitoring Committee
DIMWC	Decentralisation Implementation and Monitoring Working Committee
DLGSP	Decentralised Local Governance Support Programme
DMIS	District Management Information System
DPMAS	District Poverty Monitoring and Analysis System
DPs	Development Partners
DTCO	District Treasury Controller Office
EDPs	External Development Partners
EO	Executive Officer
FCCGO	Financial Comptroller General Office
FY	Fiscal year
GE	Gender Equality
GE/SI	Gender Equality and Social Inclusion
GON	Government of Nepal
GRB	Gender Responsive Budget
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
HR	Human Resources
HRD	Human Resource Development
HRM	Human Resources Management
ICT	Information and Communication Technology
IEC	Information, Education and Communication
ILO	International Labour Organisation
IPFC	Integrated Plan Formulation Committee
JAR	Joint Annual Review
JFA	Joint Financing Agreement
JICA	Japan International Cooperation Agency
JS	Joint Secretary
LA	Line Agency
LB/LBs	Local Body/Local Bodies
LBFAR	Local Body Financial Administration Regulation 2056 (1999)

¹ The words “Capacity Building” and “Capacity Development” are used interchangeable in this document.

LBFC	Local Body Fiscal Commission
LDO	Local Development Officer
LG	Local Government
LG&AF	Local Governance and Accountability Facility
LGCDP	Local Governance and Community Development Programme
LM	Line Ministry
LPC	Local Peace Committee
LSGA	Local Self Governance Act 2056 (1999)
M&E	Monitoring & Evaluation
MC/PMs	Minimum Conditions and Performance Measures
MIS	Management Information System
MLD	Ministry of Local Development
MoAC	Ministry of Agriculture and Cooperatives
MoE	Ministry of Education
MoF	Ministry of Finance
MoGA	Ministry of General Administration
MoHP	Ministry of Health and Population
MoWC&SW	Ministry of Women, Children and Social Welfare
MPRF	Madeshhi Janadhikar Forum (Madheshi Peoples Rights Forum)
MuAN	Municipal Association of Nepal
NAC	National Advisory Committee
NAVIN	National Association of Village Development Committees in Nepal
NC	Nepali Congress
NDVS	National Development Volunteer Service
NPC	National Planning Commission
NPCS	National Planning Commission Secretariat
NPD	National Programme Director
NRB	Nepal Rastra Bank
O&M	Operation & Maintenance
OAG	Office of the Auditor General
PAF	Poverty Alleviation Fund
PCC	Policy Coordination Committee
PCU	Programme Coordination Unit
PEFA	Public Expenditure and Financial Accountability
PEM	Public Expenditure Management
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PIC	Programme Implementation Committee
PM	Programme Manager
PMO	Prime Minister's Office
PWD	Persons with Disabilities
QA	Quality Assurance
SDC	Swiss Development Cooperation
SI	Social Inclusion
SM	Social Mobilisation
SWAp	Sector Wide Approach
TA	Technical Assistance
TA/CB	Technical Assistance/Capacity Building
ToR	Terms of Reference
TYIP	Three-Year Interim Plan (2007/08-09/10)
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNSCR	United Nations Security Council Resolution
UNV	United Nations Volunteers
VDC	Village Development Committee
VDF	Village Development Fund
WB	World Bank
WDO	Women Development Officer

1. Introduction

1.1 Background

The Government of Nepal (GON) is committed to bringing about tangible changes in the local governance and community development process. The aim is to improve the living standards of the people through community led development, efficient service delivery, good governance, based on a democratic value system and rights-based approach and inclusive development efforts subsequent to the restructuring of the state. This will be based on the conceptual framework of federal, inclusive and participatory development, with the implementation of local level development initiatives under the leadership of local autonomous government. The focus of the local development programme will be to support poverty alleviation measures based on the fundamental premises of inclusive development, and through the mobilisation of local resources and use of local skills and technology opportunities – all with the direct involvement of local citizens and community organisations.

At present, a major task of the GON is to substantiate the objectives, policies and principles of the Local Self-Governance Act (LSGA), 2055 and to translate the principles of local self-governance into practice through the mobilisation of local bodies and local communities with the facilitation and support of the central line ministries. The LSGA provides the legal basis for the involvement of civil society organisations (CSO) in formulating plans for the local bodies.

A shared commitment to work together for this purpose exists between the Ministry of Local Development (MLD) and the Development Partners (DPs). Given the need of improving local governance and participatory approaches to establish robust accountability of local government to communities, the current political scenarios and the earlier tendency of DPs to pursue their own priorities with discrete programmes in separate geographic areas, this convergence is a major achievement. Now, the need to bring the private and NGO sectors into the planning and implementation process and to enable better engagement of local communities in the local governance reform process to ensure that services are responsive to their needs, has been recognised.

MLD's vision on local governance and community development is to bring improvement in the living standard of the masses through local good governance based on a democratic value system and inclusive development effort subsequent to the restructuring of the state, based on the conceptual framework of federal, inclusive and participatory development, with the execution of the local level development initiatives under the leadership of local autonomous government.

A number of development partners have signed a letter of intent to provide programme support within the areas of local governance and community development. Some development partners intend to provide further support over a longer period of time. Although government structures and systems are likely to change over the coming years, LGCDP will be the first phase of a longer term programme of support to local governance and community development strengthening both the demand and the supply sides of local service delivery and good governance to attain the LSGA spirit. The programme strongly supports MLD's vision of local development and self-governance to bring good governance and development interventions to the people by maintaining fiscal discipline, correcting mismanagement, delays and non-transparent procedures.

This programme will be the national programme framework for achieving improvements in the system of local governance and community development. The underlying intention of the LGCDP is to move

the local governance and community development sector towards a Sector Wide Approach (SWAp) for decentralisation.

1.2 The New Nepal

The peace process started in June 2006, with the signing of the eight-point agreement between the Seven Party Alliance (SPA) and the Communist Party of Nepal (CPN) Maoist. The comprehensive peace agreement, concluded between the GON and the CPN (Maoist) in November 2006 guaranteed a political system based on universally accepted fundamental human rights, a competitive multiparty democratic system, constitutional checks and balances, independent judiciary, periodic elections, participation by civil society, press freedom, people's right to information, transparency and accountability in the activities of political parties, peoples' participation and the concepts of impartial, competent, and fair administration.

The Interim Constitution of Nepal (2007) reflects the commitments made by the SPA and the CPN (Maoist) and sets the future direction for the social, political and economic transformation of Nepal. It guarantees social justice and affirmative action for women, dalits, indigenous groups, the madhesi community, and other excluded or disadvantaged groups. The Interim Constitution also proposes the future restructuring of the state to promote and institutionalise an inclusive, democratic and progressive local governance system, maximising people's participation based on decentralisation, devolution of power and the equitable distribution of resources to local bodies.

Elections were successfully completed to form a Constituent Assembly (CA) including holding its first meeting. The CA will also set out the arrangements for the future federal structure of the state; this Assembly will also serve as a national legislature and form a new cabinet until the general election takes place.

1.3 Opportunities

In the context of the unfolding peace process and renewed commitment by the GON and the international community to support local governance, a number of opportunities have emerged:

- a) The major political parties (Maoists, NC, UML, and MPRF), in their CA election manifestos, have stated their commitment to an inclusive democratic and federal system of government and to devolve local level and community development related functions to local bodies. They have expressed active commitments towards state restructuring to ensure a decentralised, accountable, people-oriented, and democratic self governance system; ending all forms of discrimination, economic exploitation and to address the needs of disadvantaged groups including women, dalits, janajatis, madheshis, old aged, disabled and remote regions and communities by ensuring their participation in state mechanisms, development and empowerment.
- b) The likely return to elected local representation in local bodies in the years ahead presents the opportunity to begin to strengthen downward accountability in the local government system – and to help redefine the relationship between local administrations and local communities and promoting more constructive interaction. Elected local bodies would be in place after promulgation of the new Constitution. In the meantime, GON has made provisions to fill in the DDC, Municipalities and Village Development Committees by all-party mechanism on the basis of one party one representative, comprising of seven

political parties, as mentioned in the interim constitution of Nepal and other political parties who have obtained more than 10 percent verdict of the people (either in proportional or first past the post election of CA) at the district level. These bodies will be given the responsibilities of coordination, planning, conflict resolution, monitoring, and review; and will be able to interact with local community organizations and individual members of the community in planning and decision making on local governance issues.

- c) There have been positive developments towards improving functioning of the local government since the signing of the peace accord between the political parties. A greater number of VDCs have now become more operational again. District Development Committees (DDCs) and Municipalities remain operational, and – to varying degrees – have done so throughout the conflict.
- d) The Ministry of Peace and Reconstruction has constituted Local Peace Committees (LPC) at the district level in 29 districts and intends to establish them in all 75 districts. The LPC is also an all party mechanism represented by the chiefs of all the political parties with representation of women, janajati and dalits. There are opportunities to improve linkages with such innovative initiatives in regard to planning and funds flow with the DDC.
- e) As the peace process deepens and interim arrangements firm up, local bodies are becoming more functional. This will provide the opportunity to foster greater organic links between local governments and communities.
- f) The government is committed to increasing the volume of fiscal transfers to local bodies, and has, for example, increased the size of VDC block grants from 0.5 million Rs. to 1.0 million. Increased fiscal transfers from the government to local bodies provide the opportunity to strengthen and improve the quality of local infrastructure, service delivery, and empower the community – and will directly contribute to the process of post-conflict reconstruction and recovery. Equally, this also serves as a GON commitment to decentralisation. Similarly, GON is also moving ahead to link allocation of transfers of resources to DDCs and other local governments as a basic measure to improve good governance.
- g) There is a body of promising innovations and of good practice which have been developed in the country in the past years with the support of various development partners and also NGOs, in regard to both local government, social mobilisation and community support/development, community led prioritization of local needs and also of lessons learned (good and bad), which can inform future programme activities, and facilitate more rapid and efficient implementation of the proposed programme.
- h) There is a need to improve service delivery at the national and local governments and increase confidence of the people in the governance system. Restoring or increasing the confidence of the people in their government is absolutely crucial for securing a durable peace, and it is therefore important that the GON and development partners work closely together to this end.
- i) There is also now a growing realization that there are opportunities to make local governments effective and accountable not only by strengthening them alone but also by enabling communities to have greater 'voice' in how they shape their development space, and how they wish to engage with local governments. The underlying premise here is that

of upward pressures to enhance good local governance by focusing on communities as well.

- j) Finally, there is now momentum in favour of a harmonised approach by the EDPs to begin to work together to support a national programme. This is underscored by the issuing of joint Guiding Principles in January 2008, by the joint Statement of GON and development partners at the Nepal Donor Consultation meeting in February 2008, and by MLD's commitment to lead the LGCDP strategically.

1.4 Challenges to be addressed

Notwithstanding these opportunities, the current situation presents some fairly substantial challenges which the LGCDP will have to address:

- Absence of elected representatives, since 2002, in the local bodies has created leadership vacuum and affected the local government system over the last decade in the country. Violent conflict resulted in the "demobilisation" of the vast majority of VDCs, and narrowed down the "development space" within which DDCs could operate. In some of the VDCs the VDC secretary is still providing services from outside the VDC. This has greatly constrained the scope for interaction between the local governments and communities, and because there are no elected representatives, has minimized the scope for instituting downwards accountability to citizens and communities. As a consequence, there has been a supporting vacuum resulting in a low level of participation by local people in development activities.
- Efforts to translate the political commitments of the political parties to strengthen local self-governance, state restructuring and the engagement of local bodies with communities to focus into on the broader issues of delivering public goods and services, will be a challenge for any development intervention at the local government level. The overall post-conflict situation throughout the country will have an impact on LGCDP. Although the political situation in the country is gradually improving, there are still a few disturbances in some parts i.e. Terai. It demands flexible modalities to support local governance (working in partnership with civil society, the private sector, local NGOs and Communities) in those areas where conflict re-ignites.
- The long term future for elected local government will depend largely upon the provisions of the new constitution. The outcomes of the future national policy deliberations on federalism and meso as well as local level government structure in the country are difficult to predict in terms of their implications for local government. It implies that support to local governance will need to be very flexible and process-oriented.
- Making local governments more sensitive to the "needs" and "voice" of children, women, Dalits, Madhesis, Adibasis Janajatis, and other traditionally marginalised groups is very challenging. The country is a highly stratified society, within which women and the under-privileged exert very little power and within which they find it difficult to articulate their needs and be listened to. Addressing this issue will be a major challenge.
- Rapid urbanisation is a challenge for effective municipal governance in Nepal.
- Lastly, there remain challenges as to how to adapt "social mobilisation" activities in a manner which allows broad-based as well as targeted community interaction with local government, and

promotes downward accountability of the latter; which also successfully addresses the predicaments of the marginalised and “hard-to-reach” segments of rural society; but which can be undertaken at national scale within a short time frame, rather than in a few “favoured” areas over many years.

1.5 The Policy Environment for Decentralisation & Local Governance

Government policy has been consistent in confirming its commitment to equity and meeting the needs of the poor through the delivery of services at the local level.

Interim Constitution of Nepal, 2063(2007): The Interim Constitution has made the following provisions:

- Conducive environment will be created to promote people’s participation at the grassroots level and create local self-reliant institutional mechanisms to provide services to the people at the local level through decentralisation as an integral part of the governance.
- Interim Local Bodies at district, municipality and village level will be created as per consensus made by the political parties.
- Balanced approach will be taken in resource mobilisation, allocation and equitable distribution of development results.
- Roles and responsibilities of the local bodies will be delineated to make them more accountable in planning and implementation of local level services including revenue mobilisation and allocation. Special attention will be given to uplift the socially and economically backward classes and communities in revenue mobilisation and allocation.

The LSGA has established a solid policy and legal framework for local bodies – which is based on local bodies at the district, municipality and village levels.

Decentralisation Implementation and Monitoring Committee (DIMC): LSGA has legally created the DIMC under the chair of Hon. Prime Minister with high level representatives as member e.g. Ministers, Leader of Opposition Party, Chairperson of the concerned Committee of the House of Representatives, One representative each of political party representing the parliament, Vice-chairperson of National Planning Commission, Chief Secretary and other Secretaries of GON and representatives of political parties and local bodies association.

LSGA has provisioned to form the Decentralisation Implementation and Monitoring Working Committee (DIMWC) under the chair of Minister for Local Development and members from different spheres of local self-governance sector. A Decentralisation Implementation Plan (DIP), a roadmap for the transformation of LSGA, has been prepared by the DIMC in 2000 and started its implementation. Currently, the DIMC and DIMWC is dys-functional as well as the DIP.

Local Infrastructure Development Policy: Local Infrastructure Development Policy was formulated in 2004 as per the provisions of the LSGA. GON has divided the development of infrastructure between the strategic or central level and local level after promulgation of the policy. The infrastructure related works at decentralised levels is defined for each infrastructure sector according to the nature of local infrastructure by the policy. The policy makes the local infrastructure responsibility of the District Development Committee (DDC), Municipality and Village Development Committee (VDC). Strategic Plan for the Local Infrastructure Development Policy has also been approved by MLD.

The Three-Year Interim Plan (2007/08 to 2009/10) has specified decentralisation as a main means of enhancing good governance, a process of administrative, political, social, and economic and development works, and a strategy for promoting peoples' participation and people's empowerment. The following are strategies to improve local governance and community development to address the aforementioned challenges:

- Demand driven, targeted and community focused and specific goal-oriented schemes and social mobilisation programs will be implemented to increase the access of people from remote areas, women, children, *Dalits*, *Adibasi Janjatis*, *Madheshis*, Muslims, exploited, marginalised, minority, disadvantaged and other backward groups to resources and opportunities through their increased participation and ownership. TYIP refers to government's commitment to child participation and child friendly local governance.
- The perception of good governance through the strengthening of the local self- governance system will be developed by mobilising internal and external resources for the local bodies and facilitating their effective utilisation, as well as through capacity building, sector wide devolution and through the coordinated efforts of other local level stakeholders.
- Human resource development plans on capacity enhancement will be prepared and implemented in the areas relevant to local development. Training sessions will be organised at local level by creating ownership of local authorities.
- Emphasis will be given to partnerships with NGOs and the private sector. All governmental, non-governmental and private sectors will be made responsible for facilitating decentralisation and devolution as the major policy for central government and vehicle for the consolidation of the local authorities.
- Special attention will be given to the mobilisation and sharing of revenues between local authorities so as to ensure equitable development and to help the overall development of socially and economically backward places, classes and communities. Grants to local bodies will be incorporated within the framework of minimum conditions and performance measures. The total budget allocated to local bodies and the sector-specific central budget will be adjusted scientifically.

The Government's Foreign Aid policy underlines the need for all development programmes and projects to be subject to full ownership by the GON in order to ensure harmonisation and coordination and for development partners to work with the Foreign Aid Joint Coordination Committee in order to avoid duplication and to gradually move towards sector-wide approaches.

Governance (Management and Operation) Act, 2008 underlines measures for people oriented, accountable, transparent, inclusive and participatory public administration to provide its benefits to general people, to:

- instigate good governance principles and norms such as rule of law, corruption less tidy administration, decentralisation, fiscal discipline and public functions, skilled management of resources to create public service receiving environment rapid
- transform civic rights to governance into practice
- make legal provision to transform administrative mechanism towards service provider and facilitator to foster realisation of governance in the country

The act makes general provisions on operation of administration at different levels such as central, regional, zonal, district and local level with basic fundamental mandates for administrative functions and policies to be followed by GON. It spells administrative functions and responsibility of officials at

different levels such as Minister, Chief Secretary, Secretary, Department Chief and Office Chief including work procedure to be adopted during administration.

The act specifies self-positional responsibilities of civil servants and makes mandatory provision to keep citizen charter, providing mobile services, determining service fees on the basis of social justice, participation and ownership of people, setting up of Governance Reform Unit in government agencies, conducting public hearing, managing grievances, pursuing information technology in practice, setting up M&E committee and submission of annual report by GON agencies.

The Gender Equality/Social Inclusion commitments and policies of the Government such as the Universal Declaration of Human rights, covenants on Economic, Cultural and Social rights, covenants on Political and Civil rights, International commitments made by the GON, such as CEDAW (Convention on the elimination of all forms of discrimination against women), the Convention of Child Rights, ILO convention 169 for indigenous and tribal people, etc. underscores the provisions for adopting gender equality and social inclusion friendly approaches in GON programmes.

MLD and all its development partners have recently developed Guiding Principles towards Harmonised Local Governance & Community Led Local Development Approach, which

- provide a common framework for funding public and community services, infrastructure and other assets which will be channelled through local government and be allocated according to and reflected in local government planning & budgeting processes, depending on the respective functions of the different levels; in this, the VDCs will play the key role in funding destined for community-led proposals, and in monitoring all development activities in their jurisdictions; and
- Requires that procedures for working with communities, and for targeting the poorest and most disadvantaged segments of these communities, be rationalised and harmonised in order to ensure greater equity and efficiency, and to reduce transaction costs for the communities themselves.

MLD has developed a concept paper (July 2007) on local development and self-governance to bring good governance and development interventions to people by reducing corruption, commission, mismanagement, delays and non-transparent procedures. MLD sets the future direction as follows:

- Functional devolution process to be followed to empower people and devolve power to local bodies for self-governance;
- Awareness raising to transform state machinery to become more participatory, responsive, accountable, inclusive, and transparent to serve the people;
- Implementation of infrastructure development programmes as livelihood options;
- Purification process from the leadership level to eradicate corruption, commissions, unfair norms, favouritism, partisanship, delays and misappropriation;
- Targeted programs for DAG, the poor and communities to make service delivery more equitable and more easily accessible; and
- Transformation from traditional mindsets and external dependency.

In its concept paper, MLD has prioritised the following policies and programs:

- Change in mindsets/thinking through awareness raising campaigns and structural policy reform
- Restructuring of state and local government

- Inclusive and democratic federal forms of government
- Three levels of government – Central, State and Local
- Local self-governance at the local level
- Local autonomy and **service delivery** to be ensured by **the formation of LBs by all party committees** that work through consensus and coordination, promotion of e-governance, revision of Act, Policy, Laws and Directives, accountability to people, developing Code of Conduct for both the political representatives and bureaucrats and capacity development for service delivery. Through Local Body Fiscal Commission (LBFC), MLD proposes to strengthen financial monitoring, proper management of revenue collection, public-private partnerships, Minimum Conditions and Performance Measures (MC/PM) adoption for grant allocation and people's ownership of projects. MLD intends to bring all government service centres/line agencies into Service Backup Centres at the Ilaka (sub-district) level to provide technical assistance to VDCs.
- **Social security:** through special allowances and other social assistance schemes (senior citizen allowances, support to the destitute, Persons with Disabilities (PWD), widowers' allowances); local level employment opportunities (for women, janajati, muslim, DAG, Dalit), a policy of positive discrimination and Vital Event Registration System computerization.
- DAG empowerment and community development: Special focused programs for DAG such as women, Adabashi, Janajati, marginalised, Dalit, Madheshi; social audit; poverty alleviation programme for the Karnali region (OFOE - One family one employment); remote area development; supplementary and complementary roles of NGOs, private and government sectors. Demands of COs to be integrated into local level planning process;
- Local infrastructure development
- Coordination and support
- Good governance (budget ceilings, rights based development at the local level, notice boards, social/public audits, use of print and electronic media to ensure transparency in programmes and budgets, monitoring & evaluation, and results based development).
- Paralegal committees for community mediation

2. Programme Justification

2.1. Programme Rationale

The programme is premised on a number of considerations:

A key element in poverty reduction - is a dramatic improvement in peace establishment through the political settlement; delivery of **basic public goods and services** (health, education, communication, water, sanitation, senior citizen pensions etc.); and providing the desired services as **collective** infrastructure, livelihood options, and other services to the communities, especially in rural areas;

In a post-conflict context, the need to ensure a tangible peace dividend and a framework for recovery is seen as being a major justification for the programme.

LGCDP will positively contribute to constitutional debates and discussions related to devolution and the governance process at the local level with its local level capacity development component, flexible approaches in integrating local communities/groups into the planning process, and making the LBs accountable to people will benefit the future federal state with strong LBs at the local level.

Ad hoc distribution of grant needs improvement - criteria based grants will be provided to the local bodies instead of ad hoc distribution. Top up grants will be provided for equitable distribution of the resources to local bodies as part of the peace dividend.

Aid effectiveness and harmonisation is necessary for resource synergy and to reduce transaction costs – a Sector Wide Approach (SWAp) for decentralisation will be pursued to internalise the provisions of the Foreign Aid Policy of the country including the Paris Declaration.

Enabling and strengthening community involvement in local governance processes – in particular by ensuring community decision rights in planning and programming, prioritizing, budgeting, implementing and evaluation of local level programmes and budgets and finding ways to ensure effective representation of the ultra-poor and marginalised groups in these deliberations.

Local government and administration has both a potential comparative advantage and a legal mandate to “provide” (finance and ensure delivery of) such goods and services. Central ministries are too far away and tend to provide blueprint, one size fits all services without regard to local context and subject to few accountability pressures; other non-state agencies such as NGOs simply cannot operate to national scale, and are also not subject to local accountability pressures; and community organisations cannot themselves manage public finances or adequately make overall budget priorities for the delivery of these goods and services (other than the very local, micro-schemes of immediate community group interest), although they do play a key role in articulating local priorities and needs, and ensuring accountability.

The local government enjoys a potential comparative advantage, the important areas are to:

- support increase local government funds, simplify funds flow, develop appropriate reporting formats and improve reporting in local bodies;
- make planning, budgeting and public expenditure management procedures transparent including regular and frequent communications with local communities and personnel;
- strengthen capacity of local level decision-makers, office-bearers, community groups, own staff etc. through regular training and support;
- develop human resources plans for its own staffing needs and local technical needs;
- strengthen monitoring and supervision by central government;
- ensure a policy and regulatory framework to make it conducive to local good governance; and
- accountable local government and administration towards the community and people.

3. Programme Description

3.1 Programme Duration

The programme is designed for four years for first phase. However, it is expected to continue beyond 2012. Several DPs have expressed interest to further continue their support beyond 2012.

3.1.1 Approach Period

Approach period of the LGCDP will be from June to July 15, 2008, prior to the launch of the programme, to undertake a range of preparatory activities. The MLD and its DPs, with support from a small team of specialised consultants, should jointly launch a detailed assessment of the institutional capacity and preparedness of MLD to perform the tasks and to deliver the capacity building support required in the short to medium term.

This will also depart into more detail in terms of determining existing capacities and TA needs and fix the timeline, review efficient ways and means to organise the work, elaborate job descriptions/TOR for core staff, TA and define linkages between MLD and other partners involved. It will also review the options for physically housing the new PCU team and other support staff in the MLD premises etc.

3.1.2 Inception Phase

The LGCDP Inception Phase will be from July 16, 2008 to January 2009. The Phase will be used to start implementation of activities and prepare for a full roll-out of systems, procedures and capacity building support in a flexible way.

3.2 Key Principles and Approaches

The following are the principles and approaches which underlie the LGCDP as GON's national programme:

- a) **Alignment with government policies including Three-year Interim Plan and MLD Concept Paper on Local Development and Self Governance:** LGCDP will be the basis for the implementation of the Three-year Interim Plan (2007/08 – 2009/10) as a GON programme in support of decentralisation and local governance, to which MLD and development partners recently committed. In addition, MLD concept paper (July 2007) which set the future direction of MLD on devolution, local governance and community development activities. It will be designed and implemented in compliance with the present Constitution and the LSGA and related regulations (until new policy & legislation are in place).
- b) **Inclusiveness and gender equity:** The strategic goal of LGCDP will be to promote inclusive local democracy, through local community-led development that enables the active engagement of citizens from all sections of society. LGCDP will support socially inclusive and gender and child friendly approaches in the design and implementation of its programmes. Affirmative action policies will be introduced in favour of poor, women and disadvantaged communities to maximise their participation in, and benefits from the programme intervention. Leadership and managerial skills of women and disadvantaged communities (Dalit, Janajatis and others) will be improved through capacity building that leads to their empowerment. Procedures for working with communities, and for targeting the poorest and most disadvantaged segments of these communities, will be rationalised and harmonised in order to ensure greater equity and efficiency, and to reduce transaction costs for the communities themselves. The strategy for all activities will aim at approaches which can be rapidly mainstreamed and scaled-up to national level, and not be "excessively resource intensive, NGO-type experiments" which have no hope of wider replication.
- c) **Community-led development:** The programme will operate so as to support community-led development, defined as an approach where citizens and communities either individually or collectively, as active partners in the local governance process, prioritise, implement or fulfil their basic needs through collective action. Users' committee guidelines will be improved to address the above.
- d) **Rights-based participatory approach:** LGCDP will operate according to a rights-based approach based on participatory planning and the development of demand-responsive service providers at local government level. The focus will be on those aspects of poverty reduction which can be addressed through social mobilisation and local government-supported activity (but not on others,

e.g. those requiring micro-finance). Social mobilisation and LDF experiences and their best practices adopted in Nepal will be reflected in the new guidelines. LGCDP is committed to advocate for civil rights and to support the emergence and growth of Dalit, differently-abled and women organisations which defend their rights at the local level.

- e) **Adoption of flexible and process-oriented approach:** The programme will work to translate GON's commitments to strengthen local self-governance, state restructuring and the engagement of local bodies with communities with the aim of improving the delivering public goods and services at the local government level. Thus, support to local governance will be flexible and process-oriented. This includes consideration of innovative and flexible ways to ensure that the primary program outcome of responsive, inclusive, and accountable local governance through participatory community-led development is attained.
- f) **Peace building:** The programme will follow conflict sensitive implementation approach, promoting factors in support of reconciliation and peace building and avoiding those that inhibiting peace or stimulate conflict/violence at the local level. LGCDP will coordinate with the Local Peace Committees (LPC) formed at the district level. The LPCs are constituted by all party representation and function as an early warning mechanism to minimise conflict. The LPCs can build linkages with existing peace groups and networks at the VDC level and can provide support to improve government-citizen interaction.
- g) The **programme** will support development of a clear policy and strategy to address the needs of the children, young people, women, conflict victims (families of martyrs disappeared and wounded people) and the disadvantaged. Towards this end, the programme will seek to ensure that their voices are heard in key decision-making processes at the local level, including, to the extent possible, by mainstreaming and institutionalizing their participation in such institutions. This is one specific way by which downward accountability of local governments to the disadvantaged populations can be better ensured.
- h) **Transparency and accountability:** The LGCDP will ensure transparency in all its operations budgets, decision making process, and communication to all actors, coordination among line agencies and non-state agencies and in reaching to the remote areas to focus on tangible benefits of the programme at local level. The programme will delineate roles and responsibilities of all the actors and use a systemic programme implementation approach to increase accountability at all levels.
- i) **Performance/criteria based funding:** Funding will be allocated to allow a substantial increase in GON's **current** annual grant support to local governments nation-wide, to augment funding available for such goods and services, and also to introduce incentives for better local performance and compliance with agreed governance standards through modified use of the Minimum Conditions/Performance Measures System to pursue implementation of the performance based management provisions of the LSGA. These general, unconditional grant funds will be open for local government expenditure on the "menu" of public goods and services mandated by the LSGA to that particular level of government. A systematised criteria based local development fee will be allocated to the municipalities.
- j) **Harmonised approach:** The design of the LGCDP will reflect the "Guiding Principles towards **Harmonised** Local Governance & Community Led Local Development Approach", recently adopted by all partners. Specifically, it will provide a common framework for funding public and community services, infrastructure and other public assets which will be channelled through central

and local government, and be allocated according to and reflected in local government planning & budgeting processes, depending on the respective functions of the different levels. In this, the VDCs will play the key role in funding destined for community-led proposals, and in monitoring all development activities in their jurisdictions. Thus, LGCDP will be a framework to harmonise the multiple donor and NGO projects and to lay the basis for a SWAp in support of decentralised local governance and community development. LGCDP will be a joint programme, bringing together UN agencies (UNDP, UNCDF, UNICEF, UNV and UNFPA); bilateral agencies (DFID, Norway, DANIDA, CIDA, SDC, JICA, GTZ and others); and multilateral banks (World Bank and ADB etc.)

- k) **Downward accountability:** The following measures would be adopted to ensure downward accountability to the people and communities; they include: VDC selection will be made based upon category 4 of DAG mapping and gradually category 3, 2, and 1 will be covered by the program; interim all party mechanism at the VDC level will be activated; planning advisory committee will be formed at the VDC level representing civil society, technocrats, and other concern stakeholders; and at the DDC level Integrated Planning Committee will be strengthened; social & public audit system will be placed; income & expenditure will be disclosed in a routine basis during the program period; LB's level public hearing system will be introduced; and participatory planning process will be adopted fully to address the prioritized project of the communities.
- l) **Mechanism of hearing people voices:** People's / DAG voice will be heard through the mechanism of participation; social mobilization process and response will be taken by the LBs. LB's will coordinate local NGO and civil society, and optimize their resources. Civil society raise the voice of the disadvantaged and marginal people; Indigenous Nationalized district coordination Committee; District Dalits Coordination Committee, District Gender Mainstreaming Committee will be further mobilized to address the voice of the people. Addition to these paralegal committee will be strengthened for the mediation against the domestic violence; and to raise the voice of women, children, youth, dalits, janjati , madhesi, muslim, disables and DAG etc. Finally Planning Advisory Committee will ensure these voices are incorporated in the annual work plan and budget.

3.3 Programme Interventions

LGCDP will intervene in the following strategic areas:

3.3.1 Empowerment of citizens and communities for active engagement with local governments and strengthening downward accountability

This aspect of LGCDP is particularly important in the current context where there are no elected local councils. This situation creates the need to pay more attention on downward accountability of local governments. This temporary absence of democratic representation at the local level makes it especially important that LGCDP support community organizations as mechanisms through which *all* citizens – and especially those from marginalized groups -- can interact with the local authorities and other service providing agencies to have a say in the prioritizations and oversight of local level public funds. It will promote more active and effective interaction by communities – and especially of the more marginalised segments – with their local governments, thereby helping to better articulate community voice, foster community-led development, and hold local governments to account for the services they are supposed to deliver (“micro-level” or “demand”).

The LGCDP strategy within this field will be to institutionalise community involvement in discussions and decision making regarding planning, monitoring and implementation of government budgets at the

local level, through development of various mechanisms for community participation in local governance. These mechanisms or “rules of the game” will require that local authorities seek broad community involvement and endorsement of decisions on the use of the local block grant as defined in the local body grant guidelines. At the same time LGCDP will support a comprehensive social mobilization effort to ensure that communities are furnished with the capacity to fulfil this role in an inclusive and accountable manner, through a comprehensive social mobilisation effort. It is envisioned that in communities where there are already active community organizations of various types, that LGCDP would work primarily to ensure that the existing organizations are participating in the local governance processes as outlined by the LGCDP in an inclusive, transparent and democratic manner and that all elements in the community they serve – rich and poor, women and men, children and all caste/ethnic groups – have adequate representation. Where no organizations exist, LGCDP’s social mobilisation efforts will be directed towards helping to form and build the capacity of such organizations that can represent their constituents in local governance processes as outlined by the LGCDP.

LGCDP will build on the considerable body of existing experience in community participation and social mobilisation generated by several past and ongoing programmes. To this end improved guidelines on community participation, social mobilisation and LDF operational guidelines will be prepared in the inception phase and form the basis for development of a detailed community participation and social mobilisation strategy to be applied by the programme².

As social mobilisation is identified as the principal means for empowering communities and community organisations, the following procedures may be followed³:

- DDCs will contract out the Social Mobilisation services to appropriate institutions (private sector or LDF or civil society) based on competitive processes.
- A comprehensive SM training programme and operational manual will be designed by LGCDP. All service providers and social mobilisers will be trained and provided with an Operational Manual developed under the supervision of LGCDP – with a view towards ensuring a common approach.
- Robust outcome-based monitoring of the performance of social mobilisers (and their support organizations) will be put in place by the LGCDP – with poor performance and failure to achieve the outcomes being accompanied by sanctions.
- New VDCs/ward of municipalities will be selected on the basis of DAG mapping using tools already developed by MLD.
- DDC will map out the SM agencies (coverage, methodologies etc.) and assess their performance and potential.
- DDCs may select appropriate agencies (existing social mobilisers, CBOs, NGOs, private sector) to undertake SM activities.
- VDCs will target the most disadvantaged and poorest families by using appropriate criteria.

² LGCDP will experiment – in areas where conditions permit – with ascertaining the degree to which communities can take the lead role in determining their own priorities, and through access to dedicated funds (and with technical support from local bodies) fulfill their development needs, not necessarily only at the micro level but also in terms of linking up with other communities that may share the same development need/priority. The strength and appeal of the LGCDP is that it has the scope to test innovative and flexible methods of attaining the same vision and outcome.

³ Given the centrality of the role of social mobilisers in empowering communities as envisaged in the Program, specific criteria for their selection will be determined for the new positions; these could include, among others, hired based on merit/technical capacity and credibility amongst local constituents.

The social mobilisers' primary functions will be strengthening local voice and increasing the extent to which local groups and communities can participate actively in the decision making on the use of the block grant and hold their local governments and service delivery agencies to account. This does not detract from the option for socially mobilised groups and organisations to engage with various agencies or programmes to access livelihoods-based assistance.

A community led social development approach will be followed that will strengthen community participation in local governance. The LGCDP socially mobilised groups will be able to influence the use of block grants and in many cases be the implementing body in the production of goods and services by engaging with the regular local planning and budgeting process - as well as access services/assets/grants from service delivery agencies, NGOs or other donor-funded programmes.

The social mobilisation methods will ensure social inclusion to enable citizens from marginalised/disadvantaged groups to participate in public affairs – be it by interacting with local government or with public services and other agencies. Addressing the structural causes of inequality and exclusion requires both changes in the formal rules by which local governments and services operate and – the more challenging -- transformation in people's attitudes and behaviour. This may require "targeted" SM and this will be adopted by the LGCDP. At the same time LGCDP will ensure that this targeted SM approach does not result in the exclusion/alienation of better-off or more privileged members of the wider community, who may become resentful or obstructive.

This SM intervention will also focus on the wider capacity of communities and marginalised groups to articulate their needs and priorities and to exercise their rights in regard to local government and administration. This will be undertaken by support to a range of activities: giving such communities, where clearly possible, resources and technical support to be able to fund their development priorities or pool with others, the rights to prioritize their needs and/or methods of how they wish to attain their developmental outcomes, information and awareness campaigns on local governance issues, using innovative and non-conventional approaches; dissemination of local government plans, budgets, expenditures, etc; support to social audits, public hearings, etc; training and support to the local and national media to ensure more informed and active reporting of local governance issues; support to public expenditure tracking surveys and the dissemination of findings. Once the interim local governments are established, a key activity will also be in training and guiding these bodies in the basics of responsible local governance and local government-community relations.

3.3.2 Local bodies top-up block grants for community led local development (DDC, Municipality and VDC)

This component will aim to ensure two particular outcomes: (a) not only strengthening the ability of local government to respond and to deliver the public and collective goods and services which they are mandated to provide but also (b) again, where conditions permit, giving local governments an opportunity to utilize a portion of the top-up block grants to experiment with innovative and flexible methods to attain the Programme outcome.⁴ A cardinal principle underlying this component will be that all public funding for such goods and services will be channelled through local government and be allocated locally on the basis of bottom-up planning and budgeting processes. LGCDP will provide support both to improving these funding mechanisms and to improving local government planning, budgeting and overall management, within the statutory frameworks.

⁴ As before, the decision making process on which local government body has access to how much resources to experiment with how to attain the developmental outcome will be ascertained.

Funding will be allocated to allow a substantial increase in the current annual grant support to local governments nation-wide, to augment funding available for such goods and services, and also to introduce incentives for better local performance and compliance with agreed governance standards (through modified MC/PM system). These general, unconditional grant funds will be open for local government expenditure on the “menu” of public goods and services mandated by the LSGA to that particular level of government.

Special attention will be paid to phasing-in this mechanism at VDC level, and to using it also to leverage better management of the existing block grant allocations. Top-up grants will be blended together with the GON block grant and will be provided in the form of capacity development grants and development grants. Support will also be provided to allow GON to move towards more equitable formula-based allocations, which pay due regard to differing fiscal potential and poverty levels of different areas.

In regard to municipalities, prior to roll-out of topped up block grants for the smaller less resource endowed (non-metropolitan) municipalities and the use of the MC/PM system, a thorough review of the entire system will be conducted, including a review of the type of grants to be included and the options for reforms of some of these grants. It is important that the performance-based grants are of sufficient size to ensure strong incentives for improved performance.

For metropolitan, sub-metropolitan, and larger and fiscally stronger municipalities the overall system of finance (own source revenues, taxes, user fees, borrowing etc.) will be reviewed and reforms supported from the Programme.

This general grant mechanism will be complemented by one or more targeted, conditional or earmarked grant mechanisms – the programme will pay special attention to developing mechanisms for safety net or social protection funding arrangements, which target disadvantaged and marginalised groups. Here, too, the Program will consider whether an innovative method exists to ensure that resource allocations are subject to revealed preferences of the recipients.

In addition, there will be a focus on improving local tax revenue administration, and render this in a more transparent way, since this will be a key ingredient in the emergence of accountable local government bodies in the future, once local councils are back in place.

3.3.3 Capacity development of local governments for effective service delivery

LGCDP will pay attention to capacity building and procedures of local governments at all levels, and their financing arrangements, to promote more effective delivery of basic infrastructure and services (“meso-level” or “supply”). The principles underlying these activities are that the focus will be on rolling out and also improving GON’s statutory procedures and regulations, that additional personnel will be kept to a strict minimum and that where possible demand-driven mechanisms should be used. It is envisaged that these activities will therefore consist of:

- “supply-driven” training and awareness raising of the different types of personnel in the different levels of local government, through the roll-out of standard packages and curricula;
- more “demand-driven” mechanisms whereby local governments may use capacity development grants to buy-in specific types of support from pre-certified training agencies (which will also be brought to standard through the programme);
- a variation on the demand-driven approach, whereby local governments may use a (small) part of the enhanced grants to contract-in specific technical support to help implement their

investment and service delivery programmes. This will be especially important at VDC level – VDCs will be encouraged to cooperate to use these funds to engage overseers, other technicians, accounting staff, etc, on short/long term basis;

- Support to DDCs to enable them to better monitor and support VDCs; etc.

A final but strategically critical element in this intervention will be the testing of refinements and improvements to specific procedures and institutional arrangements (consistent with the overall statutory framework) for national roll-out. Examples of such areas are: bottom-up planning and budgeting; DDC– line agencies coordination in planning and delivery; conditional grants to promote sector devolution; and targeted safety net or social protection mechanisms. Such testing would be undertaken on a limited scale for one or two years and – once results have been analysed and policy-makers are in agreement with the innovations – these would then be rolled out nationally.

3.3.4 Policy support for decentralisation and local governance (devolution, fiscal decentralisation, human resources development for policy making, action research etc.)

The intervention aims to address the development of an enabling policy, regulatory and support framework for devolution, local governance and community development including the policy implementation capacities of MLD and other national bodies (“macro-level”). There will be two elements to this:

- Support will be provided for improvements in the policy and regulatory framework, to promote sector devolution and fiscal decentralisation (by clarifying functions and expenditure assignments of local governments, and developing a more appropriate architecture for centre-local transfers, etc), more effective local government staffing arrangements, a more robust framework for gender and social inclusion, etc. In the interim period, this will be based on the LSGA framework, but as and when new policy and legislation emerges the focus will be on adaptation to the new context as well.
- Support will also be provided for central government and other national institutions to play their due support and mentoring functions in regard to local government: development of standard operating procedures, training manuals, and core curricula for different categories of local government and personnel; build-up of national/regional lists of pre-qualified public and private training agencies; enhancement of MLD’s ability to formulate policy and procedures in key areas, to monitor local government performance, to support, mentor and communicate with these bodies, and to coordinate with other key ministries; roll-out of, and regular adjustment to, the MC/PM methodology; support to Office of Auditor General; etc.

Throughout, activities under this component will be governed by two considerations: avoidance of pre-empting any major future policy option in regard to the shape of the sub-national government; but – at the same time - rapid adjustment to any such policy changes which emerge from the newly elected government during the programme period.

However, given the uncertainties surrounding policy on decentralisation and local government, LGCDP will have modest policy ambitions. Policy-level “fine-tuning” will largely concern “small” policy – systems and procedures, ways of doing business, and the like, building on and consistent with the statutory framework of the LSGA. What is vital for LGCDP is to keep local government “on the map” whilst major policy processes are ongoing.

3.4 Programme objective

3.4.1 Goal

LGCDP's over-arching goal will be to contribute towards poverty reduction through inclusive responsive and accountable local governance and participatory community-led development that will ensure increased involvement of women, *Dalits*, *Adibasi Janajatis*, Muslims, *Madhesis*, disadvantaged groups in the local governance process. Ultimately, then, LGCDP will be judged by the extent to which it delivers real and tangible benefits to the poor and to citizens as a whole.

3.4.2 Purpose

The Purpose of the Programme will be "Improved access to locally and inclusively prioritised public goods and services". This will be achieved through both supply and demand side intervention – specifically, through integrating mechanisms for the exercise of shared community decision rights over the block grant allocations for service delivery and clear community oversight responsibilities into the local government system. The programme will contribute to the overall state-restructuring process by making the state at the local level more accountable to people in respect to the allocation of discretionary fiscal resources, increased block grants and own-source revenues. The public finance aspects of local government will be integrated with community participation and community led initiatives to create state-citizen interface for nation building.

3.4.3 Outcomes

The programme will contribute towards attaining the goal through achieving its three major Programme Outcomes (each of which effectively constitutes a programme component) i.e.

- (1) citizens and communities empowered;
 - (a) to exercise their voice to a large degree than currently exist
 - (b) to engage actively with local governments and local government resource allocation, decision making and
 - (c) Accounting processes structured to enable greater citizen-community input and oversight;
- (2) Increased capacity of local governments to manage resources and deliver basic services in an inclusive and equitable manner; and
- (3) Strengthened policy and national institutional framework for decentralisation, devolution and community development.

LGCDP will be a national programme of support for decentralisation, local governance, and community development with the intent of working throughout the country and at all levels of the local governments.

To achieve its programme outcomes LGCDP will focus on four strategic areas:

- Ensuring active and effective participation by communities in the local development processes and strong interface with their local governments, in order to better articulate community voice and to hold their local governments to account for the services and resources that they are supposed to deliver, and communities empowered to fulfil this role.
- Building the capacities and procedures of local bodies, and their financing arrangements, to promote more effective delivery of basic infrastructure and services. Programme funds will be

used as leverage, but activities would be deliberately designed so as to apply to the use and management of all fiscal resources of the local bodies and not just those provided by donors. This area of activity also (and necessarily) includes working at the national level, in order to ensure as enabling a policy and institutional environment as possible.

- Assisting in the development of the overall policy and enabling regulatory framework for devolution and local governance, community development, social empowerment and safety net. Policies for empowering socially and economically marginalised groups/families while also will be strengthened, as well as building the capacity of MLD and other national agencies to play their appropriate supportive and supervisory role for local governments. Establishing the preconditions for harmonised donor support for local government and following SWAp.
- Institutional mechanism for downward accountability: The programme will explicitly seek to strengthen formal upward and downward accountability mechanisms. As elected representatives are not in place in the local bodies, alternative institutional mechanisms for downward accountability are needed to ensure that decision rights are vested in all sections of the community, assuring quality control of Social Mobilisers, and implementing social accountability mechanisms. At the same time activities will be aimed at ensuring the capacity of communities to not only hold decision makers accountable but also act on their development prioritization. Basic tools (e.g. public hearings, public audits, social audits, hoarding boards, publication of annual plan budget and expenditure and mechanisms to report corruption and misappropriation of goods and funds, etc.) will be used for this purpose.

3.5 Results Framework

This section provides a brief narrative description of the programme's structure, its three main components and associated outputs and indicative activities (see Annex 2 – Logical Framework). It should be noted that each of the three programme components will be further elaborated upon through the development of detailed implementation and operational guidelines – which will define precise implementation modalities.

Component 1: Citizens and communities engaged actively with local governments and hold them accountable

This component of LGCDP aims to promote the capacities of communities, and especially the more disadvantaged groups and those in more remote rural areas, urban pockets to articulate their needs and priorities and to make their claims on local government and resources – in other words, to promote more effective “demand” and voice. Activities under this component are explicitly intended to ensure that communities and community organisations are able to access these resources and use them in ways that are consistent with local needs and priorities.

Social mobilisation activities will enable/empower communities and community organisations to engage in the local level bottom-up planning process (as provided for by LSGA – see annex 4) in order to ensure that they access the public resources and services that they require and need on a priority basis,

There are two outputs that LGCDP will be expected to deliver under this component.

Output 1. Communities and community organisations participate actively in local governance processes

Output 1 activities will aim at enabling communities and community-based organisations to interact with local governments (largely, but not exclusively, with VDCs). This will include active participation in the planning/budgeting process, and in the decisions about implementation, and oversight of local government actions and activities. Local governments will keep open channels of communication and foster dialogue with various sections of the population (women, youth, and marginalized groups) and insure clear decision making rights in the prioritization of projects and allocation of block grant funds.

For this output, indicative activities are as follows:

1.1 Establish institutional mechanisms through which communities and community organisations can participate in the local planning, implementation and oversight process

This activity will link up – in a tangible form – its “demand” and “supply” components. What is envisaged here is the establishment of a structure in each DDC and VDC, which can ensure the participation of representative members of the community in local planning, implementation and oversight processes. The structure should serve as a forum for discussion on the priorities of different sections of the community for the use of block grants between themselves and with the VDC/DDC and the local representatives of political parties. As a minimum condition the structure should be tasked with making decisions on the prioritisation of activities and allocation of resources within the annual VDC/DDC plan, selection of CBOs and/or private service providers to undertake implementation, monitoring and quality control of the projects financed and implemented under the plan and reporting on implementation through the MC/PM system.⁵

The exact way in which such a structure could be established and function will need to be subject to further studies in the inception phase of the programme, taking into account the different experiences from Nepal as well as legislation and practices for decision making in local governance as outlined in the Local Self Governance Act. In particular, the question of how to select community members to participate in the structure with a view to ensuring that they are representative of the entire community, in particular marginalised groups, will need to be considered carefully. There are likely to be different ways such a structure could be established and in different parts of the country it would probably work in different ways. The programme should not take too rigid an approach to what the structure looks like, as long as it makes sure that a mechanism is in place in all DDCs/VDCs that meets the minimum conditions outlined above.

Key decision points in resource allocations are in the councils and committees at local level. The programme will put in place rules and procedures to ensure that the views of the community cannot be circumvented in the decision making process.

Steps in establishment of the structure at the local level could include:

- Strengthening community representation in District, Village and Municipal Councils – in the absence of elected committee members - ensure that in addition to the all party mechanism and the DDC/VDC and municipal officials, all sections of the community are represented in

⁵ This, however, the portion of the top-up grants that could be available based upon prioritized projects for communities to have more access to resources, procedures to be established in the inception phase.

village council decision making within the areas defined in the Local Self Governance Act, including final approval of plans and budgets.

- At DDC level strengthening of the Integrated Plan Formulation Committee (IPFC) provided for in the Local Self Governance Act to include community representatives, proper representation of disadvantaged groups and political parties and at the VDC and municipal level formation of similar planning committees, which will work with the Village and municipality Development Committees to execute their duties as these are defined in the Local Self Governance Act, including the preparation of plans and budgets.

Sub-activities will thus include:

- Map out modalities and experiences from various countries in participatory planning procedures including relevance experiences, if any from within Nepal.
- Devise modalities for appropriate solutions in a Nepal context. preclude
- Draw up plans for the implementation of selected mechanisms.
- Support the functioning of mechanisms, when established, particularly with respect to safeguarding the participation of community members and disadvantaged groups.
- Organise wider consultation including budget meetings in which community members can participate;
- Promote the use of secret ballot when projects are prioritized and resources are allocated to insure that weaker members of the decision making forum are not intimidated in the exercise of their choice.
- Institute more robust disclosure requirements for local governments (budgets, tenders, reports etc. posted on public notice boards and use of other means).
- Improving scheme implementation and procurement procedures, to provide opportunities for local citizens to be involved in both implementing schemes and in overseeing their completion through social audit processes (by, for example, encouraging inclusively formed VDC level community/user groups to be recognised by the LBs to function as formal ‘User Committees’ for implementation).

1.2 Strengthen the capacity of communities and community organisations to participate in the local planning, implementation and oversight process

This activity serves to provide a purpose for social mobilisation, which should be seen as contributing to improving the quality of local governance and local governance processes – by (a) facilitating community participation in local government planning and budgeting; (b) making downward accountability more robust and effective through active community engagement with local government; and (c) increasing community involvement in prioritization, implementation and oversight of service delivery activities. Seen this way, social mobilisation is a means to an end, rather than end in itself – firmly anchored in local governance processes and oriented towards helping communities and community organisations to interface with local governments and other service delivery agencies (e.g. health centres, NGOs, etc.) at the local level.

Sub-activities will thus include:

- Develop a strategy for SM within areas a, b and c outlined above
- As part of the above mentioned strategy, develop special criteria and modalities for mobilisation and inclusion of disadvantaged groups (DAGs).
- Map out DDC/VDCs according to degree of mobilisation already in place and define modality for the coverage of social mobilisation activities

- Establish criteria for choosing VDCs for roll out
- Conduct social mobilisation with community organisations – method depending on the level of maturity of the local area with training in community mobilisation and principles of local community participation.⁶
- Prepare implementation framework and exit strategies for LGCDP SM activities.

Output 2. Increased capacity of citizens, communities and marginalized groups to assert their rights and hold local governments accountable.

This output will ensure that the general public becomes more aware of local governance issues and processes. In addition, the programme will work towards providing communities with more meaningful opportunities to access resources for own determined priorities and to hold their local governments to account for their performance (in terms of effectively and efficiently satisfying local needs and priorities) including rights-based perspective.

Three sets of indicative activities will enable the programme to deliver this output.

2.1 Carry out information, education and communication (IEC) activities

Here, the programme will focus on providing the general public with access to basic information about the local government system. In addition, IEC activities will ensure that citizens are provided with accurate and timely information on core local governance issues – institutional arrangements (LSGA and related regulations), citizen charters, service delivery responsibilities, human rights vis-à-vis local governments, local government budgets and budget allocations, revenues, local government expenditures, audit outcomes, the outcomes of MC/PM assessments, the specific rights of women, children, the youth, and DAG etc. Important GE/SI and CY sensitive issues will be considered in both the choice of messages, materials, and the way they are delivered (languages, audio/print media etc.).

This activity will be out-sourced to a media consulting firm or other capable public/private undertakings through a competitive bidding process to manage on a day-to-day basis, under the supervision of the documentation, information and publications section of MLD. The process will be defined by the LGCDP PCU in its regular work-planning process and submitted to the programme's Consultative/Advisory Committee for endorsement. Sub-activities will therefore include the following:

- Identify core IEC messages to be disseminated (as per the requirements of the communities)
- Identify and contract key media for IEC activities
- Disseminate basic messages about LG (LSGA, decentralisation policies, etc.)
- Provide basic information to the public (block grants, audit outcomes, MC/PM assessments, public expenditure tracking system etc.)
- Support MLD to perform the activities on IEC
- Support (training and information) to media on local governance issues
- Criteria based funds allocation system as per expenditure assignments;
- Local communities have clear stakes for responsibilities assigned to and for them;

⁶ (Some VDCs already have functioning community organizations that network most of the community organizations that exist for specific purposes or to serve specific groups and provide a forum for discussion and identification of collective priorities; other VDCs have many individual special purpose groups but there is a need to bring them together; still other VDCs have very few or no community organizations and have not been "mobilized" by external agents – though of course they do have their traditional social structures. The type of training and mobilization efforts needed in these different situations need to be thought through)

- Annual, external, financial audits of local governments;
- Improved regular reporting and follow-up on the results;
- MC/PM assessments⁷;
- Social audit, public audit, public hearing processes;
- Information dissemination campaigns, aimed at providing the public with information about local government affairs, block grant allocations and other aspects of LGCDP.

2.2 Strengthen mechanisms for local and community level advocacy, monitoring and oversight of local governance issues

The programme design recognises that it will be necessary to go simultaneously with social mobilisation and core IEC activities in order to foster more meaningful interaction between citizens and civil society, on the one hand, and local governments, on the other. Increasing the breadth and depth of accountability mechanisms for local governments is seen as being a vital way of ensuring that increased fiscal transfers are properly and effectively managed by local governments. To do this the programme will support the use of a range of mechanisms through which local citizens can hold their local governments accountable

Support will be provided through the establishment of a semi-autonomous Local Governance and Accountability Facility (LG&AF) which will be able to finance a range of activities, including information to and interactions within communities and between communities and local governments on corruption problems, promotion of social audits, support to community vigilance groups and support to local media for critical and informed coverage of local governance issues. Given the critical nature of this type of activities work plan will be prepared by a semi autonomous facility, with a separate board with participation of MLD, donors and independent civil society representatives. The design of modalities and guidelines for the facility will be made during the inception phase.⁸

2.3 Provide technical and capacity building support to citizens' institutions led by disadvantaged groups to promote interactions with LBs

The programme will – in addition to the general capacity building support to community organisations under output 1.2 - provide special support to disadvantaged groups and organisations representing them, in order to strengthen their (a) interaction with - and voice in - local government, and (b) ability to set own priorities and attain resources to fund them. This activity will also strengthen and support the existing district level coordination committees of dalits, janajatis and women. It will ensure that capacity building support to the COs led by disadvantaged communities are not left out. Further specification of these activities will be undertaken in the inception period. The sub-activities will include the following:

- Identify COs (including DDC-level dalit, janajati and other committees) led by disadvantaged communities
- Assess need of such COs'
- Fine tune mandate of COs

⁷ MCPM provide numerous safeguards, and for which the outcomes are made publicly available – this tool will promote a dialogue on the LB performance and ways and means to strengthen this weaker areas

⁸ Sub-activities for semi-autonomous Local Governance and Accountability Facility (LG&AF) may include: management arrangements, establish local governance and accountability facility, organizing and supporting social audits, support to civil society groups and public vigilance agencies, supporting CSOs/CBOs to organizations and media etc. and establishing mechanisms for disseminating information about good local government practices, producing citizen report cards;

- Provide support for training on local governance issues
- Provide technical assistance and advisory services to such COs including advocacy for civil rights
- Provide support for appropriate institutional setup and legal landing mechanisms

Component 2: Increased capacity of local governments to manage resources and deliver basic services in an inclusive and equitable manner.

Component 2 recognises that whilst making the “demand” side of local governance more effective (through Component 1), little will be achieved unless the “supply” side is also strengthened – to effectively meet the increased demands articulated by and heightened expectations of local communities and citizens. Local governments (DDCs, VDCs and municipalities) need to build up their capacities to respond appropriately and effectively to expressed priorities and needs. For this to happen, the programme will deliver three outputs.

Output 3. Local governments gain access to greater fiscal resources in equitable and appropriate ways

Increased block grant transfers to DDCs, municipalities and VDCs will enable local governments to deliver more public goods and services and respond more effectively to citizens’ needs and priorities. Increased block grant transfers will also act as a fiscal incentive for empowerment, providing local citizens with more reasons to participate in local governance because more resources will be at stake. The minimum conditions (MC) and performance measures (PM) linked to the development grants will promote better performance in core areas such as planning, financial management and good governance/transparency. There is one output that LGCDP will be expected to deliver under this component.

Through this output, the programme will significantly increase the size of fiscal transfers made to local governments – thereby enabling DDCs, VDCs and municipalities to finance the production of more local public goods and services. Importantly, this will be done on the basis of performance (as measured through MC/PM assessments). On a more selective basis, LGCDP will also seek to improve local own-source revenue collection.

(i) The roll-out and uptake strategy⁹ for block grants will be :

- DDCs (75) as the necessary systems and procedures are more or less in place.
- VDCs (roll out from year one – with inclusion on basis of a set of simple MCs and poverty targeting). In Year one, topping up of VDC grants will be done in around 900 VDCs based on a screening of minimum conditions and DAG mapping criteria (see Annex 1). In the following years 2000 VDCs will be targeted in FY 2009/10, 3000 VDCs in FY 2010/11 and all eligible VDCs in FY 2011/12. More detailed piloting of systems for VDC block grants will be carried out in a smaller number of VDCs (50).
- Municipalities: Roll out from year two. Prior to roll-out of topped up block grants for the smaller (non-metropolitan) municipalities¹⁰ and the use of the MC/PM system, a thorough review of the entire system will be conducted, including a review of the type of grants to be included and the

⁹ Detailed strategy of the expanded block grants will be developed during the inception period

¹⁰ Municipalities with less resources have been categorized by MLD on the basis of - i) rural characteristics, ii) less resources, iii) smaller population, and iv) small number of enterprises in the municipalities but further review of the eligible municipalities will be conducted in year one.

options for reforms of some of these grants. It will be assessed that the performance-based grants are of sufficient size to ensure strong incentives for improved performance. In year two, topping up of municipal grants will be done gradually starting with some municipalities in FY 2009/10 with a gradual expansion over the following years.

- For larger metropolitan and sub-metropolitan municipalities, the overall system of finance (own source revenues, taxes, user fees, borrowing etc.) will be reviewed and reforms supported from the Programme.
- (ii) Investment menus for the topping-up will follow those applicable to GON's development grants (block grants), allowing for a certain percentage (up to 7% of the total top-up) to be used for covering investment in servicing costs. Concerning the DDC grants, this investment servicing part will also cover an amount (2%) for support to the VDCs in areas such as preparation, planning, accountability and reporting. VDCs and municipalities can spend up to 5% of their expanded block grants on investment servicing costs. The investment menu in the development grants will be reviewed and defined in order to ensure that the investments made by each tier of the LB system, are in accordance with the principles of subsidiary and the expenditure assignments across tiers of the LB system and targeted towards service delivery and infrastructure improvements.
- (iii) The budgetary consequences of the topping up of the grants will be estimated (depending on final decisions about roll-out and uptake), and on the basis of expected levels of compliance with the minimum conditions for access to grants.
- (iv) Allocation criteria for block grants (largely population-based with additional criteria for cost differentials and poverty targeting) will be elaborated. There is a need to keep allocation formula simple. The existing formula for DDCs can easily be improved by modifying the application and weighting of the existing criteria applied (particularly for HDI and the cost index).
- (v) Funds from GON and development partners' will be merged and transferred to LBs as one common allocation.
- (vi) The application of the MC/PMs will be defined. The blended grants will contain a minimum eligible allocation for each LB (e.g. about 20-30 % of the total blended development block grant) and that the remaining amount (the largest share) be allocated in accordance with the results of the MC/PM system. This will ensure that robust incentives remain in place, at the same time as ensuring a minimum level of activities within each LB.
- (vii) Preparations for the topping up of VDC block grants will be started as soon as possible. Based on the results of the planned studies by MLD, piloting of MCs will be conducted in year one and then scaled up from year two onwards. An assessment system will be designed, based on a DDC-managed review process with some kind of support and quality assurance from the national assessment of DDCs.

Several sets of indicative activities will enable the programme to deliver this output.

3.1 Provide formula and performance based (MC/PM) block grants to DDCs

DDC capital grants will be calculated on the basis of a simple (criteria) formula, made available to DDCs subject to compliance with Minimum Conditions (MCs) and calibrated in accordance with annual

performance (as determined by PMs). Such top-up grants and their use will be determined through a participatory planning process.

Sub-activities include:

- Revise grant formula and guidelines, define investment menu and improve reporting systems and formats
- Put in order /refine DDC block grant formula
- Disburse DDC block grants

3.2 Provide formula and performance based (MC) block grants to VDCs

VDC capital grants will be based on similar principles to those underlying DDC grants. VDCs will become eligible for capital grants subject to their demonstrating compliance with a simple set of MCs, to be developed through piloting. Again, their use would be largely discretionary and determined through a bottom-up planning process. Sub-activities will include:

- Select the first batch of VDCs for the gradual roll-out of block grants, based on objective criteria such as poverty and absorption capacity/minimum capacity to handle funds
- Review/up-date the VDC block grant guidelines
- Put in order VDC block grant formula
- Prepare and pilot MC/PM
- Disburse VDC block grants – gradual phasing in

3.3 Provide formula and performance based (MC/PM) block grants to non metropolitan municipalities

Smaller/less fiscally endowed municipalities will receive capital block grants from LGCDP. Such LGCDP-funded municipal grants will be consistent with any financing procedures developed by MLD. Sub-activities will include:

- Define the municipal grant system for block grant formula (application and size)
- Elaborate block grant guidelines
- Elaborate municipal block grant formula
- Refine and implement MC/PM system
- Disburse municipal block grants

3.4 Support to development of the metropolitan, sub-metropolitan and larger municipalities funding system

Metropolitan and sub-metropolitan municipalities will receive reforms support from the Programme based on their overall system of finance (own source revenues, taxes, user fees, borrowing etc.). Sub-activities will include:

- Review and recommend the funding system for metropolitan and sub-metropolitan municipalities
- Implement recommendations to improve on the overall system of funding including systems for improved performance incentives

3.5 Assess MC/PM of all supported local governments

A key principle underlying programme's financing of local governments is that access to top-up grants should be contingent upon their performance (as measured through MC/PM assessments)¹¹. Sub-activities for all of this will include:

- Design MC/PM assessment process for VDCs and finalise the municipal tool
- Train DDCs in use of VDC MC/PM assessment methodology
- Develop systems of quality assurance and approval of results
- Provide DDCs with financial and logistical support to carry out VDC MC/PM assessments
- Provide MLD/LBFC with support to contract out MC/PM assessments for DDCs and municipalities and QA of the VDC assessments
- Provide MLD/LBFC with current support to up-date and refine the system (linked to output 6)

3.6 Provide support for own source revenue collection by LGs

In order to provide local governments with a limited degree of fiscal autonomy, the programme will (on a selective basis) support own-source revenue collection by DDCs, municipalities and VDCs. This support will include the following sub-activities:

- Assess existing tax/revenue base for LGs
- Assess LG revenue administration procedures
- Identify ways of expanding LG tax/revenue base - tax potential studies
- Identify options for improving LG tax/revenue administration
- Fine tune LG revenue collection/administration manuals
- Establish improved linkage between revenue and service delivery
- Provide training to LG officials and elected/nominated representatives

3.7 Review and refine revenue & expenditure assignments and types of revenue

Revenue and expenditure assignments and types of revenues at the LBs will be reviewed by the programme through the LBFC. Sub-activities will include:

- Review revenue and expenditure sharing arrangements
- Review appropriateness of existing types of revenue (e.g. LDF, house and property tax)
- Support implementation of any proposed reforms to revenue/expenditure sharing arrangements and types of revenues

Output 4. Appropriate capacity building services passed on to all levels of the local government service delivery system

¹¹ In the case of DDCs and municipalities, basic MC/PM methodologies have already been developed – and LGCDP will simply assist the LBFC in their application. For VDCs, however, MC/PM methodology is currently not in place and will therefore need to be developed (simplified MC/PM). Given the relatively large number of VDCs in Nepal, simple and easy to use performance assessment method will be administered by DDCs (rather than by consultants contracted by the Ministry) combined with certain QA from the national assessment teams conducted the DDC/Municipal assessments. The entire set of MC/PM indicators will be revisited to better incorporate GE/SI concerns and thus provide greater incentives for their mainstreaming into local government processes.

Whilst access to more fiscal resources will undoubtedly strengthen the capacity of local governments to respond to priorities and needs, developing systemic and human capacities will also be required. The programme will deliver such capacity building in a variety of ways. This will also allow for the inclusion of capacity building for implementation/production functions, many of which will be fulfilled by agencies (e.g. user groups, community organisations, and private sector contractors) which are not a part of the local government system *per se*.

This output of the LGCDP will be important in regard to:

- a core, supply-driven, component through which (a) all LGs are provided with training in the basics and (b) general purpose systems and procedures are developed and disseminated in the form of user-friendly manuals;
- a demand-driven component through which DDCs and municipalities formulate their own capacity development plans (CDPs) and finance their implementation out of annual capacity development grants (CDGs) – out-sourcing to pre-certified capacity development service providers; and
- A DDC-led system of support, regular backstopping and mentoring for VDCs.

This output will enable local bodies to establish the important linkages between: i) development grants; ii) the incentives (rewards and sanctions, assessment systems); and iii) the LBs' ability to address the identified functional gaps and weaknesses in an equitable manner.

Several sets of indicative activities will enable the programme to deliver this output.

4.1 Design and allocate CD grants for LGs

In the medium term, LGCDP aims to strengthen the extent to which local government capacity building becomes demand-driven. Part of this will include providing local governments (initially DDCs) with capacity development grants, with which they will be able to purchase the specific CD services that they require.

LGCDP's Capacity Development Grants (CDG) to local governments will be rolled out as soon as possible to DDCs and then to municipalities. The CD grants should kick in from year two of the programme, as it will take some time to prepare for this new demand driven modality. CDGs will be independent of the top-up block grants and will be calculated on the basis of a transparent and appropriate formula that divides up a total annual CD funding pool. A menu of eligible expenditures (and related rules) will be drawn up, setting ceilings on certain expenditure items (e.g. equipment, training, study tours, etc.). With respect to VDCs, CDGs may not be appropriate in the short term given that the capacity of the VDCs to handle this type of grant may take more time to prepare for. In the short term, then, the DDCs should ensure coverage of VDC capacity development needs out of the DDC CDGs.

Sub-activities will consist of the following:

- Prepare formula for CD grants
- Define the eligible expenditures to be covered by the grants
- Inform LGs of CD grant system
- Disburse CD grants to LGs
- Monitor the utilisation of the grants and adjust (on an annual basis)

4.2 Earmark LGs' access to TA funds (embedded in block grants)

Through LGCDP, local governments will be able to use a percentage of their top-up grants to procure specialised technical assistance (e.g. consultant, engineer, technicians etc.). The proportion of block grants that can be used by local governments for purposes of procuring technical assistance and investment servicing costs should not exceed 7% for DDCs (of which 2% goes for mentoring / monitoring of VDCs), 5% for VDCs and municipalities of the total value of the block grant. However, and depending on the extent to which block grants are weighted by population size, a "floor" allocation for investment servicing costs will be introduced in order to avoid inadequate allocations for demographically small LGs. In addition, LGs will directly procure such TA and/or investments services – and not hire additional permanent staff. Sub-activities will include:

- Elaborate capacity building block grant strategy and implementation arrangements
- Communicate to DDCs, VDCs and municipalities on the size of the block grants earmarked for TA

4.3 Provide support to DDCs for backstopping and mentoring of VDCs

Given the level of fiscal resources that will be made available to VDCs (through both regular Government block grants and LGCDP top-up grants), and the increased demands that will therefore be placed on VDCs to properly manage those resources, the programme will develop procedures and subsequently support DDC backstopping and mentoring of VDCs. In this respect, DDCs will probably need to provide VDCs with backstopping in areas such as financial management, planning, implementation, etc.

DDCs will establish task teams for this, constituted on an as-needed and subject-wise basis. For example, if VDCs require backstopping for financial management, then it would be best that DDC accounts office staff provides this. According to guidelines, approximately 2 % of the block grants for the DDC can be used for backstopping support to the VDCs in areas such as planning, appraisal, reporting and accountability (funded from the investment service costs above). However, within the DDC one unit will assume overall responsibility for coordinating task – i.e. this task could be assigned to DDC Human Resource Development Unit. The LGCDP should further explore these options as part of the implementation arrangements.

Sub-activities will include:

- Prepare guidelines for DDC backstopping and mentoring of VDCs
- Disseminate guidelines to DDCs and VDCs
- Build a facilitating team within DDC including line agencies' officials if needed/necessary, using contracted NGOs/companies to support the teams in up-start phase.
- Train DDCs in backstopping and mentoring of VDCs

4.4 Prepare LGs GE/SI Capacity Development (CD) plan

In order to promote an increasingly demand-driven approach to capacity development, the programme will introduce a simple capacity development planning methodology to local governments. This will start with DDCs and municipalities, but will eventually include VDCs as well.

DDCs and municipalities will draw up capacity development plans, based on simple and largely self-administered needs assessments – linked explicitly to the outcomes of their respective MC/PM assessments. Responsibility for this will be assigned to DDC and municipal HR Development Units, which (on the basis of consultations) would draw up CD plans and submit them to advisory committees and councils for approval. Such CD plans will define the demand-driven dimension to local government capacity development.

Sub-activities will consist of:

- Provide support to develop a CD planning methodology for LGs
- Support the HR Development Units in the DDCs to develop CD plans and use the CD grants
- Provide Training in LG CD planning processes
- Provide support to the HR unit of the DDCs and municipality and VDC CD functions
- Backstop LG CD planning activities

4.5 Provide GE/SI core training services to LGs

This activity will support to design a core, supply-driven, capacity development programme for local governments. This will be rolled out across the country, using (wherever possible) qualified service providers as trainers.

Core training services will be defined, procured and monitored/supervised by MLD as part of its overall National Capacity Development Strategy for local governments (see LGCDP outputs 6 and 7). Core training will cover the “mandatory” CD menu for all LGs – and would constitute the supply-driven dimension to local government capacity development, and will encompass areas where all (or most) LBs have special problems, which are likely to impact negatively on the implementation or increase fiduciary risks, such as financial management and procurement. A number of core standard training modules will be elaborated within generic administrative areas such as planning, budgeting, financial management, procurement and good governance and the programme. This initiative will be supported through MLD.

Sub-activities will include:

- Contract core CD service providers
- Supervise activities of CD service providers
- Monitor and evaluate performance of CD service providers

4.6 Provide core capacity-building to local level line departments to deliver public services

This activity will support to design a core capacity development programme for local line departments to deliver public services. It will help building capacity of other potential actors at the local level. Sub-activities will include:

- Review interactions between line-departments and core administration at the DDC level
- Elaborate training materials on these issues
- Support line departments (HR, etc.)
- Provide standard training for all DDCs and VDC secretaries

4.7 Provide core training services to community organisations, user groups and other local service delivery (production) agencies (including private /SME sector)

User groups, community organisations and the private sector will also be involved in the “production” of public goods and services. This activity will strengthen their capacity in service delivery at local level. Sub-activities will include:

- Elaborate training materials on various forms of service delivery production (planning, budgeting, implementation, M&E etc.) for COs, user groups and private contractors
- Support training of these providers (contracted NGOs and private companies)

4.8 Design standard training modules for the demand side training

Standard training curricula will be prepared to provide training to the service providers at local level including certification process. Sub-activities will include:

- Prepare core training curricula
- Define certification process for service providers

4.9. Capacity building of Interim Local Bodies and officials

LGCDP will provide Interim Local Bodies and officials with appropriate capacity building in order to strengthen their ability to provide adequate oversight.

Output 5. Local governments service delivery mechanisms and processes fine-tuned

Although LGCDP constitutes a national programme, the programme will nonetheless retain a capacity to fine-tune a range of systems, procedures and processes – with a view to having such pilots scaled up at a later date.

To implement pilot activities, LGCDP will establish special implementation and monitoring arrangements, *inter alia*:

- A small and dedicated field team, responsible for establishing, supporting and monitoring pilots. This sub-team of LGCDP will closely coordinate its activities with MLD and any LGCDP technical advisers; and
- A coherent geographical zone of intervention for all pilot activities (for example, six Districts in a single Region) so as to minimise costs associated with intensive support, supervision and monitoring.

A basic LB reporting system for physical progress reports will be elaborated during the Approach Period.

Fine-tuning and piloting will be undertaken in a number of areas, as described in the set of indicative activities below.

5.1 Update PEM and PFM systems and procedures

Whilst LSGA and its related regulations do provide a relatively comprehensive framework for local level planning and public expenditure and financial management, there are a number of areas that require a certain amount of fine-tuning in order to develop optimal arrangements.

Piloting and fine-tuning of PEM/PFM processes will be expanded to include local government monitoring, evaluation and reporting systems. It should also include piloting of alternative ways for VDCs (other than from their DDC) to access technical support in order to implement investment sub-projects.

LGCDP will therefore undertake the following sub-activities:

- Fine tune procurement and implementation procedures
- Fine tune bottom-up planning & budgeting procedures
- Fine tune Operation and Maintenance (O&M) and asset management procedures
- Fine tune social inclusion mechanisms (dalit, women and DAG committees) in planning and budgeting systems
- Fine tune resource sharing mechanism
- Fine tune LG reporting, monitoring and evaluation systems
- Prepare reporting, monitoring and evaluation software

5.2 Test safety net and social assistance programmes

LGCDP will pilot VDC administration and management of safety net and social assistance programmes to provide the ultra-poor with opportunities to build up assets and to address inter-generational human development challenges (e.g. education, health). The type of social assistance programmes to be piloted will be cash transfer systems – both targeted/non-targeted and conditional/unconditional. The cash transfer programmes will be clearly separated from social mobilisation, although they will include a strong element of local community-level oversight. Safety net programme will address immediate needs of the disadvantaged groups as identified and prioritised by their COs. Specific sub-activities will consist of:

- Carry out scoping study for safety net and social assistance programmes
- Design safety net programme pilot
- Implement safety net pilot in selected VDCs
- Monitor and evaluate safety net pilot
- Adjust design and implement

5.3 Pilot sector support (e.g. education, health, etc.) at the local level

In order to inform national policies on sector devolution, the programme will trial the use of conditional sector grants (in the fields of education/health/agriculture) in a limited number of DDCs.

With regard to the piloting of sector support at the local level, LGCDP will focus on the agriculture, health and education sectors (all of which are nominally devolved). Sector conditional grants would be made to DDCs, which will then undertake joint planning and budgeting exercises with District education, health and other offices. Very importantly, sector conditional grants will not be limited to capital expenditures, but will also be used for financing operational development expenditures (e.g. travel

allowances, DSA, equipment, etc.) on the basis of GON budget norms. The design and implementation of these grants will be done in close collaboration with the respective sectors and will fit into the elaboration of sector devolution guidelines.

This will involve the following set of sub-activities:

- Carry out scoping study for sector conditional grants
- Design sector conditional grant pilot in close cooperation with the line ministries (LMs)
- Implement sector conditional grant pilot
- Monitor and evaluate sector conditional grant pilot and provide input to policy development (output 6)
- Prepare guidelines for comprehensive devolution

5.4 Test DDC local development coordination functions (line agencies, NGOs, etc.)

A final area for LGCDP fine-tuning concerns will be DDC coordination of sector line agencies, NGOs and donor-supported projects. Although this is mandated by LSGA, there is considerable variation in the effectiveness and quality of DDC coordination. The programme will therefore pilot innovative mechanisms by which DDCs can fulfil their coordination functions.

The testing out of DDC coordination functions would examine options for facilitating inter-sectoral planning, involving NGOs and the private sector in local development activities, etc. This will include institutional mapping exercises, establishing forums for coordination, and developing template agendas for coordination events. Sub-activities will be:

- Identify coordination needs and mechanisms
- Design improved coordination mechanisms
- Support implementation of improved coordination mechanisms
- Monitor and evaluate DDC coordination activities
- Assign tasks to divisions, sectors and officials
- Evaluate performance on the basis of satisfactory tasks completion and quality of work standards
- Activate sectoral agencies effectively and accountably

Component 3: Strengthened policy and national institutional framework for devolution and local self-governance

A combination of enhanced citizen voice, greater community engagement with local government, increased fiscal resources at the local level, and local government capacity building will certainly make a significant contribution towards poverty reduction and better public services. However, there are also steps/actions to be taken at the policy and national levels which would further enhance programme impact. These are covered in two outputs under this component.

Output 6. Policy framework for decentralisation promoted a more enabling environment for effective, transparent and accountable local governance

Delivering this output will enable LGCDP to provide a more effective policy framework within which local governance and local government can function. Given the evolving nature of local governance policy in the country, the activities for this output are inevitably indicative and of a “process” character.

6.1 Review decentralisation and sector devolution policy

Sector devolution policy will be prepared through review of existing policy frameworks and by engaging line ministries. An updated policy framework for decentralisation will be helpful to move towards local governance SWAp. The linkages with the work under the State Restructuring Committee will be closely maintained in the process. Sub-activities will include:

- Review previous policies on decentralisation
- Elaborate overall sector policy for decentralisation
- Elaborate sector devolution guidelines (including procedures for HR/staffing, funding flows, functional assignment and linkages with civil society etc.) in close interaction with line ministries
- Prepare local government audit strategy
- Prepare a national framework for child-friendly local government

6.2 Establish decentralisation SWAp

In addition to contributing towards a more enabling policy framework for local governance, LGCDP will strengthen national capacities to support and monitor local governments through donor harmonisation to internalise the Paris Declaration. Sub-activities will be:

- Review all development partners’ funding within decentralisation sector
- Establish system for meetings between development partners and GON
- Ensure linkages to decentralisation policy (and the policy components in 6.1)
- Develop investment plan for the decentralisation sector linked to GON’s budget
- Establish systems and procedures for up-date of the annual work plans and budgets
- Develop aligned procedures for development partners modalities
- Prepare joint funding arrangements (studies, reviews, initiatives to strengthen GON systems)
- Develop results framework (see under M&E)
- Develop reporting systems for the use of funds
- Conduct orientation/training on SWAp
- Provide GON officials (MLD, etc.) with exposure to experience with SWAp

6.3 Prepare more effective policy environment for “demand” side of local governance

Preparing a more enabling environment for the “demand” side of local governance will be an invaluable complement to “supply” side policy thinking. Lessons learned from the programme – which will include innovative ways of enhancing transparency and accountability – would inform “demand” side policy thinking. This activity will also include a thorough review of the constraints (e.g. access to information) to community engagement with local governments. Sub-activities will be:

- Review existing policies and programme experiences

- Elaborate policy and guidelines on demand side of local governance and disseminate

6.4 Prepare improved staffing policies for local governments

Through this activity, LGDP will seek to create a more stable and effective staffing system for local governments. This is of added importance given the ongoing absence of elected bodies. Close linkages will be maintained with other agencies in the process - such as the involvement of MoGA, articulation with other ongoing reform processes and the like. The staffing policy will incorporate GE/SI issues and will be in line with the GON's commitment for 33% women representation at all levels of the government. Sub-activities will include

- Support development of appropriate staffing policy for key seconded civil servants
- Support establishment of performance-linked incentives for seconded and local staff
- Support policy thinking on local service arrangements and preparation of Local Service Act
- Support development of appropriate arrangements (salary scales, job descriptions, recruitment procedures, etc.) for local government staff

6.5 Prepare National Capacity Development Strategy for local governments

Through this activity, LGCDP will support the formulation and implementation of a nation-wide and sustainable capacity development strategy for local governments, to be overseen by the government and implemented by the government through training institutions, regional workshops/training events, private consultants, other development partners etc.

The development of a national capacity building strategy for local governments will take into account the MC/PM system, the need to avoid any monopoly over the provision of training services, the role of LB associations (ADDCN, MUAN, NAVIN) and a range of other factors.

Sub-activities will include:

- Outsource resource centres for CD strategy preparation
- Support development of CD Strategy and framework, including elements of the activity 4.1.

6.6 Conduct outcomes and impact studies of local governance and community development programmes and outputs (evidence-based policy-making)

MLD will carry out outcomes and impact studies of community development programmes, including those involving local body grants as well as resources used by communities and document the results of the study. Such studies will be aimed at informing an evidence-based policy process and will not be limited to community development. Much can be learned from other types of projects, both in Nepal and elsewhere.

The sub-activities will be:

- Outsource for conducting studies on the outcomes and impacts of the various components and outputs of the programme and other related programmes
- Conduct action research for the improvement of devolution process to foster local self-governance
- Document and publish outcomes and impacts in MLD annual reports

6.7 Fine-tuning of local government infrastructure and service delivery mechanisms and processes informs national policy processes

Lessons from pilot activities will be of fundamental importance to policy processes. LGCDP will ensure, through good coordination, that the experience gained through pilot and fine-tuning activities across the spectrum of the programme is fed into policy analysis and thinking. This highlights the need for pilots to be carefully/effectively monitored and properly documented.

- Monitor and document lessons learned from Output 3 and 5 activities

6.8. Policy review and action plan regarding sector devolution

The programme will support MLD and other ministries in reviewing sector devolution policies and in drawing up an action plan for sector devolution.

Output 7. Capacity of central government and national non-government institutions strengthened to provide appropriate support to local governments is enhanced

In addition to contributing towards a more enabling policy framework for local governance, LGCDP will also strengthen national capacities to support and monitor local governments. Indicative activities for this output include:

7.1 Provide support for GON local governance policy analysis and policy making functions

As MLD and other Central Government institutions (e.g. MoF and NPC) strengthen their ability to monitor local government performance, LGCDP will provide appropriate technical assistance aimed at strengthening more evidence-based and analytical policy-making. Without line ministries developing a capacity to fully understand and articulate sector devolution principles, they will be unlikely to make a useful contribution to policy making in the area of decentralisation. Support for policy analysis and policy making functions will be extended to include the important line ministries that are responsible for the delivery of basic public services. Sub-activities will include:

- Build capacity of MLD, MoF, line ministries, NPC, PMO and other central government officials
- Support MLD's Policy Coordination Committee (PCC) and enhance its capacities to coordinate and replicate decentralisation and local governance support activities
- Provide technical assistance and advisory services
- Support development of social mobilisation policy
- Support development of policies and procedures for donor harmonisation
- Support policy processes (e.g. consultations with ADDCN, MuAN and NAVIN)

7.2 Provide support to LBFC

The Local Bodies' Fiscal Commission (LBFC) should play an important advisory role with respect to fiscal decentralisation issues and the provision of performance based block grants. The support to LBFC should be extended to include special support for the elaboration and fine-tuning of grant allocation formula, and support to LBFC to enable the Commission to play an active role in the expenditure and revenue assignment and revenue mobilisation activities, review and piloting of PFM procedures (including accounting systems).

To enable LBFC to play this role effectively, LGCDP will undertake a range of sub-activities, as follows:

- Provide technical assistance in defining LBFC role, functions and composition and linkages with other institutions
- Provide training and capacity-building to LBFC officials
- Support LBFC functioning within important areas such as studies, coordination, networking (e.g. with other fiscal commissions and related institutions), advising, assessments, monitoring, etc.
- Provide support to development of an intergovernmental fiscal grant and development grant policies, an up-date of the fiscal decentralisation road map, and emerging fiscal frameworks within the context of the state restructuring
- Support annual reviews of the development of fiscal decentralisation policy
- Support operationalisation of the new role assigned to the LBFC with respect to annual assessments of LBs performance (MC/PM system)
- Support follow-up and update the refinement and implementation of selected recommendations from the LBFC

7.3 Provide support to LB associations (ADDCN, MuAN, and NAVIN)

Substantial support will be provided to LB associations to enhance their role in key policy discussions with government in terms of analysis and recommendations for local bodies' budget transfers as well as capacity building issues. The LB associations will have a major role to play in capacity building and dissemination of information to their members on local governance issues, including LGCDP activities. The sub-activities will be:

- Assess capacity of the LB associations
- Support the LB associations – ADDCN, MuAN and NAVIN within their core areas such as policy development/advocacy/development of governance policies and support to regulations, capacity building of members LBs and quality support, dissemination, knowledge and learning share

7.4 Support implementation of National Capacity Development Strategy for local governments

Through this activity, LGCDP will support the formulation and implementation of a nation-wide and sustainable capacity development strategy for local governments, to be overseen by the government and implemented by the government through training institutions, regional workshops/training events, private consultants, other development partners etc.

Provision of support for the implementation of a national capacity building strategy for local governments will include a review of how MLD currently provides local bodies with capacity building services. This will also examine (among other things) the ability of the current HR sections/units to handle these services. Consideration will also be given to the role that LB associations can be expected to play in the implementation of capacity building activities aimed at their respective memberships. Sub-activities will include:

- Support MLD's HR development
- Identify qualified CD service providers

7.5 Design and implement MLD LG performance monitoring and evaluation system

This activity will seek to improve the quality and extent to which MLD monitors local government performance – which is an essential prelude to MLD being able to provide appropriate support. There is an urgent need to focus on improving on the existing M&E system for both financial and physical reporting¹². The physical reporting system, in particular, is – for all intents and purposes – non-existent at VDC and DDC levels and therefore considerable effort will be put into building up a practical and useable set of guidelines for physical output reporting from the VDC/DDC levels. This activity will also address the skills gaps. Sub-activities will include:

- Review and design monitoring indicators, encompassing the results of the MC/PM system
- Build capacity of the MLD monitoring team in results-based monitoring
- Organise training on results-based monitoring
- Prepare LG reporting system – fiscal as well as physical output progress reports in cooperation with other agencies, particularly MoF and NPC
- Review/refine LB reporting system
- Support Decentralised Management Information System (DMIS) development and functioning in MLD and linkage to Decentralised Poverty Monitoring and Analysis System (DPMAS)

7.6 Mainstream gender equality (GE) and social inclusion (SI) and child/youth inclusion (CYI) in MLD activities

This LGCDP activity will contribute to strengthening MLD's capacity to mainstream GE/SI issues into any and all support that it provides to local governments. A GE/SI Section will be established in the MLD. GE/SI focal person will be identified in the DDCs and GE/SI responsive planning system will be introduced. Municipalities and VDCs will be encouraged to follow GE/SI friendly programmes. Such affirmative action measures will have a tangible impact on local expenditure patterns (more towards activities favoured by these groups) and in building social acceptance of women, and excluded groups. They also provide opportunities for women and the excluded to assert their leadership and managerial skills and challenge patriarchal and feudal mindsets.

A range of sub-activities will be undertaken:

- Restructure MLD
- Establish GE/SI section in MLD and identify GE/SI focal person in DDCs
- Support GON's gender responsive budget system
- Train staff in GE/SI /CYI related issues for better and GE/SI sensitive budgeting, planning and monitoring
- Review institutional arrangements for implementation of GESI/CYI strategies
- Implement MLD GE/SI /CYI strategy
- Review possibilities for strengthening of MLD's support role in this area vis-à-vis LBs.
- Support for the development of a GE/SI sensitive staffing policy for key civil servants.

¹² In addition, in order to contribute to the inclusiveness aspect of the Program outcome, the Program will focus on ensuring that monitoring mechanisms include a system for reporting back to the community right holders (especially disadvantaged groups, including children, young people, and women) through the means of public/social auditing that would hopefully enable them to initiate and influence decisions.

7.7 Organise capacity building programme for decentralisation focal units of various line ministries including NPCS, MoF, PMO, MoGA, MoWC&SW, MoE, MoHP, MoAC and others

Capacity building support will be provided to the line ministries and National Planning Commission Secretariat (NPCS) to enable them to support GON's local governance policy. Capacity building for decentralisation focal points in local body associations and line ministries will be undertaken to ensure that the principles of decentralisation and sector devolution are internalised. This will, inter alia, also ensure greater coordination of key sector reforms and the overall decentralisation reform process. Major sub-activities will be:

- Establish contacts and organise meeting of focal points
- Assess core areas for capacity building
- Prepare course manuals
- Outsource capacity building to appropriate agencies
- Conduct CD programmes
- Support central level agencies in important areas such as studies, coordination, networking (e.g. with other international institutions), advising, assessments, monitoring, etc.

7.8 Provide FCGO, OAG and ICAN with capacity building support

Capacity of the FCGO, OAG and ICAN will be strengthened under the programme with a focus on outreach not only to DDC level but also VDC level¹³, elaboration of audit guidelines, training of the OAG in new tools and programmes, including the MC/PM system, procurement regulations, accounting systems, etc. The sub-activities will be:

- Review FCGO/OAG/ICAN local government audit capacities
- Provide FCGO/OAG/ICAN with capacity building services

7.9. Provide support for policy coordination and exposure

Through this activity, LGCDP will support a range of initiatives (workshops, study tours, forums, etc.) aimed at helping the Government to coordinate its sector devolution policy

Output 8. Support provided for programme implementation

This output will deal with the management and programme implementation. Major sub-activities will be:

- Review the organisation of MLD, the structures and the links with LGCDP
- Recruit core technical support staff
- Ensure basket funds for procurement of short term TA
- Provide logistical support to MLD
- Establish linkages to specific non-MLD project management functions
- Ensure funding for all staff contracted for SM
- Train MLD core responsible staff in all aspects of project management, community development and local governance etc.

8.1 Approach Period (June – July 15, 2008)

¹³ It is not expected that OAG will carry out all the audits but be more involved in quality assurance and oversight.

The MLD and its DPs will undertake a range of preparatory activities from June to July 15, 2008 prior to the launch of the programme. The following activities will be carried out during approach period

Activity	Support Agency
1. Conduct institutional analysis of the MLD capacity to review preparedness of MLD to perform the tasks and to deliver the capacity building support required in the short to medium term, and suggest recommendations including action plan.	DfID
2. Review the options for physically housing the new Programme Coordination Unit (PCU) team and other support staff.	
3. Prepare a common physical reporting system (including standardised reporting formats) for block grant allocations and guidelines for the utilisation of DDC grants (which will start flowing from FY 2008/09).	UNCDF Other UN agencies
4. Conduct socio-economic and environmental impact assessment. (There is particularly a need to elaborate clear and simple checklists for LBs preparations of projects and to describe the legal and regulatory framework and practices within these areas.)	ADB
5. Prepare fund flow agreements and the Joint Financing Agreement (JFA) for SWAp.	NORAD
6. Reach agreements with DPs that can finance the costs of the Approach Period and support start-up activities in a flexible, rapid and smooth manner.	MLD and UNCDF
7. Review and analysis of the findings from the planned UNCDF funded VDC block grant study.	UNCDF
8. Work on the topping up grants strategy	Danida
9. Prepare and/or review the set of conditions to determine which local body (as well as community organization) can be taken on board for the pilot exercise so that Program outcomes can be attained	World Bank
10. Prepare AWPB for the first year of LGCDP (drawing up a detailed annual plan and budget for the first year of LGCDP implementation including timing, sequencing and prioritisation of various activities).	MLD SDC GTZ
11. Elaborate verifiable indicators for the LOGFRAME and design a monitoring and results framework for the entire programme – matrix and indicators, based on the LOGFRAME.	UN agencies/CIDA
12. Prepare procurement plans and ToRs for core and other TA.	UN agencies
13. Advertise for long and short term TA and conduct interviews of core staff	MLD in cooperation with the DPs
14. Establish the Consultative/Advisory Committee with agreements on ToR, working modalities and decision-making procedures.	MLD
15. Start preparation of operational manual for the entire programme	MLD in cooperation with UN agencies

8.2 Inception Phase (July 16, 2008 – January 2009)

As LGCDP represents a move towards a completely new system of development support for local governance and community development and entails an innovative articulation of the demand and supply sides, it is important that the programme is flexible, especially in the Inception Phase. The following activities will be carried out during the Inception Phase:

- Establish the PCU closely integrated into MLD, and related management arrangements.
- Conduct a base-line study of the situation within the LBs and community organisations (level of performance, challenges and constraints).
- Up-date the implementation and procurement plans.
- Develop operational manuals for all critical areas, particularly SM and the grant support outputs/activities.
- Start the topping up of DDC block grants, preparation of the expansion of the VDC block grants (to start with a rolling out from second half of the first Year) and subsequently preparation of the grants to municipalities (to start from FY 2009/10).
- Provide support for the fine-tuning of PFM/PEM procedures.
- Assess the degree to which existing financial management processes and protocols are adequate to ensure financial accountability of local governments (and, where necessary, of community organization as well).
- Start up capacity building activities and TA backstopping for MLD and prepare such support for the LBs, including preparation of the demand side based CB grants. Provide general mandatory training to LBs.
- Develop a package of pilots and experimentation that could be applied in to give greater voice to community groups in needs prioritization as well as access to resources.
- Carry out a joint DP-GON review (to adjust the programme).
- Organises monthly meetings with the DPs supporting LGCDP in order to coordinate activities, particularly the CB support.
- Momentum of existing program (DFDP and DLGSP) will continue (maximum 6 months) under the umbrella of LGCDP until the new program is commenced, and phase out of these programs will be done during the Inception Phase. LGCDP/MLD will utilize resources and logistics of these programmes to achieve the goals mentioned in this document. All the assets of these programmes will be handed over to LGCDP.
- Review the existing lessons learned from the various SM approaches. Develop a common understanding of LGCDP's community participation and social mobilisation strategy, including specific activities, coverage, phasing and exit strategy (UNDP, WB, DFID, SDC, GTZ, CIDA)
- Based on social mobilisation study and strategy develop guidelines for community participation in local decision making structures, such as councils and committees (MLD).
- Develop a GE/SI strategy, with results statements and indicators explicitly spelt out as per the Log Frame (CIDA, GTZ).
- Review and design the detailed modalities for the LG&AF (Danida/CIDA)

4 Programme Management

4.1 National level

The programme will be executed by the Ministry of Local Development. MLD will take overall responsibility for the programme and establish a high level government National Advisory Committee (NAC) for overall coordination, policy advocacy and supervision of the programme, as

well as for making strategic recommendations concerning its implementation. This National Advisory Committee will be chaired by the Secretary (MLD) and will consist of the MLD's Joint Secretaries, DG DoLIDAR, representatives of relevant Line Ministries and representatives of development partners. The Secretary, MLD will appoint the Joint Secretary, Local Governance Coordination Division as National Programme Director (NPD) of the LGCDP, who will act as Member-Secretary for the committee. The committee will meet at least twice a year.

4.1.1 National Advisory Committee

MLD Secretary	-	Chairperson
MLD Joint Secretaries	-	Member
Sectoral ministries' representatives (Joint Secretary Level)	-	Member
Representatives from MOF NPC, FCGO and OAG	-	Member
DG, DoLIDAR	-	Member
Donor representatives	-	Member
Local Bodies Associations' Representatives (ADDCN, MuAN, NAVIN)	-	Member
National Programme Director, LGCDP	-	Member-Secretary

4.1.2 Programme Coordination Unit

The LGCDP Programme Coordination Unit (PCU) will be established as a programme unit under the Local Governance Coordination Division of MLD (Annex 3) and will ensure the internal coordination of policy activities related to LGCDP through the Policy Coordination Committee (PCC) that already exists within MLD.

LGCDP will be managed on a full-time basis by an Under Secretary from MLD, acting as Programme Manager (PM) and heading the PCU regularly, who reports through the Joint Secretary/NPD to the MLD Secretary and to the NAC. DPD will be accountable to NPD and will be involved in daily supervision.

Within the PCU there will be specific, dedicated, Output Managers for each of the Programme outputs, selected from amongst the various section chiefs who will be PCU members. This will introduce a degree of accountability internally in MLD in terms of result based output management. The diagram on the next page provides a suggested allocation of output responsibilities to various MLD sections. PCU/Output Managers will meet monthly to discuss issues regarding programme implementation and the PCU will prepare trimesterly progress reports.

The PCU will prepare annual work plans and budgets (AWPB) and present them to the PCC. The AWPB will be linked to GON systems and based on LSGA/LBFAR. Furthermore, the PCU will be responsible for drawing up Procurement Plans in accordance with the 2007 Procurement Act and Regulations.

The PCU technical cell will include a full-time national team leader cum decentralization and local governance specialist and other national specialists such as i) local government capacity building, ii) local government finance, iii) financial management, iv) social mobilisation and accountability, v)

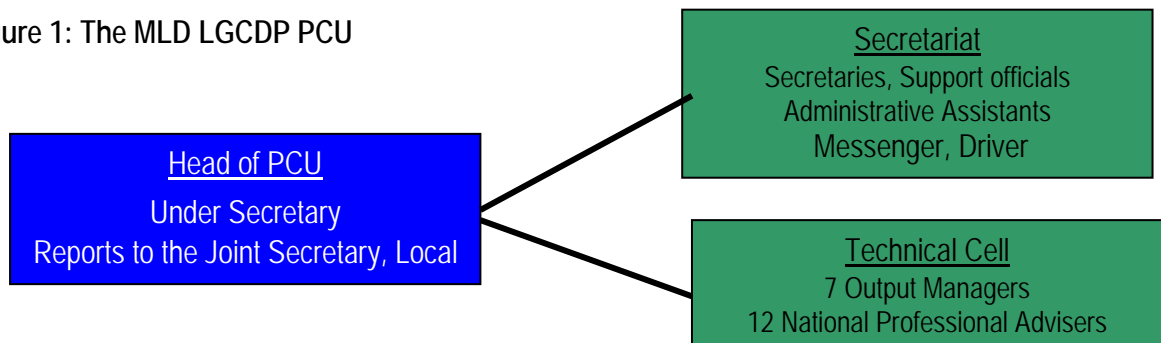
GE/SI, vi) M&E, vii) MIS/GIS and communications (see the table below)¹⁴. These technical specialists will work under the under the daily supervision of the national team leader who will be accountable to PM. PM will be accountable and report to NPD. They will provide technical assistance and support to the Output Managers. The new recruitment process, will take place within the inception phase.

In addition to the full-time national team leader, technical specialists, the PCU could also draw on international expertise to provide exposure to national and international good practice and technical core expertise. The PCU team and other support staff will be housed in MLD premises. PCU can decide to draw technical assistance as and when necessary.

The PCU will also include (at least for the first two years of programme implementation) two management specialists/advisers. One would provide MLD with support to undertake procurement activities (according to the provisions of the 2007 Procurement Act and related regulations). The other would provide MLD's General Administration Division with support for LGCDP-related financial management (consolidated reports, withdrawal applications, etc.).

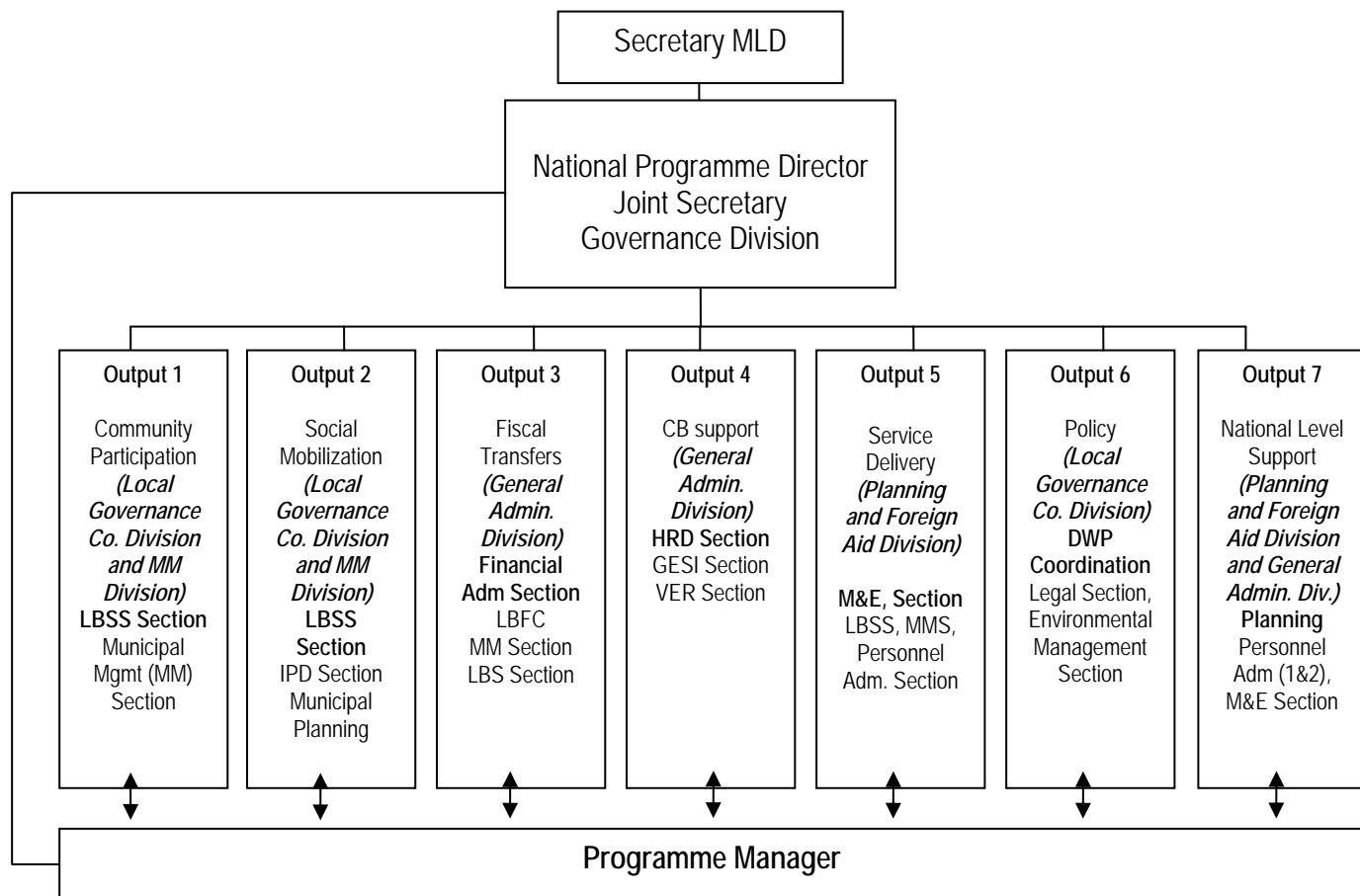
The meetings of the output managers will be held at least once a month.

Figure 1: The MLD LGCDP PCU



¹⁴ During the inception phase the PCU technical cell will consist of a team leader of the technical team who will also work as Decentralization and Local Governance Specialist, a SM Specialist a GE/SI Specialist, a GIS Specialist, a PFM Specialist, a HRD & Capacity Development Specialist, a Procurement Specialist and ICT Specialist, M&E Specialist. These team leader and specialist position will automatically terminate by the end of the inception phase.

Figure 2: LGCDP PCU Output Managers



Note: Each output will be co-ordinated and maintained by the concerned Division Heads and forwarded horizontally to program Director. PM will liaison the output related activities with the concerned Output manager/ Section Chiefs and Division Heads. A separate liaison and network will be developed during inception phase to assure effective coordination and efficiency of the LGCDP implementation.

Sections in bold denotes output management responsibilities. Programme Manager will coordinate all Output Managers and sections. It is expected that the responsibility areas will be further broken down under the Output Managers incorporating all relevant sections working under MLD. LBFC will coordinate the activities within the area of local governance finance including MC/PM system, revenue studies. GE/SI section will be linked to Community Participation, Social Mobilization and policy. Further elaboration and adjustments will be done based on MLD's intuitional assessment.

The PCC may decide to establish regional liaison offices to provide implementation and monitoring support for the programme.

Table 1: Indicative TA needs

The table below provides a summary of LGCDP's indicative TA needs for PCU:

Outputs	Technical Assistance	Timing
Outputs 1 and 2	1 SM Nat. Professional	48 person/months
Outputs 3 + 5	1 PFM National Professional	48 person /months
	1 Fiscal Decentralisation National Professional	48 person /months
	Fiscal Decentralization - short term internationals	7 person /months
Output 4	2 CD + HRD National Professional	96 person /months
	1 National GE/SI Professional	48 person/months
	Short term international	6 person /months
Output 6	1 SWAP Nat. Professional	48 person /months
	1 Sector Devolution Nat. Prof	48 person /months
	1 Advisor on Children & Youths friendly Local Governance)	48 person /months
	1 Policy Adviser International short term	12 person /months
Output 7	1 M&E Nat. Professional	48 person /months
	1 short term MIS	24 person /months
	1 GIS Nat. Prof.	48 person /months
Programme management support	1 Procurement Specialist Nat. Prof.	24 person /months
	1 Programme FM Specialist Nat. Prof.	24 person /months
Unallocated National Professionals (as and when required)		96 person /months

4.2 Local level (District/Municipality/VDC)

The Local Development Officer (LDO) will coordinate the LGCDP activities at district level, by the Executive Officer at municipal level and by the VDC secretary at the VDC level. The LGCDP activities will be integrated into the local bodies' plans and DDC/municipal/VDC councils will approve LGCDP action plans at respective levels.

A maximum of 7% of the block grants should be earmarked by DDC, 5% municipalities and VDCs to finance investment servicing costs (contracting of short term contracted support staff (minimum one person will be recruited but not permanent employees), consultants, NGOs, etc). Recruitment/procurement processes for this should be transparent and subject to appropriate checks and balances. Of the 7 %, for DDCs, each DDC should earmark about 2% (according to guidelines) for support to VDCs in areas such as planning, appraisal, and financial management and monitoring. DDC will have rights to recruit one District Programme Facilitator as per its existing recruiting system however the qualification will be set by National Advisory Committee.

The DDCs, municipalities and the VDCs will receive substantial capacity building support from the supply driven training organised by the central government as well as the demand driven capacity building grants to be designed (as part of output 4). To the extent possible, the Program will also seek to ensure that such capacity building support can be utilized by community groups.

5. Implementation Modality

MLD will be responsible for policy level interventions as well as coordination with other ministries. PCU will be responsible for the outputs of the LGCDP where as Local Bodies will be for responsible for local level implementation.

5.1 Implementation Arrangements

LGCDP activities will be implemented by local bodies through user committees/school management committees/health management committees etc., community organisations, federations of community organisations (e.g. CMCs), cooperatives, local NGOs, line agencies and public-private-partnership arrangements.

5.1.1 Towards a Sector Wide Approach (SWAp)

MLD intends to move towards a sector wide approach (SWAp) to manage the local governance sector, rather than having a series of projects with their own funding, management, implementation, and reporting arrangements. Key features of sector wide management, which will be developed and introduced during LGCDP, are:

- a) The provision of a single clear sector policy and strategic framework that links the sector policies and the LGCDP including the expenditure plans for the sector, so that the allocation of resources reflects the priorities for the sector.
- b) Annual programme and budget which specify the activities to be carried out under each strategic objective and by department/divisions/local bodies.
- c) Reporting on activities and performance indicators against the plan, with common reporting and performance monitoring arrangements (rather than each funding and supporting agency having its own review process and missions).

It is expected that as local governance sector reform progress and experience is gained in operating a sector management approach, a rising share of the external support will be provided through pooled funding and on the basis of common procedures (including financial management). MLD and DPs aim to sign a Letter of Intent by June 2008 and Joint Financial Agreement by the end of Year One¹⁵ in order to operationalise harmonisation initiatives. This will include agreement about the role (within overall DPs assistance) of the programme partners with their related funding mechanisms, at both national as well as district, municipal and VDC level. It will address the issues of the extent to which (and within what timeframe) MLD will be able to take responsibility for implementation of all programmes and projects.

At this stage DPs may continue to provide support in kind (TA, commodities, and equipment) or in the form of earmarked grants for specified activities or budget items. However, it is envisaged that all DPs and other external sources will provide the necessary information on allocations, which will then be reflected in the GON budgetary system. MLD's Local Governance Division, in collaboration with the Planning and Foreign Aid Coordination Division, will take the lead in documenting current DPs disbursement and reporting arrangements and those of government, and explaining how they fit together in order to guide harmonisation.

¹⁵ The Letter of Intent will also include how EDPs will provide support in the short term prior to adoption of full SWAp.

On commencement of LGCDP, MLD will work with DPs to review each externally supported project, in order to gauge consistency with the priorities and activities of the LGCDP and to agree on any necessary modifications to DPs support.

There are three major management changes envisaged during the implementation of the LGCDP. These are:

- a. MLD taking responsibility for implementation of projects currently managed by the DPs (and their contracted agencies).
- b. Decentralisation with clear performance management arrangements.
- c. MLD and DoLIDAR moving towards a facilitator/financier and policy making role

5.1.2 Participatory Planning Process based on LSGA

The participatory planning process as provided for by the LSGA will be followed (Annex 4). COs and their federation/cooperatives will be involved in the participatory planning process. Participation of women, dalit and janajatis will be mandatory in the process.

5.1.3 Financial Management

The LSGA, LBFAR, LSGR will together be the basis for fund flows to local bodies, as well as for programme and budget management. Accounting and auditing of local bodies will be maintained as per LSGA and LBFAR. MLD will follow central level financial regulations of GON, whereas, the local bodies will follow the Local Bodies Financial Administration Regulations 2064. An assessment will be carried out to ascertain the degree to which existing financial management processes and protocols are adequate to ensure financial accountability of local governments (and, where necessary, of community organization as well).

5.1.3.1 Funds Flow

LGCDP National Advisory Committee will approve the annual indicative plan and block grant allocations of the programme. The following funds flow mechanisms will be adopted in the LGCDP.

- a. Fund flow and funding mechanisms will be according to the JFA and programme implementation guidelines.
- b. Programmes and budget of the LGCDP will be incorporated into the Annual Budget (Redbook) of the GON. GON, as well as donor agencies' resources, will be released to the District Development Fund (DDF) and Municipal Development Fund (MDF) from the Central Treasury. The DDC will then facilitate the release of funds to the Village Development Fund (VDF) and/or CDF or CBOs and then to the communities.
- c. Top up grants will be blended together with the GON block grant in the form of capacity development grants and capital expenditure grants. A minimum of thirty-three percent of the VDC capital expenditure will be allocated to projects selected by disadvantaged groups), including available for use by community groups to strengthen their own capabilities

- d. For the expanded block grant (topping up), one common consolidated system for the flow of funds through the National Treasury system (FCGO – DTCO - LBs) will be used for all funds, thereby enabling a blend of funds from the outset, as well as consolidated reporting, monitoring and accountability.

The systems and procedures for the flow of funds will be improved in the following areas:

- Transfer of funds will be linked to submission of financial as well as physical output reports – no reports from the LBs will mean no future transfers until all problems have been resolved.
- Support will be provided for strengthening LB audits and OAG capacity building, including support for the development of new audit guidelines for LBs.
- Funds will be transferred in three equal instalments on condition that reports from the last four-monthly period, but one, have been submitted correctly and on time. In FY 2008/09, the existing system will be applied.
- Possibility of setting aside a given portion of the top-up grants received by local bodies to be used to experiment with innovative and flexible methods of service delivery and attaining the Program outcome

The funding flow for the capacity building grant (from year 2 when it is up and running) will use the same route as the development block grants (i.e. through the national Treasury system).

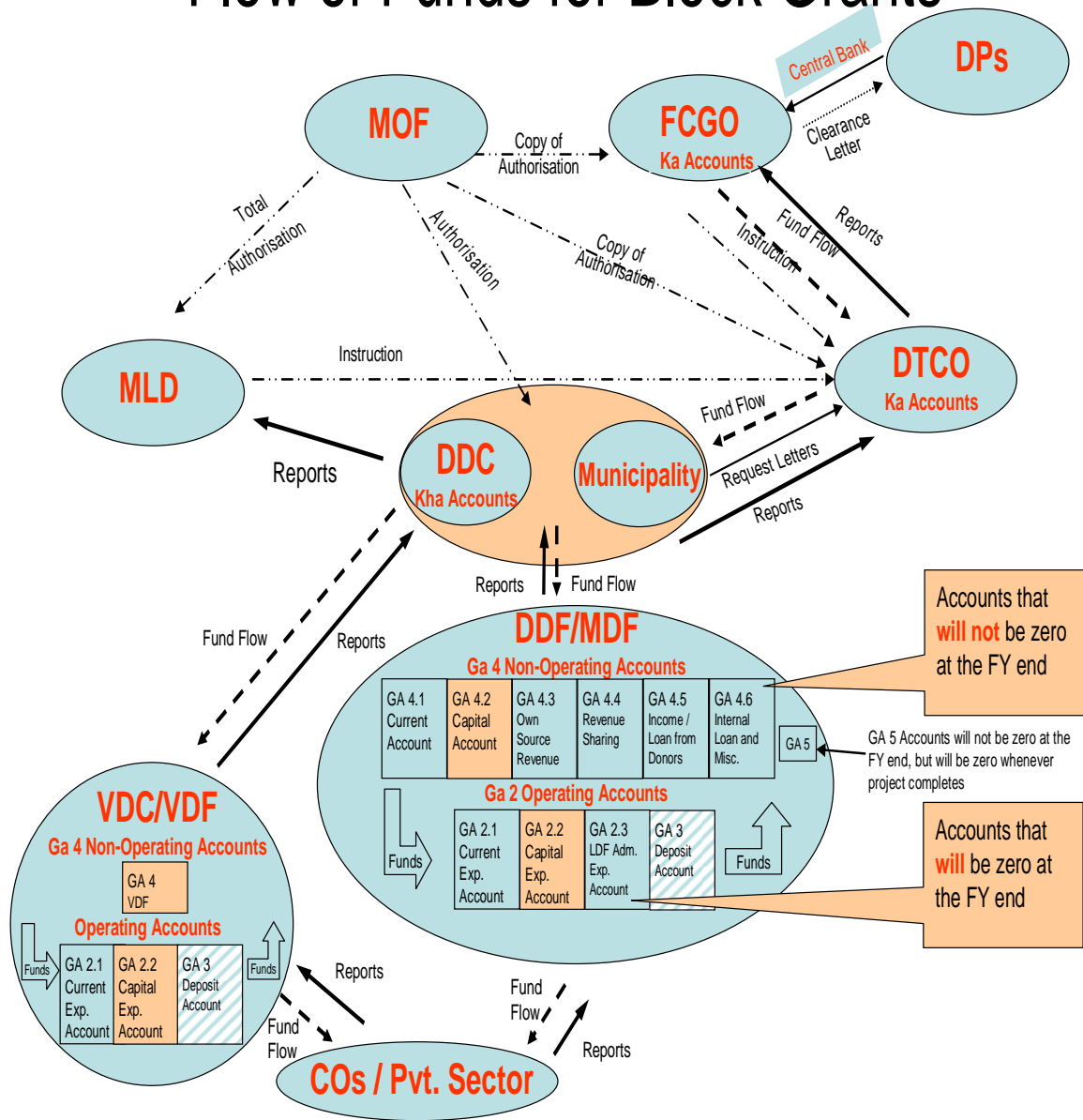
DPs and GoN will sign a JFA on the modalities for flow of funds, reporting, pledging of funds, etc. This will be done as soon as possible in the Approach Period and all parties should closely monitor the flow of funds, and take quick and firm actions in case of delays or irregularities. The system will be flexible and allow for change, if there are reasons for concerns and problems with the suggested modality.

The DPs supporting the JFA will make funds available to GON through a foreign exchange account in the name of the MOF in the NRB, to be used exclusively to finance the Programme

Funding to cover the costs of social mobilisation will go from the DPs to the MLD LGCDP Account and from there directly to the various local bodies and not be part of the block grant system as SM has to do with the demand, not supply, side.

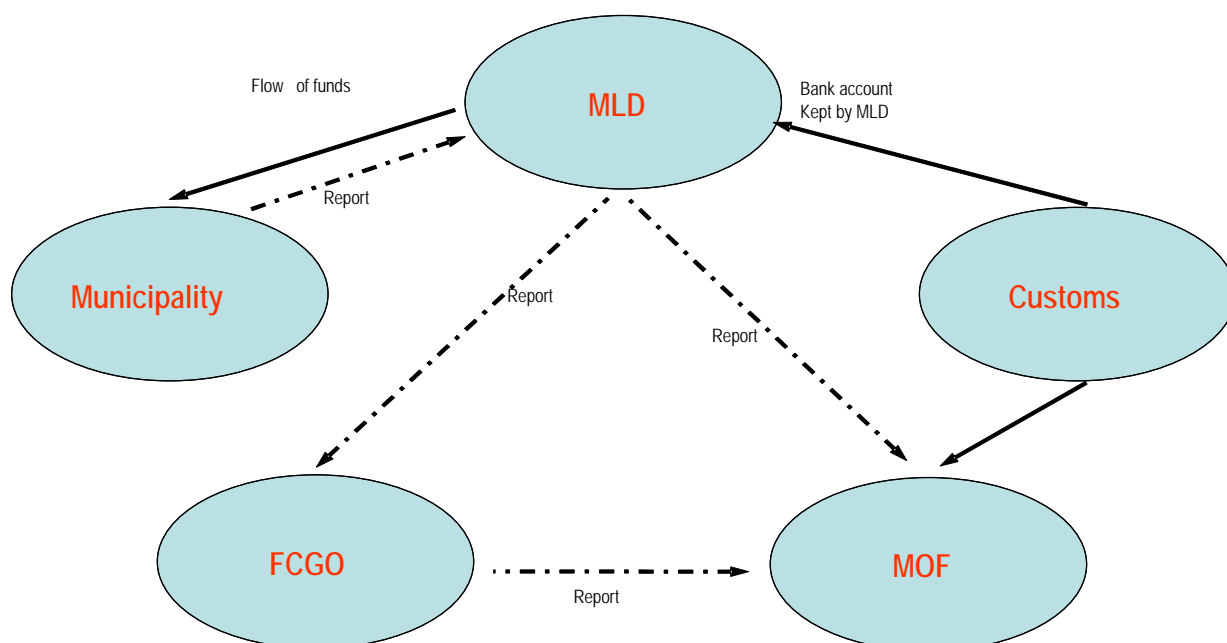
Funds for the VDCs will go through the DDC (see the figure below) to the VDF in the short term, until sufficient capacity is built up at the VDC level to handle direct transfers from the district treasury. Capacity will be targeted towards achieving this objective within the Programme period at a much earlier point of time. The coming VDC block grant studies would provide valuable guidance on where the bottlenecks are and how the system can be prepared so as to handle direct transfers to the VDCs while keeping the monitoring responsibilities of the DDCs intact.

Flow of Funds for Block Grants



For the municipalities the Local development Fee (which may be reformed to apply MC/PM procedures), the existing flow of funds is shown below. Further studies are required to determine which part of the municipal grant system should be enrolled in the expanded performance-based grant allocation scheme. Budget ceiling provision will be gradually initiated for Local Development Fee allocation.

Local Development Fee Flows for Municipalities



5.1.3.2 Budget

The total budget for the programme is USD 202.3 million excluding the government's contribution of USD 260.8 million. A summary line item budget is provided in the table below and detailed output based budget is included in Annex 5.

LGCDP LINE ITEM BUDGET (USD)

LINE ITEM	YEAR				TOTAL
	1	2	3	4	
Block grants (DP contribution)	12,350,000	31,175,000	40,425,000	46,775,000	130,725,000
Block grants (GoN contribution)	65,200,000	65,200,000	65,200,000	65,200,000	260,800,000
Technical Assistance	1,820,000	1,517,500	1,455,000	1,185,000	5,977,500
Capacity Building	6,195,000	6,697,500	6,592,500	5,637,500	25,122,500
Social Mobilisation	1,011,250	2,973,750	5,421,875	7,684,888	17,091,763
Communications/operations	725,000	600,000	525,000	525,000	2,375,000
Equipment	290,000	120,000	5,000	5,000	420,000
LPC Strengthening	750,000	750,000	750,000	750,000	3,000,000
Other	185,000	185,000	185,000	150,000	705,000
Unallocated and contingency	3,748,563	4,804,188	5,350,219	5,985,618	19,888,588
Totals	92,274,813	114,022,938	125,909,594	133,898,006	466,105,351

Estimated available funding (US\$ 'million') and funding gap

	Amount	Total funds planned for the LGCDP	Gap	Potential commitments			
GON	260.8	463.1					
ADB	66.5 ¹⁶						
DFID	30						
Danida	15						
NORAD	10						
CIDA	11						
SDC	4						
UNDP	5						
UNFPA	9						
UNV	0.5						
UNICEF	8.5						
UNCDF	2						
	422.3				463.1	40.8	
World Bank							
JICA							
Government of Finland							
GTZ				29.4			

5.1.3.3 Funding

A number of development partners have signed a letter of intent to support the GON within the areas of local governance and community development over a longer time period. The LGCDP is seen as the first phase of a long term programme of support. Although Government structures and systems are likely to change over the coming years, LGCDP should be seen as the first phase of a longer term programme of support to local governance and community development strengthening both the demand and the supply sides of local service delivery and good governance.

The table below provides an overview of the funding that is expected to be available for LGCDP from the various Development Partners.

	Commitment	Remarks
GON	USD 260.8 million	DDC grant 20 million, Municipal grant 20 million and 188 million VDC grants (capital grants only for 4 years).
ADB	USD 66.5 million	Funding for the entire LGCDP, e.g. through a JFA (preferred). It is going to be in form of "programmatic" support, probably transferred in two instalments as budget support with some few conditions. A quick elaboration of a JFA is absolutely critical for the processing of the support. A part of this support will be earmarked for local peace committees. In addition to this support there is expected to be funds available for TA support to GE/SI.

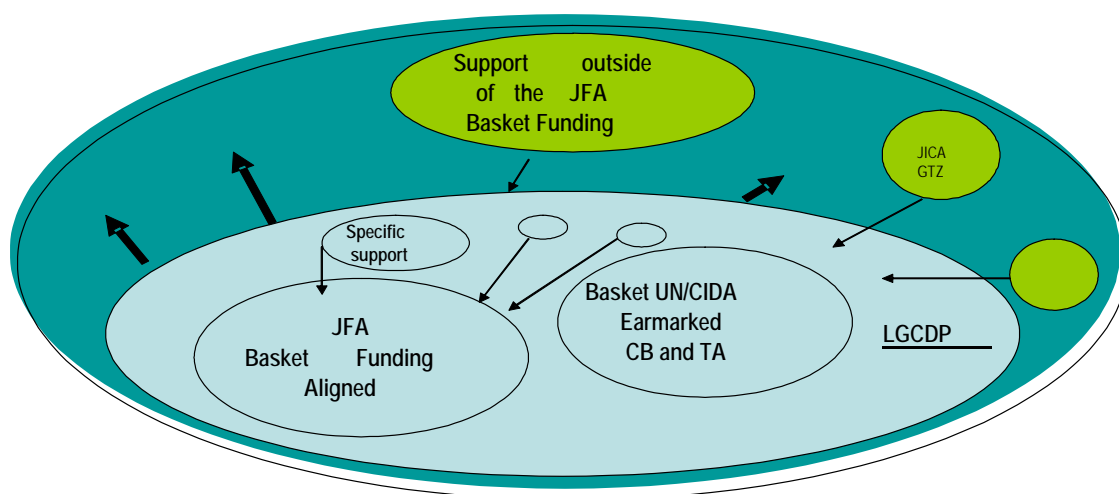
¹⁶ Including \$3 M to LPC to be channel through MOPR

		Potential additional amount of USD 50 Million
DfID	USD 30 million	USD 30 million is the expected amount. DfID contribution is expected from the Programme start.
UN agencies	USD 25 million	Estimate: USD 25 million – the final figure committed. Of these expected USD 25 million, UNDP (USD 5 million, and UNCDF (USD 2 million) have already clarified their commitment. Other UN agencies are in a process of reviewing their ongoing activities and links to the LGCDP.
CIDA	USD 11 million	About 11 million USD for the four years 2008-2012, i.e. 2-3 million annually. The funds can start being utilised from FY 2008/09 (2009)
Danida	USD 15 million	Funds will be available from January 2009. A smaller amount (< 0.5 million USD) will be available in 2008.
Government of Norway	USD 10 million	USD 10 million with 2008 as the starting date.
SDC	USD 4 million	Expects about 4 million USD of which about 0.5 million USD could be spent in the coming FY (2008/09).
GTZ	Euro 20 million (29.4 USD) (UDLE, PASRA and support to TDF) committed and already under implementation and additional 7.5 million Euro is under negotiation.	Funding in the coming years will be as project support to specific activities coordinated with LGCDP. It is important to explore further exactly which of the existing budgets lines in the LGCDP can be taken on board/supported by the funding from GTZ and be an integrated part of the overall budget available for the activities.
World Bank	Potential commitment to be defined	The WB is considering support to local governance and community development, and planning is ongoing. In principle, the WB is positive towards a joint national LGCDP. At the moment, a clear commitment is not available and no decision has yet been taken about the future support and its modalities. Funds (realistic figure: 100 million US\$) will be available if the programme is positively appraised by mid 2009, but will require significant planning and programming.
JICA	to be determined in amount	Two TA support for capacity development of LBs and gender mainstreaming and social inclusion for FY 2008 with the potential to increase 2009 onwards)
Government of Finland	to be determined in amount	Support to programme framework

5.1.3.4 Funding Modalities

- Various funding modalities will be allowed, but with a view towards moving gradually into a genuine SWAp over the next 3-4 years. For the time being, all the DPs will provide support in a coherent, comprehensive and coordinated manner and fully aligned with LGCDP's programmatic framework, thus reducing the overlaps, funding gaps and lack of coordination that have characterised the local governance and community-led development sector in the past.
- The DPs and the GON would seek gradually to move towards harmonised and aligned procedures for support to LGCDP. During the first years, various modalities will co-exist, but it is important from the outset of the Programme to ensure strong coordination of the activities through monthly meetings between MLD and the DPs (led by MLD), through bi-annual joint reviews of the overall activities within LGCDP. ToRs for consultancies will be shared and coordinated to avoid overlap and to ensure sufficient synergies between various initiatives.
- GON's and LBS' audit procedures and systems will be applied, but will be allowed to make on-the-spot checks and audits in agreement with MLD and the OAG.
- A JFA will be elaborated as soon as possible. The areas and DPs covered by the JFA should gradually expand as experience is gained and as trust is built up in the effectiveness of GON processes, supported by strong CB/TA in critical areas.
- The following funding modalities will be applied in the programme period:
 - i. Basket funding arrangement in the form of a JFA, with one budget funding flows. This JFA will particularly cover the flow of funds to blended GON block grants and topping-up of the block grants, but other areas may be considered as well; and the JFA will cover the support from those DPs which can apply JFA/basket fund arrangements, using GON procedures.
 - ii. Basket funding TA arrangement will be managed in a joint MLD/UN system, using the mutually agreed National Implementation Guidelines.
 - iii. DPs willing to fund special budget lines of LGCDP, but with strong coordination of the support to ensure synergies and complementarity, will be accommodated as per mutually agreed upon criteria between GON and DPs.

Modalities for Support to Local Governance and Community Development



5.1.4 Monitoring and reporting

5.1.5.1 Monitoring

A performance monitoring and evaluation system will be developed as soon as possible. GE/SI issues will be integrated into the LG performance monitoring and evaluation system with inclusion of GE/SI sensitive indicators, gender and other socially disaggregated data.

On-the-ground monitoring and mentoring will be done by a roving support & monitoring teams from the centre consisting of key MLD/PCU and line agency staff. These Teams will operate under the supervision of MLD and the central LGCDP team. These Teams will in principle comprise national specialists in local governance, social mobilization, local capacity building/planning, financial management and monitoring. These roving Teams will have a dual role: on one hand, providing support to local government and monitoring performance; on the other and, interacting with (and, in some cases, contracting), backstopping and monitoring the LBs, various NGOs and other social mobilisation agencies active in the area.

Memorandum of understandings will be signed between MLD and DDCs/municipalities, which spell out their respective roles and responsibilities in LGCDP. The role of MLD will be supportive, coordinative, approval of AWPB, policy guidance, M&E, reporting and capacity development. Management guidelines will be developed for DDCs/municipalities.

The Joint Annual Reviews (JAR) will be organised bi-annually, wherein GON and all development partners would participate. The first JAR (timing around November/December) will be the mechanism for proposing changes to the Programme document, in the implementation modalities etc. The JAR will be preceded by donor/Government assessments of implementation, systems, fact finding field visits, management issues etc. A second joint meeting will be conducted in May/June every year, when the annual work-plans, budgets, procurement plans and coordination of support and TA will be agreed upon.

Other monitoring will be done as below:

Local level:

- Monthly, trimesterly and annual programme reviews by PICs at the local bodies level,
- Public audit will be conducted at community level once a year,
- Social audit will be conducted at institutional level (i.e. local bodies) once a year, and
- Public hearing will be conducted by local bodies once a year.

MLD level

- Monthly/trimesterly and annual review by MLD,
- Mid-term review after eighteen months of implementation, and
- External review in the beginning of the fourth year of programme implementation.

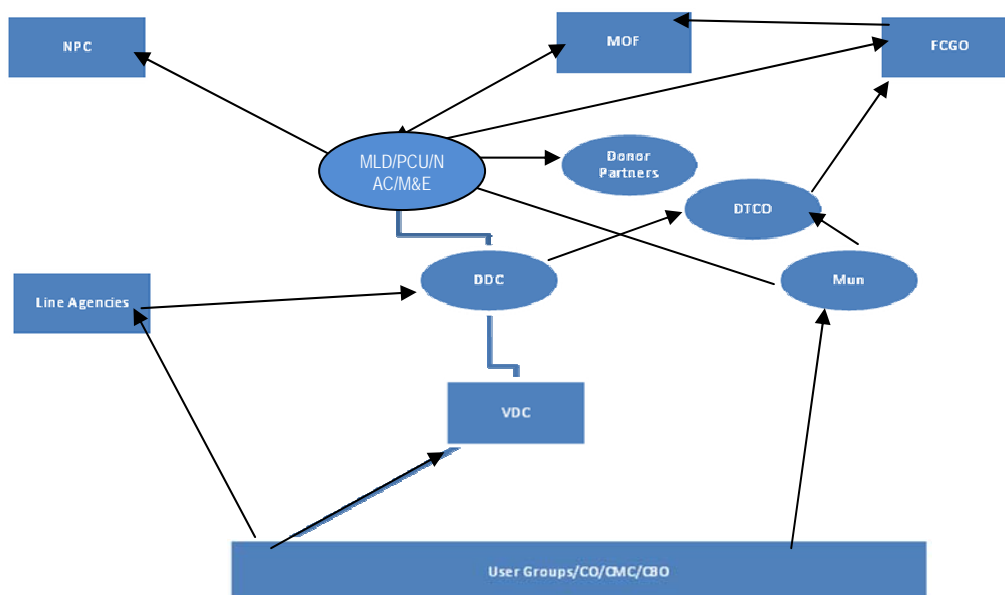
5.1.5.2 Reporting

Reporting formats for the LGCDP will be developed and provided to all the local bodies at a very early stage. A robust system for physical progress reporting, linked to a facility/office in MLD, will be established - which consolidates reviews and follows up on reports. The progress, efficiency and effectiveness of the project will be planned and monitored through a regular reporting system as follows:

- Monthly reports
- Trimesterly progress reports
- Annual progress reports

The LGCDP will publish Annual Monitoring and Performance Reports that will include both physical and financial progress including major achievements. The Nepalese Fiscal Year will be followed for fund disbursement and progress reporting.

Figure 4: Overview of Upward Accountability Reporting System



6. Fiduciary Risks

A recent review of overall Public Financial Management Performance in Nepal (PEFA – February 2008) suggests generally “high” fiduciary risks and indicates a number of areas in need of improvement. Among these areas are: (a) transparency in the intergovernmental fiscal transfer system; and (b) reporting and oversight on the part of various agencies, including the local bodies, which show very poor performance. An action plan has been drawn up and agreements reached to target the weaker PFM areas over the coming years that will be applicable to the LGCDP as well.

The following are the fiduciary risks associated with LGCD

	Risks	Counter Measures
1.	Viable and stable interim local councils are not established	<ul style="list-style-type: none"> Active measures will be taken at the VDC level to foster village level councils. If not established the project will continue to work through local government. Local pressure created through inbuilt Social Mobilization component within LGCDP and commitment expressed by the major

	Risks	Counter Measures
		political parties towards empowering local governments for service delivery. A number of other measures are in place, including social audit, public hearing, public disclosure of LB performance etc.
2.	Cultural and societal norms do not allow for social inclusiveness or gender sensitivity	<ul style="list-style-type: none"> • There is an increasing activism amongst marginalised groups to ensure “voice” – and this will be resisted with difficulty by local elites. In addition, this and other programmes will work hard to provide incentives for disadvantaged groups to voice themselves and to be heard. • Civil society/community's pressure to all the stakeholders will be inclusive through SM component • SMs will receive training in these issues
3.	Fund flow processes prove ineffective and inefficient	<ul style="list-style-type: none"> • DPs through regular joint monitoring, feedback and reviews put pressure on the government. Mitigating measures and adjustment of funding flows may be considered, but the first step will be to strengthen the control and capacity of involved parties in flow of funds.
4.	Weak financial management capacity in MLD	<ul style="list-style-type: none"> • Technical Assistance will be provided for key areas
5.	Weak financial management capability of community groups that are able to access a portion of the top-up grants	<ul style="list-style-type: none"> • There should be a system to ensure that prior to any communities being allocated any level of resources, there is not only an assessment of the capability to manage the resources, but also that there is a protocol in place to monitor such use • Some part of the capacity development grant can be set aside for use by community groups so that they are better able to manage the resources that they would lay claim over • Regular monitoring by local bodies would also help
6.	Poor capacity to audit and lack of follow-up on audit Poor internal audit and absence in some LBs	<ul style="list-style-type: none"> • Support to OAG, development of LB audit guidelines, training, and support to system with QA of VDC audit. • The MC/PM system promote LB incentives to follow-up on irregularities identified in the audit reports • The MC/PM system promotes LB incentives to follow-up on irregularities identified in the audit reports. MCPM system will be continue at the DDC level; to be extended at municipal level; and DDC will introduce a simple mechanism of MCPM for VDC level (with the support of MLD); Internal audit system will be strengthened and audit report will be published for transparency. • The MC/PM system promotes internal audit and has had an impact in the 20 districts where it has been piloted. Rolling out of the system is likely to improve financial management performance and internal audit, based on MTRs of DFDP and external fiduciary risks assessments (DFID, 2006).
7.	Weak procurement capacity and experience in MLD and LBs	<ul style="list-style-type: none"> • The new Procurement Act and Regulations are useful tools in strengthening of the public procurement • Standards are set and in place by MLD • Transparency in procurement ensured • Training will be provided in application of the new Procurement Act

	Risks	Counter Measures
		<p>and Regulations.</p> <ul style="list-style-type: none"> • Core TA includes recruitment of a procurement specialist • MC/PM system covers LB procurement performance and promote improvements
8.	Staff instability in local governments	<ul style="list-style-type: none"> • The Government has indicated that it does wish to address this issue – and this commitment will be carefully monitored. LGCDP will react rapidly to any signs of undue staff turnover in local governments, as well as bolster the ability of local interim councils to insist on staff stability • Regular review meeting between the DPs and MLD to minimise frequent staff transfers, backed by review of staff performance • Training for staff will be conducted
9.	GoN fiscal resources and donor funding decrease dramatically	<ul style="list-style-type: none"> • GON's finances have improved now that the conflict has ended and donors are committed to providing assistance in the post-conflict period
10.	Development partners prove reluctant to align themselves within a single framework of support for decentralisation	<ul style="list-style-type: none"> • The Paris Declaration and commitment of some key development partners should mitigate against this • Program adopts flexible approaches to accommodate different modalities or MLD allows DPs to operate within a framework. • DPs will meet on a regular basis (monthly) with MLD to coordinate LGCDP. JFA will be elaborated and gradually expanded. The DPs have agreed to coordinate their capacity building support. • MLD will take a strong lead in DP coordination.
11.	Negative environmental impact of LB projects	<ul style="list-style-type: none"> • The MC/PM system promotes proper planning processes • Most projects will be small scale projects without environmental impact • Screening tools will be developed to ensure that the LBs considers this important issue in planning and implementation
12.	Weak financial management performance of LBs	<ul style="list-style-type: none"> • The MC/PM system should be up-dated annually to incorporate lessons learned and to further deepen and widen fiduciary safeguards as necessary. This should be combined with a major programme of supply- and demand-driven capacity building for the LBs (the AT endorses this part of the PD, but sufficient funds should be allocated to these important initiatives). It should be emphasized that the assessments should be done in an impartial, independent and external manner with a strong level of quality assurance. • Support to FCGO, OAG, ICAN will be provided • Support to improve reporting and monitoring systems

Annex 1

DAG VDC Mapping Criteria

These ranking indicators are generated from analysis of the findings of the participatory DAG mapping by MLD in consultations with EDPs. As with the participatory indicators used in DAG mapping, these ranking indicators combine both economic and socio-cultural dimensions of DAG-ness. They are used together as a set to rank VDCs (or wards). Information is collected from readily available secondary sources. Criteria used are:

1. HHs with food sufficient <3 months
2. Concentration of marginalized HHs
3. Access to primary school
4. Access to health posts
5. Participation of women, dalit and janajati in planning, execution and decisions making
6. Prevalence of gender discrimination
7. Prevalence of vulnerable HHs

(Note: Mapping will be done according to natural settlements and access of the inhabitants rather than limiting them within administrative demarcation of wards and VDCs.)

Indicators for ranking of VDCs and municipal wards by DAG-ness

No.	Indicators
1	Food sufficiency of <3 months (concentration of daily-wage labourers, out-migration in search of labour, economic enslavement and bonded labour (<i>kamaiya, hali, haruwa/charuwa</i>))
2	Marginalized groups (such as Dalits, <i>janajati</i> , etc., resulting in socio-cultural discrimination, untouchability, verbal abuse, social exclusion in public gatherings and non-acceptability of ethnic cultures)
3	Lack of access (functional and responsive) to basic services: primary-level school and sub health post (deprivation and low affordability of basic services)
4	Low level of representation/participation of women, Dalits and <i>janajati</i> in formal decision-making bodies such as VDC, School Management Committees, Health Management Committees, local NGOs, etc. (lack of recognition of existence, lack of awareness of the rights of women and marginalized groups, illiteracy and low acceptability)
5	Prevalence of gender discrimination (such as early marriage, girls not sent to school, superstition of witch, violence against women, polygamy, polyandry, dowry, <i>chaupadi</i> (the practice of keeping women away from the house during pregnancy and delivery without proper care), <i>parda</i> (the practice of keeping women in a veil, etc.))
6	High prevalence of vulnerable groups such as victims of conflict (orphans, widows, single female-headed households, out-migration, etc.), trafficking, physical disability, natural calamities, HIV/AIDS, hepatitis B etc.

Ranking indicator

Indicator		Category of VDC
Food sufficiency of <3 months		1. <10%
		2. 10–25%
		3. 26–40%
		4. >40%
Concentration of marginalized groups		1. <10%
		2. 10–25%
		3. 26–40%
		4. >40%
Basic needs	Health post	1. Very good
		2. Good
		3. Fair
		4. None
	Primary school	1. Very good
		2. Good
		3. Fair
		4. None
Participation of women, Dalit and <i>janajati</i> in decision-making		1. >40%
		2. 26–40%
		3. 10–25%
		4. <10%
Prevalence of gender discrimination		1. Negligible
		2. Little bit
		3. Much
		4. Very much
Prevalence of vulnerable groups		1. <5%
		2. 5–10%
		3. 11–20%
		4. >20%

LGCDP Logical Framework

Narrative Summary	Objectively Verifiable indicators	Means of Verification	Important Assumptions
<p>Goal:</p> <p>Contributed towards poverty reduction in Nepal</p>	<p>By the end of 2012:</p> <ul style="list-style-type: none"> • Access to local public services improved with enhanced efficiency and accountability of local service providers. • Participation/access of women, Dalits, Adibasi, Janajatis, Muslims, Madhesis and disadvantaged groups increased in the local governance process to establish citizen-centred, responsive and accountable local governance system. • Employment creation and opportunities increased for subsistence living. 	<p>LGCDP MTR/Final Review report</p> <p>LGCDP MTR/Final Review report</p> <p>CBS data</p>	<p>Viable and stable interim local councils established.</p> <p>Cultural and societal norms allows for social inclusiveness or gender sensitivity.</p> <p>Staff policy followed in local governments.</p>
<p>Purpose:</p> <p>Improved access to locally and inclusively prioritised public goods and services</p>	<p>By the end of 2012:</p> <ul style="list-style-type: none"> • Participation in leadership of women and children, <i>Dalits, Adibasi Janajatis</i>, Muslims, <i>Madhesis</i>, disadvantaged groups in governance system increased as compared to 2006 • Engagement of communities (COs and their federations) in participatory planning cycle to lead community development activities in all local bodies improved as compared to the baseline information of 2007/08 • 20% of self-reliant local bodies (DDCs, municipalities and urban oriented VDCs) , determined as per MLD developed criteria, plan and allocate their own resources for local development (X no. of DDCs, X no. of municipalities and x no. of VDCs) • 60% of the COs and citizens surveyed in selected districts positively state that public services at local bodies have improved (deliver services consistent with citizens' 	<p>MLD annual report</p> <p>Baseline and end line survey report</p> <p>MLD annual report</p> <p>MLD annual report LB association's report</p> <p>Survey report</p>	<p>GON priority on local governance continues with fiscal resources and donor funding.</p> <p>Development partners align themselves within a single framework of support for decentralisation.</p>

Narrative Summary	Objectively Verifiable indicators	Means of Verification	Important Assumptions
	preferences). <ul style="list-style-type: none"> • GE/SI strategy operationalised in MLD and GESI focal persons activated in 80% local bodies • Decentralisation SWAp functional and increased number of EDPs participated in the system 	MLD annual report Joint Annual Review Report	
Outcomes			
Outcome 1: Citizens and communities engaged actively with local governments and hold them accountable			
Output 1. Communities and community organisations participate actively in local governance processes	By the end of 2012: <ul style="list-style-type: none"> • At least 33% of the capital expenditure grant provided to Municipalities and VDCs spent on projects prioritised by communities • Inclusive Integrated Planning Committee functional in all local bodies • 90% local bodies annual plan prepared on the basis of participatory planning process • Communities of 100% VDCs and 50% municipalities covered with the extension of social mobilisation program. • X number of women paralegal committee functional by the end of the programme. 	MLD annual report MLD annual report MLD annual report MLD annual report MLD annual report	
Output 2. Increased capacity of citizens, communities and marginalised groups to assert their rights and hold local governments accountable	By the end of 2012: <ul style="list-style-type: none"> • Participation of women, <i>Adibasi Janajatis</i>, <i>Dalits</i>, <i>Madhesis</i>, persons with disability and disadvantaged groups increased by 50% in programme activities as compared to the 2007/08 baseline figure • 33% of COs turned into federations and cooperatives and linked to local bodies and other institutions • 50% DDC/municipalities' and 10% VDCs' performance evaluated and feedback incorporated in LG policy 	MLD annual report MLD annual report MLD annual report	

Narrative Summary	Objectively Verifiable indicators	Means of Verification	Important Assumptions
	<ul style="list-style-type: none"> • X % of community groups are able to access resources through local bodies for use to fund own-determined priorities • Complaints/Grievance handling mechanism made functional at all levels 	MLD annual report	
Outcome 2: Increased capacity of local governments to manage resources and deliver basic services in an inclusive and equitable manner.			
Output 3. Local governments gain access to greater fiscal resources in equitable and appropriate ways	By the end of 2012: <ul style="list-style-type: none"> • Formula based fiscal transfer (with equalisation) system practised at all tiers of local government • Local revenues increased by 50% as compared to 2006/07 • Roles of central government and local bodies (DDC, VDC and Municipality) delineated and implementation started at LBs 	MLD annual report MLD annual report MLD annual report	
Output 4. Appropriate capacity building services passed on to all levels of the local government service delivery system	By the end of 2012: <ul style="list-style-type: none"> • 70% DDCs initiated MC/PM reporting to MLD on their own (reports available in MLD) • 20,000 office bearers of local bodies oriented/trained on local good governance • 10,000 associated individuals oriented/trained in different subjects like planning, coordination, resource mobilization, conflict resolution, empowerment, administrative and financial management, competence in decision making etc. • LB associations involved in policy advocacy and local governance accepted that their capacity has been strengthened • VDC periodic planning piloted in 200 VDCs • 80% of vital events registered in local bodies 	MLD annual report MLD annual report MLD annual report MLD annual report	
Output 5. Local governments	By the end of July 2012:		

Narrative Summary	Objectively Verifiable indicators	Means of Verification	Important Assumptions
service delivery mechanisms and processes fine-tuned	<ul style="list-style-type: none"> • Public hearing, public audit, code of conduct, citizen report card and local bodies computer software institutionalized by 90% DDCs, 75% of municipalities and 40% of VDCs • MC/PM adopted in all DDCs and municipalities and piloted in selected VDCs • All development programmes of the district/municipality reflected in DDC and municipal annual plans 	MLD Annual Report	
Outcome 3: Strengthened policy and national institutional framework for devolution and local self-governance			
Output 6. Policy framework for decentralisation promoted a more enabling environment for effective, transparent and accountable local governance.	<ul style="list-style-type: none"> • Restructured MLD functional by 2010 • Decentralisation SWAp adopted by MLD by FY 2009/10 • Devolution coordination mechanism functional from 2009 • X no. of local bodies adopted child friendly local governance by the end of July 2012 • Roles & responsibilities of local government staff delineated (job descriptions, responsibilities, performance evaluation system, etc.) 	MLD Annual report	
Output 7. Capacity of central government and national non-government institutions to provide appropriate support to local governments is enhanced	<p>By the end of July 2012:</p> <ul style="list-style-type: none"> • Human resource development plan (including broadly defined affirmative action mechanisms) available in MLD and implemented in all DDCs and 30 Municipalities. • Decentralised and results based monitoring system practised in MLD • DMIS functional and linked with DPMAS • Devolution strategy operationalized by 2009 	MLD Annual report	
Output 8. Support provided for programme implementation	<p>By the end of July 2012</p> <ul style="list-style-type: none"> • MLD staff trained and executing all aspects of project management, community development and local governance 	MLD Annual report	

LGCDP Results Framework

Outcomes	Outputs	Indicative Activities	Sub-activities
A. Citizens and communities engage actively with local governments' processes to enable greater citizen-community input and oversight.	1. Communities and community organisations participate actively in local governance processes.	1.1. Establish institutional mechanisms through which communities and community organisations can participate in the local planning, implementation and oversight process	1.1.1. Map out modalities and experiences from various countries in participatory planning procedures 1.1.2. Support the functioning of the integrated planning committee at the DDC level and establish similar body at the VDC level by establishment of rules and procedures. 1.1.3. Roll out and dissemination of procedures on 1.2
		1.2. Strengthen the capacity of communities and community organisations to participate in the local planning, implementation and oversight process	1.2.1. Develop a strategy for SM 1.2.2. Map out DDC/VDCs according to degree of mobilisation already in place and define modality for the coverage of social mobilisation activities 1.2.3. Establish criteria for choice of VDCs for roll out 1.2.4. Conduct social mobilisation with community organisations – method depending on the level of maturity of the local area (group of VDCs already covered and others never covered) with training in community mobilisation and principles of local community participation 1.2.5. Prepare exit strategy and implementation framework
	2. Increased capacity of citizens, communities and marginalised groups to assert their rights and hold local governments accountable	2.1. Carry out IEC activities	2.1.1. Identify core IEC messages to be disseminated 2.1.2. Identify and contract key media for IEC activities 2.1.3. Disseminate basic messages about LG (LSGA, decentralisation policies, etc.) 2.1.4. Provide basic information to the public (block grants, audit outcomes, MC/PM assessments, etc.) 2.1.5. Support MLD to perform the activities on IEC 2.1.6. Support (training and information) to media on local governance issues

Outcomes	Outputs	Indicative Activities	Sub-activities
		2.2. Strengthen mechanisms for local and community level advocacy, monitoring and oversight of local government	2.2.1 Define status and management arrangements for a LG&AF to support local community organisations and other stakeholders in promoting local government accountability. 2.2.2 Establish LG&AF 2.2.3 Provide support to local body associations for the operation of the LG&AF 2.2.4 Monitor and evaluate performance of LG&AF 2.2.5 Assess impact of LG&AF
		2.3. Provide technical and capacity building support to citizens' institutions led by disadvantaged groups to promote interactions with LBs	2.3.1. Identify COs (including DDC-level dalit, janajati and other committees) led by disadvantaged communities 2.3.2. Assess need of such COs 2.3.3. Fine tune mandate of COs 2.3.4. Provide support for training on local governance issues 2.3.5. Provide technical assistance and advisory services to such COs including advocacy for civil rights 2.3.6. Provide support for appropriate institutional setup
B. Increased capacity of local governments to manage resources and deliver basic services in an inclusive and equitable manner.	3. Local governments gain access to greater fiscal resources in equitable and appropriate ways	3.1. Provide formula and performance based (MC/PM) block grants to DDCs	3.1.1. Put in order/refine DDC block grant formula 3.1.2. Disburse DDC block grants
		3.2. Provide formula and performance based (MC) block grants to VDCs	3.2.1. Put in order VDC block grant formula 3.2.2. Prepare and pilot MC/PM 3.2.3. Disburse VDC block grants
		3.3. Provide formula and performance based (MC/PM) block grants to non metropolitan municipalities	3.3.1. Define the municipal grant system for block grant formula (application and size) 3.3.2. Elaborate municipal block grant formula 3.3.3. Refine and Implement MC/PM system 3.3.4. Disburse municipal block grants
		3.4. Support to development of the metropolitan, sub-metropolitan and larger municipalities funding system	3.4.1. Review and recommendations on the funding system for metropolitan and sub-metropolitan municipalities 3.4.2. Implementation of the recommendations to improve on the overall system of funding including systems for improved performance incentives

Outcomes	Outputs	Indicative Activities	Sub-activities
		3.5. Assess MC/PM of all supported local governments	3.5.1. Design MC/PM assessment process for VDCs 3.5.2. Train DDCs in use of VDC MC/PM assessment methodology 3.5.3. Develop systems of quality assurance and approval of results 3.5.4. Provide DDCs with financial and logistical support to carry out VDC MC/PM assessments 3.5.5. Provide MLD/LBFC with support to contract out MC/PM assessments for DDCs and municipalities 3.5.6. Provide MLD/LBFC with current support to up-date and refine the system (linked to output 6)
		3.6. Provide support for own source revenue collection by LGs	3.6.1. Assess existing tax/revenue base for LGs 3.6.2. Assess LG revenue administration procedures 3.6.3. Identify ways of expanding LG tax/revenue base 3.6.4. Identify options for improving LG tax/revenue administration 3.6.5. Fine tune LG revenue collection/administration manuals 3.6.6. Establish improved linkage between revenue and service delivery 3.6.7. Provide training to LG officials and elected/nominated representatives
		3.7. Review and refine revenue & expenditure assignments and types of revenue	3.7.1. Review revenue and expenditure sharing arrangements 3.7.2. Review appropriateness of existing types of revenue (e.g. LDF, house and property tax) 3.7.3. Support implementation of any proposed reforms to revenue/expenditure sharing arrangements and types of revenue
	4. Appropriate capacity building services passed on to all levels of the local government service delivery system	4.1. Design and allocate CD grants for LGs	4.1.1. Prepare formula for CD grants 4.1.2. Inform LGs of CD grant system 4.1.3. Disburse CD grants to LGs 4.1.4. Monitor the utilisation of the grants and adjust (on an annual basis)

Outcomes	Outputs	Indicative Activities	Sub-activities
		4.2. Earmark LGs' access to TA funds (embedded in block grants)	4.2.1. Elaborate capacity building block grant strategy and implementation arrangements 4.2.2. Communicate to DDCs, VDCs and municipalities on the size of the block grants earmarked for TA
		4.3. Provide support to DDCs for backstopping and mentoring of VDCs	4.3.1. Prepare guidelines for DDC backstopping and mentoring of VDCs 4.3.2. Disseminate guidelines to DDCs and VDCs 4.3.3. Build a facilitating team within DDC including line agencies' officials if needed/necessary, using contracted NGOs/companies to support the teams in up-start phase. 4.3.4. Train DDCs in backstopping and mentoring of VDCs
		4.4. Prepare LGs GE/SI Capacity Development (CD) plans	4.4.1. Provide support to develop a CD planning methodology for LGs 4.4.2. Support the HR units in the DDCs to develop CD plans and use the CD grants 4.4.3. Provide Training in LG CD planning processes 4.4.4. Provide support to the HR unit of the DDCs and municipality and VDC CD functions 4.4.5. Backstop LG CD planning activities
		4.5. Provide GE/SI core training services to LGs	4.5.1. Contract core CD service providers 4.5.2. Supervise activities of CD service providers 4.5.3. Monitor and evaluate performance of CD service providers
		4.6. Provide core capacity-building to local level line departments to deliver public services	4.6.1. Review interactions between line-departments and core administration at the DDC level 4.6.2. Elaborate training materials on these issues 4.6.3. Support line departments (HR, etc.) 4.6.4. Provide standard training for all DDCs and VDC secretaries
		4.7. Provide core training services to community organisations, user groups and other local service delivery (production) agencies (including private /SME sector)	4.7.1. Elaborate training materials on various forms of service delivery production (planning, budgeting, implementation, M&E etc.) for COs, user groups and private contractors 4.7.2. Support training of these providers (contracted NGOs and private companies)

Outcomes	Outputs	Indicative Activities	Sub-activities
		4.8. Design standard training modules for the demand side training	4.8.1. Prepare core training curricula 4.8.2. Define certification process for service providers
		4.9. CB of Interim Local Bodies and officials	4.9.1. CB of VDCs 4.9.2. CB of DDCs 4.9.3. CB of Municipalities
		5.1. Update PEM and PFM systems and procedures	5.1.1. Fine tune procurement and implementation procedures 5.1.2. Fine tune bottom-up planning & budgeting procedures 5.1.3. Fine tune Operation and Maintenance (O&M) and asset management procedures 5.1.4. Fine tune social inclusion mechanisms (dalit, women and DAG committees) in planning and budgeting systems 5.1.5. Fine tune resource sharing mechanism 5.1.6. Fine tune LG reporting, monitoring and evaluation systems 5.1.7. Prepare reporting, monitoring and evaluation software
	5. Local governments service delivery mechanisms and processes fine-tuned	5.2. Test safety net and social assistance programmes	5.2.1. Carry out scoping study for safety net and social assistance programmes 5.2.2. Design safety net programme pilot 5.2.3. Implement safety net pilot in selected VDCs 5.2.4. Monitor and evaluate safety net pilot 5.2.5. Adjust design and implement
		5.3. Pilot sector support (e.g. education, health, etc.) at the local level	5.3.1. Carry out scoping study for sector conditional grants 5.3.2. Design sector conditional grant pilot in close cooperation with the LMs 5.3.3. Implement sector conditional grant pilot 5.3.4. Monitor and evaluate sector conditional grant pilot and provide input to policy development (output 6)

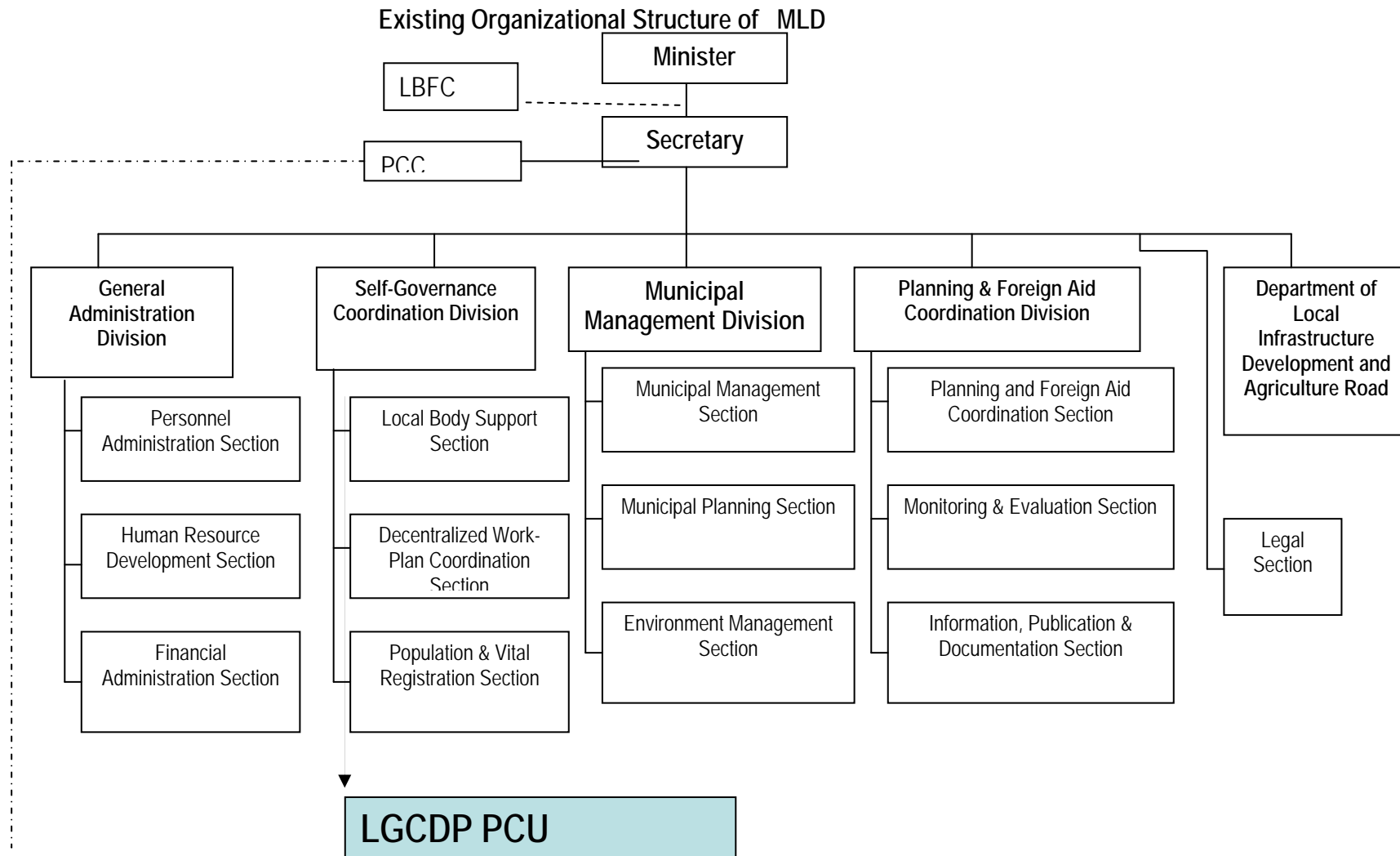
Outcomes	Outputs	Indicative Activities	Sub-activities
		5.4 Test DDC local development coordination functions (line agencies, NGOs, etc.)	5.4.1 Identify coordination needs and mechanisms 5.4.2 Design improved coordination mechanisms 5.4.3 Support implementation of improved coordination mechanisms 5.4.4 Monitor and evaluate DDC coordination activities 5.4.5 Assign tasks to divisions, sectors and officials 5.4.6 Evaluate performance on the basis of satisfactory tasks completion and quality of work standards 5.4.7 Activate sectoral agencies effectively and accountably
C. Strengthened policy and national institutional framework for devolution and local self-governance	6. Policy framework for decentralisation promoted a more enabling environment for effective, transparent and accountable local governance	6.1 Review decentralisation and sector devolution policy	6.1.1 Review previous policies on decentralisation 6.1.2 Elaborate overall sector policy for decentralisation 6.1.3 Elaborate sector devolution guidelines (including procedures for HR/staffing, funding flows, functional assignment etc.) in close interaction with LMs 6.1.4 Prepare local government audit strategy 6.1.5 Develop a national framework on child-friendly local government
		6.2 Establish decentralisation SWAp	6.2.1 Review of all development partner funding within decentralisation sector 6.2.2 Establish system for meetings between DPs and GoN 6.2.3 Ensure linkages to decentralisation policy (and the policy components in 6) 6.2.4 Develop investment plan for the decentralisation sector linked to GoN's budget 6.2.5 Establish systems and procedures for up-date of the annual work plans and budgets 6.2.6 Develop aligned procedures for DP modalities (PFM) 6.2.7 Prepare joint funding arrangements (studies, reviews, initiatives to strengthen GoN systems) 6.2.8 Develop results framework (see under M&E above) 6.2.9 Develop reporting systems for the use of funds 6.2.10 Conduct orientation/training on SWAp 6.2.11 Provide GoN officials (MLD, etc.) with exposure to experience with SWAp

Outcomes	Outputs	Indicative Activities	Sub-activities
		6.3 Prepare more effective policy environment for "demand" side of local governance	6.3.1 Review existing policies and programme experiences 6.3.2 Elaborate policy and guidelines on demand side of local governance and disseminate
		6.4 Prepare improved staffing policies for local governments	6.4.1 Support development of appropriate staffing policy for key seconded civil servants 6.4.2 Support establishment of performance-linked incentives for seconded and local staff 6.4.3 Support policy thinking on local service arrangements 6.4.4 Support development of appropriate arrangements (salary scales, job descriptions, recruitment procedures, etc.) for local government staff
		6.5 Prepare National Capacity Development Strategy for local governments	6.5.1 Outsource resource centres for CD strategy preparation 6.5.2 Support development of CD Strategy and framework, including elements of the activity 4.1.
		6.6 Conduct outcomes and impact studies of local governance and community development programmes and outputs (evidence-based policy-making)	6.6.1 Outsource for conducting studies on the outcomes and impacts of the various components and outputs of the programme and other related programmes 6.6.2 Conduct action research for the improvement of devolution process to foster local self-governance 6.6.3 Document and publish outcomes and impacts in MLD annual reports
		6.7 Fine-tuning of local government infrastructure and service delivery mechanisms and processes informs national policy processes	6.7.1 Monitor and document lessons learned from Outputs 3 and 5 activities
		6.8. Policy review and action plan regarding sector devolution	6.8.1. Policy input to DIMC/DIMCWC

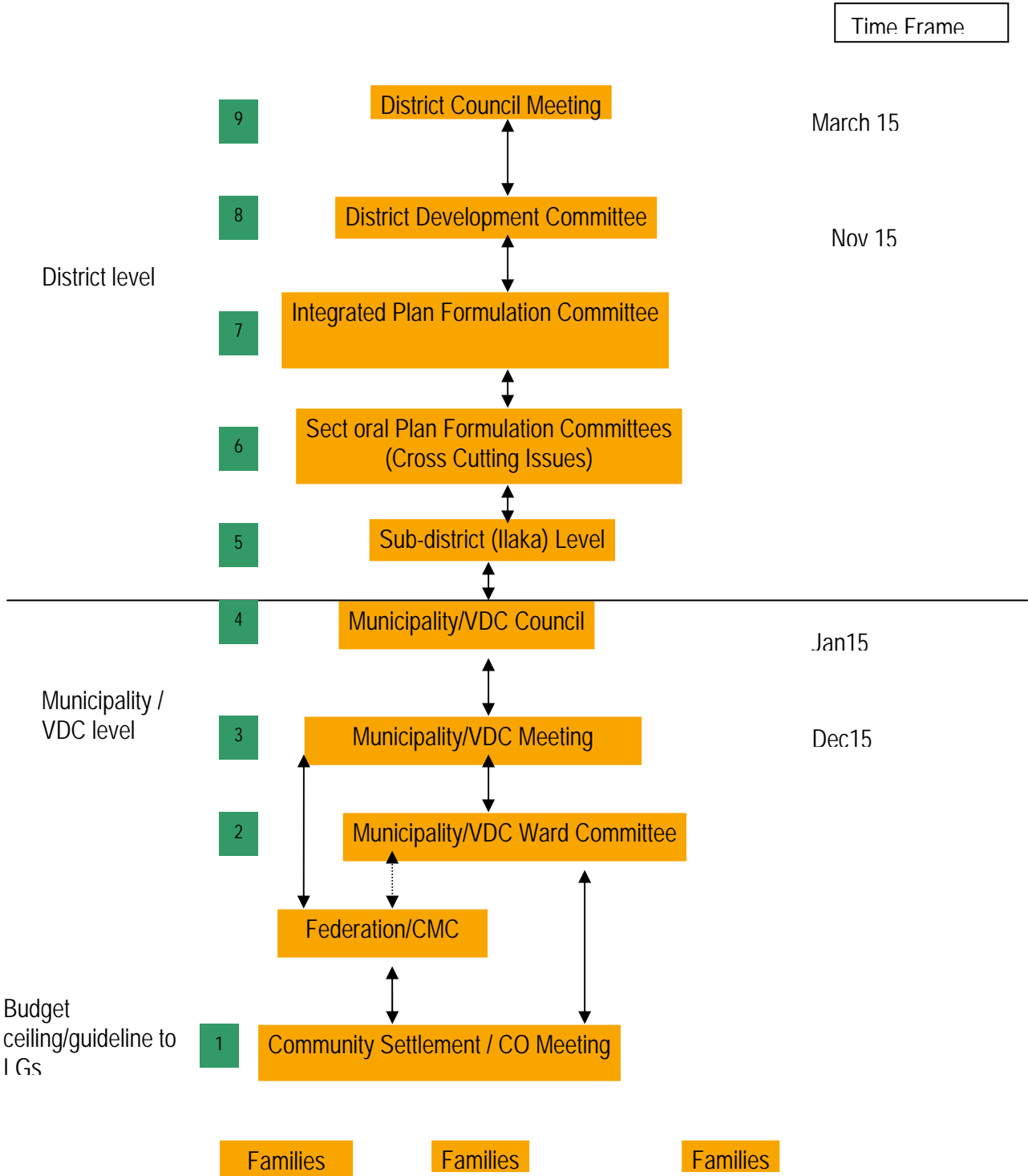
Outcomes	Outputs	Indicative Activities	Sub-activities
	7. Capacity of central government and national non-government institutions to provide appropriate support to local governments is enhanced	7.1 Provide support for GoN local governance policy analysis and policy making functions	7.1.1 Build capacity of MLD, MoF, LMs, NPC, PMO and other CG officials 7.1.2 Support MLD's Policy Coordination Committee (PCC) and enhance its capacities to coordinate and replicate decentralisation and local governance support activities 7.1.3 Provide technical assistance and advisory services 7.1.4 Support development of social mobilisation policy 7.1.5 Support development of policies and procedures for donor harmonisation 7.1.6 Support policy processes (e.g. consultations with ADDCN, MuAN and NAVIN)
		7.2 Provide support to LBFC	7.2.1 Provide technical assistance in defining LBFC role, functions and composition and linkages with other institutions 7.2.2 Provide training and capacity-building to LBFC officials 7.2.3 Support LBFC functioning within important areas such as studies, coordination, networking (e.g. with other fiscal commissions and related institutions), advising, assessments, monitoring, etc. 7.2.4 Provide support to development of an intergovernmental fiscal grant and development grant policies and an up-date of the fiscal decentralisation road map 7.2.5 Support annual reviews of the development of fiscal decentralisation policy 7.2.6 Support operationalization of the new role assigned to the LBFC with respect to annual assessments of LBs performance (MC/PM system) 7.2.7 Support follow-up and update the refinement and implementation of selected recommendations from the LBFC

Outcomes	Outputs	Indicative Activities	Sub-activities
		7.3 Provide support to LB associations (ADDCN, MuAN, NAVIN)	7.3.1 Assess capacity of the LB associations 7.3.2 Support the LB associations – ADDCN, MuAN and NAVIN within their core areas such as policy development/advocacy/development of governance policies and support to regulations, capacity building of members LBs and quality support, dissemination, knowledge and learning share
		7.4 Support implementation of National Capacity Development Strategy for local governments	7.4.1 Strengthen MLD's HR department including Local Development Training Academy 7.4.2 Identify qualified CD service providers (LDTA etc.)
		7.5 Design and implement MLD LG performance monitoring and evaluation system	7.5.1 Review and design monitoring indicators, encompassing the results of the MC/PM system 7.5.2 Build capacity of the MLD monitoring team in results-based monitoring 7.5.3 Organise training on results-based monitoring 7.5.4 Prepare LG reporting system – fiscal as well as physical output progress reports in cooperation with other agencies, particularly MoF and NPC 7.5.5 Review/refine LG reporting system 7.5.6 Support DMIS development and functioning in MLD and linkage to DPMAS
		7.6 Mainstream gender equality and social inclusion (GE/SI) and child/youth inclusion (CYI) in MLD	7.6.1 Restructure MLD 7.6.2 Establish GE/SI section in MLD and identify GE/SI focal person in local bodies 7.6.3 Support GoN's Gender Responsive Budget Committee 7.6.4 Train staff in GESI/CYI related issues for better and GE/SI sensitive budgeting, planning and monitoring 7.6.5 Review institutional arrangements for implementation of GESI/CYI strategies 7.6.6 Implement MLD GESI/CYI strategy 7.6.7 Review possibilities for strengthening of MLD's support role in this area vis-à-vis LBs.

Outcomes	Outputs	Indicative Activities	Sub-activities
		<p>7.7 Organise capacity building programme for decentralisation focal units of various line ministries including NPCS, MoF, PMO, MoGA, MoWC&SW, MoE, MoHP, and MoAC and others</p>	<p>7.7.1 Establishment of contacts and organise meeting of focal points</p> <p>7.7.2 Assess core areas for capacity building</p> <p>7.7.3 Prepare course manuals</p> <p>7.7.4 Outsource capacity building to appropriate agencies</p> <p>7.7.5 Conduct CD programmes</p> <p>7.7.6 Support central level agencies in important areas such as studies, coordination, networking (e.g. with other international institutions), advising, assessments, monitoring, etc.</p>
		<p>7.8 Provide FCGO, AGO and ICAN with capacity building support</p>	<p>7.8.1 Review OAG local government audit capacities</p> <p>7.8.2 Provide OAG with capacity building services</p>
		<p>7.9. Provide support for policy coordination and exposure</p>	<p>7.8.3. Policy coordination for devolution</p>
	8. Support provided for programme implementation		<p>8.1.1. Review the organisation of MLD, the structures and the links with LGCDP</p> <p>8.1.2. Recruit core technical support staff with support (public financial management, procurement and project management)</p> <p>8.1.3. Ensure basket funds for procurement of short term TA</p> <p>8.1.4. Provide logistical support to MLD (office space, computers and other software)</p> <p>8.1.5. Establish linkages to specific non-MLD project management functions, e.g. the semi-autonomous facility</p> <p>8.1.6. Ensure funding for all staff contracted for SM</p> <p>8.1.7. Train MLD core responsible staff in all aspects of project management, community development and local governance.</p>



Participatory Planning Process



LGCDP Budget

OUTPUT	ACTIVITY	SUB-ACTIVITY	COST ITEMS						
				YR 1	YR 2	YR 3	YR 4	TOTAL	Output Total
1. Communities and community organisations participate actively in local governance processes.	1.1. Establish institutional mechanisms through which communities and community organisations can participate in the local planning, implementation and oversight process	1.1.1. Map out modalities and experiences from various countries in participatory planning procedures 1.1.2. Support the functioning of the integrated planning committee at the DDC level and establish similar body at the VDC level by establishment of rules and procedures 1.1.3. Roll out and dissemination of procedures on 1.2	Printing	10,000	10,000			102,500	17,054,263
			TA and training	45,000	22,500	15,000			
	1.2. Strengthen the capacity of communities and community organisations to participate in the local planning, implementation and oversight process	1.2.1. Develop a strategy for SM 1.2.2. Map out DDC/VDCs according to degree of mobilisation already in place and define modality for the coverage of social mobilisation activities 1.2.3. Conduct social mobilisation with community organisations – method depending on the level of maturity of the local area (group of VDCs already covered and others never covered) with training in community mobilisation and principles of local community participation 1.2.4. Prepare exit strategy and implementation framework Local Governance/SM Specialist	Out-sourced contracts for SM service providers	900,000	2,700,000	4,950,000	7,047,000	16,951,763	
			CB of SM service providers	25,000	75,000	137,500	195,750		
			Miscellaneous	46,250	138,750	254,375	362,138		
			Core TA	30,000	30,000	30,000	30,000		

2.Increased capacity of citizens, communities and marginalised groups to assert their rights and hold local governments accountable	2.1. Carry out IEC activities	2.1.1 Identify core IEC messages to be disseminated 2.1.2 Identify and contract key media for IEC activities 2.1.3 Disseminate basic messages about LG (LSGA, decentralisation policies, etc.) 2.1.4 Provide basic information to the public (block grants, audit outcomes, MC/PM assessments, etc.) 2.1.5 Identify core IEC messages to be disseminated 2.1.6 Identify and contract key media for IEC activities 2.1.7 Disseminate basic messages about LG (LSGA, decentralisation policies, etc.) 2.1.8 Provide basic information to the public (block grants, audit outcomes, MC/PM assessments, PETS, etc.) 2.1.9 Support MLD to perform the activities on IEC 2.1.10 Support (training and information) to media on local governance issues	Out-sourced contract to private sector media firm	350,000	350,000	350,000	350,000	1,400,000	8,700,000
	2.2. Strengthen mechanisms for local and community level advocacy, monitoring and oversight of local governance issues	2.2.1. Define status of and management arrangements for a semi autonomous organisation for local governance and accountability facility 2.2.2. Establish local governance and accountability facility 2.2.3. Support to specific activities to promote transparency 2.2.4. Monitor and evaluate performance of LG and accountability facility. 2.2.5. Assess impact of LG and accountability facility	Overheads and functioning of LG&AF	155,000	155,000	155,000	155,000	6,620,000	
			Grants	500,000	2,000,000	2,000,000	1,500,000		
	2.3. Provide technical and capacity building support to citizens' institutions led by disadvantaged groups to promote interactions with LBs	2.3.1. Identify COs (including DDC-level dalit, janajati and other committees) led by disadvantaged communities 2.3.2. Assess need of such COs 2.3.3. Fine tune mandate of COs 2.3.4. Provide support for training on local governance issues 2.3.5. Provide technical assistance and advisory services to such COs 2.3.6. Provide support for appropriate institutional setup	Training	20,000	80,000	120,000	200,000	680,000	
			Social mobilisation	40,000	60,000	80,000	80,000		

3. Local governments gain access to greater fiscal resources in equitable and appropriate ways	3.1. Provide formula and performance based (MC/PM) block grants to DDCs	3.1.1. Put in order/refine DDC block grant formula 3.1.2. Disburse DDC block grants	Grants	8,250,000	9,750,000	10,500,000	11,250,000	39,810,000	121,045,000 Uptake = \$ 150000/year per DDC; Y1 = 55 DDCs, Y2 = 65 DDCs, Y3 = 70 DDCs, Y4 = 75 DDCs Uptake = \$ 8,000/year per VDC; Y1 = 500 VDCs, Y2 = 2000 VDCs, Y3 = 3000 VDCs, Y4 = 3700 VDCs Uptake = \$ 50000/yr per municipality; Y2 = 20 municipalities, Y3 = 40 municipalities, Y4 = 50 municipalities
			TA	40,000		20,000			
	3.2. Provide formula and performance based (MC) block grants to VDCs	3.2.1. Put in order VDC block grant formula 3.2.2. Prepare and pilot MC/PM 3.2.3. Disburse VDC block grants	Grants	3,600,000	16,000,000	24,000,000	29,600,000	73,260,000	
			TA	40,000	20,000				
	3.3. Provide formula and performance based (MC/PM) block grants to non metropolitan municipalities	3.3.1. Define the municipal grant system for block grant formula (application and size) 3.3.2. Elaborate municipal block grant formula 3.3.3. Refine and Implement MC/PM system 3.3.4. Disburse municipal block grants	Grants		1,500,000	2,000,000	2,500,000	6,060,000	
			TA	40,000		20,000			
	3.4. Support to development of the metropolitan, sub-metropolitan and larger municipalities funding system	3.4.1. Review and recommendations on the funding system for metropolitan and sub-metropolitan municipalities 3.4.2. Implementation of the recommendations to improve on the overall system of funding including systems for improved performance incentives	TA		40,000	40,000	40,000	120,000	
	3.5. Assess MC/PM of all supported local governments	3.5.1. Design MC/PM assessment process for VDCs 3.5.2. Train DDCs in use of VDC MC/PM assessment methodology 3.5.3. Develop systems of quality assurance and approval of results 3.5.4. Provide DDCs with financial and logistical support to carry out VDC MC/PM assessments 3.5.5. Provide MLD/LBFC with support to contract out MC/PM assessments for DDCs and municipalities 3.5.6. Provide MLD/LBFC with current support to up-date and refine the system (linked to output 6)	TA	40,000	35,000			1,275,000	
			Consultants for assessments (DDC and municipalities)	200,000	200,000	200,000	200,000		
			CB	50,000	50,000	50,000	50,000		
			Support for DDCs	50,000	50,000	50,000	50,000		

	3.6. Own source revenue collection by LGs supported	3.6.1. Assess existing tax/revenue base for LGs 3.6.2. Assess LG revenue administration procedures 3.6.3. Identify ways of expanding LG tax/revenue base 3.6.4. Identify options for improving LG tax/revenue administration 3.6.5. Fine tune LG revenue collection/administration manuals 3.6.6. Establish improved linkage between revenue and service delivery 3.6.7. Provide training to LG officials and elected/nominated representatives	TA	-	35,000	25,000	20,000	260,000	
			CB	60,000	60,000	30,000	30,000		
	3.7. Review and refine revenue & expenditure assignments and types of revenue	3.7.1. Review revenue and expenditure sharing arrangements 3.7.2. Review appropriateness of existing types of revenue (e.g. LDF, house and property tax) 3.7.3. Support implementation of any proposed reforms to revenue/expenditure sharing arrangements and types of revenue PFM and Fiscal Decentralisation Specialists	CB		35,000	25,000	20,000	80,000	
4. Appropriate capacity building services passed on to all levels of the local government service delivery system	4.1. Design and allocate CD grants for LGs	4.1.1. Prepare formula for CD grants 4.1.2. Inform LGs of CD grant system 4.1.3. Disburse CD grants to LGs 4.1.4. Monitor the utilisation of the grants and adjust (on an annual basis)	TA	25,000		25,000		3,110,000	26,372,500
			Grants		1,000,000	1,000,000	1,000,000		
			Miscellaneous		20,000	20,000	20,000		
	4.2. Earmark LGs' access to TA funds (embedded in block grants)	4.2.1. Elaborate capacity building block grant strategy and implementation arrangements 4.2.2. Communicate to DDCs, VDCs and municipalities on the size of the block grants earmarked for TA	No cost						
	4.3. Provide support to DDCs for backstopping and mentoring of VDCs	4.3.1. Prepare guidelines for DDC backstopping and mentoring of VDCs 4.3.2. Disseminate guidelines to DDCs and VDCs 4.3.3. Build a facilitating team within DDC including line agencies' officials if needed/necessary, using contracted	Printing	15,000		15,000		275,000	
			CB	75,000	75,000	75,000			
			Miscellaneous	5,000	5,000	5,000	5,000		

	NGOs/companies to support the teams in up-start phase. 4.3.4. Train DDCs in backstopping and mentoring of VDCs							
4.4. Prepare LGs GE/SI Capacity Development (CD) plans	4.4.1. Provide support to develop a CD planning methodology for LGs	CB	75,000	37,500	37,500	37,500	227,500	
	4.4.2. Support the HR units in the DDCs to develop CB plans and use the CB grants Provide training in LG CD planning processes 4.4.3. Provide support to the HR unit of the DDCs and municipality and VDC CB development functions 4.4.4. Backstop LG CD planning activities	Miscellaneous	10,000	10,000	10,000	10,000		
4.5. Provide GE/SI core training services to LGs	4.5.1. Contract core CD service providers	CB	750,000	375,000	750,000	375,000	2,350,000	
	4.5.2. Supervise activities of CD service providers	TA	25,000	25,000	25,000	25,000		
	4.5.3. Monitor and evaluate performance of CD service providers							
4.6. Provide core capacity-building to local level line departments	4.6.1. Review interactions between line-departments and core administration at the DDC level 4.6.2. Elaborate training materials on these issues 4.6.3. Provide standard training for all DDCs 4.6.4 Provide support to LBs for women, children and youth activities	CB	4,375,000	4,375,000	4,375,000	4,375,000	17,500,000	
4.7. Provide core training services to community organisations, user groups and other local service delivery (production) agencies (including private /SME sector)	4.7.1. Elaborate training materials on various forms of service delivery production (planning, budgeting, implementation, M&E etc.) for COs, user groups and private contractors 4.7.2. Support training of these providers (contracted NGOs and companies)	CB	150,000	150,000	150,000	-	450,000	
4.8. Design standard training modules for demand side training	4.8.1. Prepare core training curricula 4.8.2. Define certification process for service providers	TA	50,000	50,000	-	-	100,000	
4.9 CB of Interim Local Bodies and officials	4.9.1 CB of VDCs 4.9.2 CB of DDCs 4.9.3 CB of Municipalities	CB	200,000	1,000,000	600,000	200,000	2,000,000	
	CB Specialists (x2)+ GE/SI specialist	Core TA	90,000	90,000	90,000	90,000	360,000	

5. Local governments service delivery mechanisms and processes fine-tuned	5.1. Update PEM and PFM systems and procedures	5.1.1. Fine tune procurement and implementation procedures 5.1.2. Fine tune bottom-up planning & budgeting procedures 5.1.3. Fine tune Operation and Maintenance (O&M) and asset management procedures 5.1.4. Fine tune social inclusion mechanisms (dalit, women and DAG committees) in planning and budgeting systems 5.1.5. Fine tune LG reporting, monitoring and evaluation systems	TA	50,000	50,000	25,000	-	150,000	3,435,000
			Miscellaneous	10,000	10,000	5,000			
	5.2. Test safety net and social assistance programmes	5.2.1. Carry out scoping study for safety net and social assistance programmes 5.2.2. Design safety net programme pilot 5.2.3. Implement safety net pilot in selected VDCs 5.2.4. Monitor and evaluate safety net pilot 5.2.5. Adjust design and implement	TA	30,000	25,000	25,000		1,985,000	
			Grants	-	625,000	625,000	625,000		
			Miscellaneous	10,000	10,000	10,000	-		
	5.3. Test sector conditional grants	5.3.1. Carry out scoping study for sector conditional grants 5.3.2. Design sector conditional grant pilot in close cooperation with the LMs 5.3.3. Implement sector conditional grant pilot 5.3.4. Monitor and evaluate sector conditional grant pilot and provide input to policy development (output 6)	TA	40,000	-	-	-	960,000	
			Grants	-	300,000	300,000	300,000		
			Miscellaneous	5,000	5,000	5,000	5,000		
	5.4. Test DDC local development coordination functions (line agencies, NGOs, etc.)	5.4.1. Identify coordination needs and mechanisms 5.4.2. Design improved coordination mechanisms 5.4.3. Support implementation of improved coordination mechanisms 5.4.4. Monitor and evaluate DDC coordination activities 5.4.5. Assign tasks to divisions, sectors and officials 5.4.6. Evaluate performance on the basis of satisfactory tasks completion and quality of work standards 5.4.7. Activate sectoral agencies effectively and accountably	TA	25,000	15,000			60,000	
			Miscellaneous	5,000	5,000	5,000	5,000		
		Pilot team (based in regions)	Core TA	70,000	70,000	70,000	70,000	280,000	

6. Policy framework for decentralisation provides a more enabling environment for effective, transparent and accountable local governance	6.1. Review decentralisation and sector devolution policy	6.1.1. Review previous policies on decentralisation 6.1.2. Elaborate overall sector policy for decentralisation 6.1.3. Elaborate sector devolution guidelines (including procedures for HR/staffing, funding flows, functional assignment etc.) in close interaction with LMs 6.1.4. Prepare local government audit strategy 6.1.4 Develop a national framework on child friendly local Government	TA	30,000	30,000	30,000	30,000	300,000	1,495,000
			CB	20,000	80,000	30,000	30,000		
			Miscellaneous	5,000	5,000	5,000	5,000		
	6.2. Establish decentralisation SWAp	6.2.1. Review of all development partner funding within decentralisation sector 6.2.2. Establish system for meetings between DPs and GoN 6.2.3. Ensure linkages to decentralisation policy (and the policy components in 6) 6.2.4. Develop investment plan for the decentralisation sector linked to GoN's budget 6.2.5. Establish systems and procedures for up-date of the annual work plans and budgets 6.2.6. Develop aligned procedures for DP modalities (PFM) 6.2.7. Prepare joint funding arrangements (studies, reviews, initiatives to strengthen GoN systems) 6.2.8. Develop results framework (see under M&E above) 6.2.9. Develop reporting systems for the use of funds 6.2.10. Conduct orientation/training on SWAp 6.2.11. Provide GON officials (MLD, etc.) with exposure to experience with SWAp	CB	50,000	30,000	20,000		280,000	
			TA	60,000	40,000	40,000	40,000		
	6.3. Prepare more effective policy environment for "demand" side of local governance	6.3.1. Review existing policies and programme experiences 6.3.2. Elaborate policy and guidelines on demand side of local governance and disseminate	TA	20,000	40,000	40,000	20,000	120,000	
	6.4. Prepare improved staffing policies for local governments	6.4.1. Support development of appropriate staffing policy for key seconded civil servants 6.4.2. Support establishment of performance-linked incentives for seconded and local staff 6.4.3. Support policy thinking on local service arrangements 6.4.4. Support development of appropriate arrangements (salary scales, job descriptions, recruitment procedures, etc.) for local government staff	TA	75,000	50,000	50,000		275,000	
			CB	50,000	10,000	10,000	10,000		
			Miscellaneous	10,000	5,000	5,000			

	6.5. Prepare National Capacity Development Strategy for local governments	6.5.1. Support development of CD Strategy and framework, including elements of the activity 4.1.	TA	20,000					20,000
	6.6. Conduct outcomes and impact studies of local governance and community development programmes and outputs (evidence-based policy-making)	6.6.1. Outsource for conducting studies on the outcomes and impacts of the various components and outputs of the programme and other related programmes 6.6.2. Document and publish outcomes and impacts in MLD annual reports	TA	20,000	20,000	20,000			60,000
	6.7. Fine-tuning of local government infrastructure and service delivery mechanisms and processes informs national policy processes	6.7.1. Monitor and document lessons learned from Outputs3 and 5 activities	No cost						
	6.8. Policy review and action plan regarding sector devolution	6.8.1 Policy input to DIMC / DIMCWC SWAp & Sector devolution Specialists	CB	50,000	50,000	50,000	50,000		440,000
Core TA			60,000	60,000	60,000	60,000			
7.Capacity of central government and national non-government institutions to provide appropriate support to local governments is enhanced	7.1. Provide support for GON local governance policy analysis and policy making functions	7.1.1. Build capacity of MLD, MoF, LMs, NPC, PMO and other CG officials 7.1.2. Support MLD's Policy Coordination Committee (PCC) and enhances its capacities to coordinate and replicate decentralisation and local governance support activities 7.1.3. Provide technical assistance and advisory services 7.1.4. Support development of social mobilisation policy 7.1.5. Support development of policies and procedures for donor harmonisation 7.1.6. Support policy processes (e.g. consultations with ADDCN, MUAN and NAVIN)	CB	20,000	30,000	20,000	10,000		110,000
			TA	15,000		15,000			
									1,990,000

7.2. Provide support to LBFC	7.2.1. Provide technical assistance in defining LBFC role, functions and composition and linkages with other institutions 7.2.2. Provide training and capacity-building to LBFC officials 7.2.3. Support LBFC functioning within important areas such as studies, coordination, networking (e.g. with other fiscal commissions and related institutions), advising, assessments, monitoring, etc. 7.2.4. Provide support to development of an intergovernmental fiscal grant and development grant policies and an up-date of the fiscal decentralisation road map 7.2.5. Support annual reviews of the development of fiscal decentralisation policy 7.2.6. Support operationalization of the new role assigned to the LBFC with respect to annual assessments of LBs performance (MC/PM system) 7.2.7. Support follow-up and update the refinement and implementation of selected recommendations from the LBFC	TA	30,000	30,000	30,000	30,000	220,000
		CB	25,000	25,000	25,000	25,000	
7.3. Provide support to LB associations (ADDCN, MUAN, NAVIN)	7.3.1. Support the LB associations – ADDCN, MUAN and NAVIN within their core areas such as policy development/advocacy/development of governance policies and support to regulations, capacity building of members LBs and quality support, dissemination, knowledge and learning share	CB	100,000	100,000	100,000	100,000	560,000
		Miscellaneous	40,000	40,000	40,000	40,000	
7.4. Support implementation of National Capacity Development Strategy for local governments	7.4.1. Strengthen MLD's HR development 7.4.2. Identify qualified CD service providers	CB	15,000	25,000	25,000	25,000	110,000
		TA	20,000				

7.5. Design and implement MLD LG performance monitoring and evaluation system	7.5.1. Review and design monitoring indicators, encompassing the results of the MC/PM system 7.5.2. Build capacity of the MLD monitoring team in results-based monitoring 7.5.3. Organise training on results-based monitoring 7.5.4. Prepare LG reporting system – fiscal as well as physical output progress reports in cooperation with other agencies, particularly MoF and NPC 7.5.5. Review/refine LG reporting system 7.5.6. Support DMIS development and functioning in MLD and linkage to DPMAS 7.5.7. Conduct Baseline and update surveys	TA	80,000	20,000	20,000	50,000	170,000
7.6. Mainstream gender equity and social inclusion (GE/SI) and child/youth inclusion (CYI) in MLD	7.6.1. Support GON's Gender Responsive Budget 7.6.2. Train staff in GESI/CYI related issues for better and GSI sensitive budgeting, planning and monitoring 7.6.3. Review institutional arrangements for implementation of GE/SI /CYI strategies, planning, budgeting monitoring and auditing 7.6.4. Implement MLD GE/SI/ CYI strategy 7.6.5. Review possibilities for strengthening of MLD's support role in this area vis-a-vis LBs.	TA	20,000	20,000	20,000	10,000	130,000
		CB	15,000	15,000	15,000	15,000	
7.7. Organise capacity building programme for decentralisation focal units of various line ministries including NPCS, MOF, PMO, MOGA, MWSW, MoE, MoH, and MOAC and others	7.7.1. Establishment of contacts and organise meeting of focal points 7.7.2. Assess core areas for capacity building 7.7.3. Prepare course manuals 7.7.4. Outsource capacity building to appropriate agencies 7.7.5. Conduct CD programmes 7.7.6. Support central level agencies in important areas such as studies, coordination, networking (e.g. with other international institutions), advising, assessments, monitoring, etc.	CB	25,000	25,000	25,000	25,000	100,000
7.8. Provide FCGO, AGO and ICAN with capacity building support	7.8.1. Review AGO, FCGO, ICAN capacities and develop standards and guidelines 7.8.2. Provide AGO, FCGO, ICAN with capacity building services	CB	20,000	20,000	10,000	10,000	590,000
		TA	30,000				
7.9. Provide support for policy coordination and exposure	7.9.1 Policy coordination for devolution	CB	50,000	50,000	50,000	50,000	

		M&E, GIS (full time) and MIS Specialists (part time)	Core TA	75,000	75,000	75,000	75,000		
8.Support provided for programme implementation		8.1.1. Review the organisation of MLD, the structures and the links with LGCDP 8.1.2. Recruit core technical support staff with support (public financial management, procurement and project management) 8.1.3. Ensure basket funds for procurement of short term TA 8.1.4. Provide logistical support to MLD (vehicles, office space, computers and other software) 8.1.5. Establish linkages to specific non-MLD project management functions, e.g. the semi-autonomous facility 8.1.6. Ensure funding for all staff contracted for SM 8.1.7. Train MLD core responsible staff in all aspects of project management, community development and local governance.	Procurement Specialist	30,000	30,000	30,000	30,000	2,325,000	2,325,000
			Financial Manager	30,000	30,000	30,000	30,000		
			Admin staff	50,000	50,000	50,000	50,000		
			Equipment and Vehicles	290,000	120,000	5,000	5,000		
			Operating costs	100,000	100,000	100,000	100,000		
			Office establishment / maintenance	200,000	75,000				
			Joint reviews and associated TA	100,000	100,000	100,000	100,000		
			Expenditure tracking studies			50,000			
			Monitoring and travel cost	75,000	75,000	75,000	75,000		
			Miscellaneous	10,000	10,000	10,000	10,000		
					Unallocated Budget		2,500,000		
				SUB TOTAL	25,071,250	45,783,750	57,104,375	64,712,388	192,671,763
				Contingency	1,248,563	2,304,188	2,850,219	3,230,618	9,633,588
				GRAND TOTAL	26,324,813	48,072,938	59,959,594	67,948,007	202,305,351
				GoN contribution for block grants	65,200,000	65,200,000	65,200,000	65,200,000	260,800,000
				DP Grants to LBs					124,725,000