Country: Lesotho

Programme Title: Deepening Decentralization Programme

UNDAF/Joint Programme Outcome(s):
UNDAF Outcome #4: Governance institutions strengthened, ensuring gender equality, public service delivery and human rights for all by 2012 continued (2008-2012)
By 2017, National and local governance structures deliver quality and accessible services to all citizens. (Lesotho UNDAF 2013-2017 – draft to be finalized in 2012)

UNDP Country Programme Outcomes(s):
Demand-driven and decentralized public service delivery based on claim-holder aspirations and participation strengthened. (Lesotho UNDP CPD 2008-2012)
By 2017, National and local governance structures deliver quality and accessible services to all citizens. (Lesotho CPD 2013-2017 – draft to be finalized in 2012)

Expected Output(s):	1) Improved development funding through local authorities 2) Decentralization and accountability systems at the local level promoted 3) Capacities of Line Ministries and local authorities enhanced to decentralize functions
Implementing Partner:	Ministry of Local Government and Chieftainship (MoLGC)
Responsible Parties	Ministry of Public Service (MoPS) Ministry of Finance (MoF) United Nations Development Programme (UNDP) United Nations Capital Development Fund (UNCDF)

Programme Duration: 2012-2016
Anticipated start/end dates: August 2012-July 2016
 	
Fund Management Options(s): Parallel (core funding), Pass-through (non-core funding)
 	
Implementation Modality: National Implementation
 	
Administrative Agent: UNDP
	Total estimated budget*: EUR 8,880,000
	   USD 11,044,776
	
	Out of which:
	Funded budget:
	  EU: EUR 8,000,000
	   USD 9,950,249**
	
	  UNCDF: EUR 880,000**
	   USD 1,094,527
	  Unfunded budget: 0
	
	*Total estimated budget includes both programme costs and indirect costs.
	
	**Estimated based on a commitment of € 8,000,000 at the UN operational exchange rate of 0.804 (1 July 2012)

Note: The current project has been formulated over a long period of time and there are very current political and policy framework changes ongoing and envisioned in the country by the government that will have an effect on the specific activities going forward. The first phase of the project will focus on a decentralization roadmap in Lesotho as agreed with government and partners and is expected to last approximately three months. A revision of the project activities will be made at the end of the first phase (anticipated within 3 months from the start of the project) within the framework of the original outputs and fully in line with the financing agreement of the EU.

Names and signatures of (sub) national counterparts and participating UN organizations

UN organizations	National Coordinating Authorities
Ms. Karla Robin Hershey UN Resident Coordinator/UNDP Resident Representative United Nations Development Programme Signature, Date & Seal 16 Nov. 2012	MINISTRY OF LOCAL GOVERNMENT AND CHIEFTAINSHIP Mrs. Mapitso Panyane Principal Secretary 1 6 NOV 2012 Ministry of Local Government and Chieftainship PRINCIPAL SECRETARY P.O. BOX 686 MASERU, LESOTHO Signature, Date & Seal
Ms. Christine Roth Executive Secretary, a.i. United Nations Capital Development Fund Signature, Date & Seal	Mr. Mosito Khethisa Principal Secretary Finance Ministry of Finance 2012 -11- 1 9 Signature, Date & Seal
	Principal Secretary Ministry of Public Service MINISTRY OF THE PUBLIC SERVICE PRINCIPAL SECRETARY 2012 -12- 0 6 P.O. BOX 228 MASERU 100 LESOTHO Signature, Date & Seal

1.   Brief description

Building on previous collaborative work of the Government of Lesotho and UNDP/UNCDF in the area of decentralization, this project aims to accelerate progress and deepen decentralization in Lesotho. Its main purpose is to promote decentralized service delivery for social and economic growth through the development of transparent funding mechanisms and by improving the accountability of local authorities.

Specifically, the project will support the Government of Lesotho to: 1) Further piloting of the Local Development Fund to improve mechanisms for funding councils thus accelerating decentralization, 2) Develop and implement a roadmap for improved decentralization, Integrated Financial Management Information System (IFMIS) roll out and enhanced local accountability and 3) Change Management support to line ministries (including MoLGC) and local authorities in decentralization through unpacking of functions at local level.

2.   Situation Analysis

Economic and social situation

Lesotho is classified as a Least Developed Country with a GNI per capita of M6,853 (approximately USD910) in 2008 and GDP per capita of M4,795 (USD635) (constant prices, Bureau of Statistics, National Accounts 2009) with a Gini index of 52.5 placing it among the most unequal countries in the world (UNDP: Human Development Report 2009).

Lesotho is small and landlocked, with limited natural resources and a narrow production- and export- base. Aside from subsistence agriculture, the garment sector plays a critical role in generating employment, output and exports. The economy is highly open, with imports amounting to about 90 % of gross domestic product (GDP), and depends heavily on inflows of workers' remittances and receipts from the Southern African Customs Union (SACU). Revenue from SACU accounted for 60% of the government's budget in 2008, but the impact of the economic crisis has significantly reduced SACU revenues by approximately 50% in 2010/11[1] This will put considerable pressures on the government's budgets in the coming years with significant cuts expected.

The unemployment rate has also been increasing after the economic crisis. In 2008 the unemployment rate stood at 23% when in 2009 it was already 29.4%. The unemployment is higher among youth and women.[2] The high unemployment remains a major challenge for the country and a possible cause for public unrest.[3] Consequently, job creation is at the centre of the Government policies for growth and poverty reduction.

One of the main factors behind Lesotho's low HDI is the HIV epidemic, which is having a profound impact in the country. The country has the third highest HIV prevalence rate globally, 23% of people aged 15-49 are infected[4], which, as a proportion of the population, is devastating and extremely high.

Lesotho is governed by a multi-party democracy functioning within a constitutional monarchy. Both national and local elections are in principle held every five years, though not simultaneously. There are over 10 active political parties represented in the parliament. After the last national elections that took place in February 2007, the Mixed Member Proportional Representation (MMP) model, which was adopted after the 1998 political turmoil, led to confusion with regard to the PR seat allocations, with the opposition claiming the then ruling party LCD had manipulated the electoral system to gain additional parliamentary seats. This has culminated in a drawn-out political conflict. A locally led mediation team under the guidance of the Christian Council of Lesotho and a number of non-governmental organizations under their umbrella body, the Lesotho Council of Non-Governmental organizations (LCN), stepped in to mediate, supported by technical and financial resources from the UNDP. A land-mark agreement in early 2011 saw all stakeholders agreeing to revisions to the Electoral Bill which was at the centre of the problem. Consequently a new Electoral Act was been legislated and guided the recent general elections that resulted in a democratic and peaceful transition and new political dispensation in the country.

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[1] Ministry of Finance and Development Planning: Budget Speech 2011/12 February 2011.
[2] LFS 2008 and CMS 2009
[3] Lesotho Bureau of Statistics: '2008 Integrated Labour Force Survey', Maseru, October 2009.
[4] Lesotho Demographic and Health Survey 2009

In 2005 the first local election took place in the 128 community and 10 district councils and one municipal council, with the LCD winning most of the seats.[5] Although the election process itself was uncontroversial, there was low voter turn-out which has been attributed to inadequate voter education on local government roles and responsibilities. The second local government elections were held on 1 October 2011 where 64 Community Councils, 11 Urban Councils and 1 Municipal Council were contested. Earlier on, the constituency boundaries were revised to align the local government constituencies with the national election constituencies and by creating a number of urban councils. The outcome of the local government elections were generally accepted by all though they still showed a low voter turn-out.

Sector context

The Government of Lesotho is faced with multiple and interconnected development challenges including the core issues of poverty reduction and anchoring a still fragile democratic process more firmly at both central and local level. To address these challenges decentralization is increasingly viewed as a means by which public service delivery can be improved through more robust and intimate accountability linkages between providers and beneficiaries. Moreover, by empowering locally elected bodies and encouraging bottom-up popular participation, it is expected that local level governance will further entrench democratic values and principles at sub-national level; in itself a valuable outcome, but also potentially reinforcing accountability and hence improving public service delivery.

The Government launched in 2005 the Public Sector Improvement and Reform Programme (PSIRP), which was (and to a certain extent still is) also supported by several development partners. It focused on three components, one of which was decentralization. The goal of the decentralization component was to reduce the poverty of the Basotho people. The key objective was to create a conducive environment whereby communities freely and effectively participate in the planning and management of development and have access to improved services through decentralized organizations and institutions. However, the PSIRP progressed at an uneven pace at best and the recently introduced Service Delivery Agenda can be seen as a means to accelerate progress. The Government has since embarked on a process of designing a five year National Strategic Development Programme with the help of development partners.

The key defining decentralization legislation is the Local Government Act of 1997 as recommended which provides the legal basis for the subsequent establishment community-, district- and municipal- councils. The boundaries for Local Government have been reviewed in 2011. The key objectives of the Local Government Act and the accompanying decentralization process are:

1. To deepen and widen public access to the structures of government.
2. To bring services closer to the people thereby improving service delivery.
3. To promote people's participation in decision-making, planning and implementation of development programmes.
4. To promote equitable development in all parts of the country through the distribution of human, institutional and infrastructural resources.

As can be seen, the motivations for promoting the decentralization process are both political (e.g. more inclusive and participatory democracy as well as more equitable development) as well as based on efficiency concerns (e.g. assuming service delivery will improve which is again based on the principle of subsidiary). The Local Government Act also delineates the key responsibilities of district and community councils in what is known as Schedule 1 and 2 of the Act. This include natural resource management, land allocation, water supply, minor roads, grazing rights, promotion of local economic development etc. However the exact roles and responsibilities of local authorities vis-à-vis national authorities are unfortunately ambiguously defined in the Schedules causing confusion, lack of clarity and cause unnecessary tension due to apparent duplication of efforts at district and local levels between local government authorities and their district administration counterparts, thus affecting service delivery. Going forward there is thus a need to further define the division of labour between local and national authorities including Ministry of

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[1] Direct elections took place only for the Community Councils, these in turn elected the District Councils. New local elections were scheduled to take place in April 2010, but have been postponed by 12 months to enable the amendment of Local Government Act 1997 and the Local Government Elections Act 1998 as well as other laws to ensure proper conduct of the elections. All main political parties have agreed to this postponement.

Local Government and Chieftainship (MoLGC), line ministries and Ministry of (MoF) and unpacking the functions at local level.

The key strategic document that guides MoLGC's efforts in the decentralization process in the medium term is the Strategic Plan of MoLGC (November 2008), which covers the period from 2009 to 2013. The strategic plan outlines the key objectives and priorities of MoLGC and points to the strategic options for achieving these, including costs and other implementation challenges.

Obviously effective decentralization is conditional upon considerable collaboration with other actors, including line ministries. Staff in particular is expected to be transferred to local authorities, affecting a high share of the country's civil servants. To accommodate such a substantial transfer, Government of Lesotho passed the Local Government Service Act in January 2008, which provides for the establishment of a Local Government Service overseeing the transferred staff and other workers within the local government sector. Related, a Local Government Service Commission has been established with responsibilities including recruitment, induction, staff administration and sensitization. However progress has been uneven and is flagged as an outstanding issue in the recently drafted Decentralization Action Plan (DAP) (MoLGC August 2009). The DAP has strong emphasis on inter-ministerial cooperation especially in four key priorities:

1. Legal harmonization and realignment of functions between the local and national authorities including ensuring oversight of the reform process,
2. Guiding the transfer of human resources and providing capacity development,
3. Resourcing of the local authorities including the inter-government fiscal framework,
4. Participation and accountability.

Lesotho's development partners are supporting the decentralization process both at central and local level. In the case of the former, donors who have provided general budget support (GBS) have made support conditional upon a number of measurements that the government must meet, as stipulated in the Performance Assessment Framework (PAF). Decentralization was part of the PAF targets and hence there is a considerable momentum building towards pushing the issue to the forefront of the dialogue between the partners. This resulted inter-alia in the Government drafting the DAP.

The DAP (2009-2011) now due for a review, provides an operational framework decentralisation and stresses the need to have buy-in from several stakeholders outside MoLGC. Consequently substantial emphasis is placed on the Inter-Ministerial Working Group (IMWG) which has the ambition to provide the forum for technical work to be executed on the implementable actions of the DAP. At a higher level, a steering committee of principal secretaries has been established under the chairmanship of the Government Secretary which has the ambition to provide the forum for coordination and dialogue on the implementation and legal issues.

The decentralization process is also guided by broader policy developments. In addition to the above mentioned broader policy support areas of general budget support and PSIRP the decentralization process has more recently also benefited from the Service Delivery Agenda (SDA, which is still to be fully detailed and translated into action).

The SDA marks an attempt by the Government of Lesotho to accelerate efforts aimed at improving core social and economic service delivery, which will involve a much stronger role for local authorities in delivery, which in turn will assist in reaching the MDGs, several of which are off-track in Lesotho. It can be viewed as a successor to the PSIRP with more focus on having a unified approach to reenergize the entire public sector.[*]

Thus there are significant policy and institutional developments ongoing but actual progress will be conditional upon the key actors being willing and able to seize the opportunities that new momentum for decentralization and service delivery offer. Below is an attempt to make a schematic overview of the various strengths and weaknesses, as well as opportunities and threats of the sector:

See e.g. GoL: 'The Public Sector Improvement and Reform Programme revisited - Service Delivery Agenda' Concept note April 2009

Summarized SWOT analysis local governance sector

	Strengths	Weaknesses
Internal to the sector of local governance	- Completion of DAP by MoLGC - Political willingness to sustain fiscal decentralization in both MoF and MoLGC - UNCDF technical expertise on decentralization and Local Development Fund design - Presence of several interventions from development partners targeted at enhancing service delivery through decentralized governance - UN plans to provide long-term support to the sector	- Relatively recent and therefore weak collaboration structure between MoF and MoLGC - Slow progress in implementation of DAP - Public management expenditure cycle needs overhaul - Lack of clarity on functions devolved to local authorities
	Opportunities	**Threats**
External to the sector of local governance	- Recently held local government elections will build momentum - The recent general elections in 2012 could generate a push for enhanced public service delivery - Explicit willingness to roll-out IFMIS at the local level	- Lack of financial management capacity at the local level - Partial legislative/procedural vacuum in public procurement and auditing - Challenge to balance central versus local priority setting

Lessons learnt

The different partners active in decentralization at the non-sector level (EU, GIZ, UNDP/UNCDF) have been coordinating their efforts in support of the Government. With regards to funding for community development, UNDP/UNCDF is focusing on a local development fund active in three (3) central districts (Maseru, Thaba Tseka and Berea) that has qualitatively different procedures from the modality used by LGNSP to provide funding (e.g. calls for application), whereas GIZ is not providing any such funding. To avoid fragmentation, proliferation of donor-specific imposed procedures and to avoid inter-district funding distortions, there clearly is a need to increase the level of ambitions among the development partners. Hence it is suggested that future support to the decentralization process should promote a harmonized and non-distortive allocation mechanism for financing part of the councils development needs. Obviously this will have to entail close collaboration of the Development Partners leveraging the existing structures. A promising modality which is proposed here is pooled funding with national coverage, gradually being fully aligned to national funding and allocation principles as these emerge. This is the approach that is currently developed under the UNDP/UNCDF provided support.

Since the beginning of the decade Germany has supported the decentralization efforts of Government of Lesotho through the programme entitled 'Support for decentralized rural development Programme (DRDP)' firstly in the four southern districts, later more at national level. The support is expected to end in 2014 at which point GIZ may terminate most of its activities in Lesotho. Nevertheless, GIZ continues to support MoLGC primarily in the form of short and long-term technical assistance, but its ambitions in terms of driving the national decentralization process forward solely through MoLGC have arguably been scaled down. Going forward GIZ plans to further diversify its decentralization support to include line ministries with commitment to decentralize; again a reflection of the need to support a broader coalition for driving the process forwards. This has also informed the DDP in designing the support modalities to the process. The previous phase of GIZ's DRDP included a sizable investment in the districts in the form of a District Development Fund (DDF). However, DRDP suffered a substantial setback as the DDF was never implemented. As a consequence there have been few external resources available for the actual implementation of the council plans developed with support from the DRDP. An important lesson learnt for DDP is thus that it is important to ensure that the proposed funding mechanism (the Local Development Fund) does not suffer the same fate.

The World Bank has had similar experiences when, in 2000, it supported the establishment of a Local Fund for Community Development (LFCD). The project aimed at piloting operations and

procedures in 22 communities. The World Bank project also had a component to train staff to develop the capacity of LFCD and to provide technical support to LFCD partner institutions such as community-based organizations, non-governmental organizations, and private sector firms. However, the project completion report of 2004 passed harsh judgment on the LFCD rating the outcome and impact as highly unsatisfactory and negligible mainly due to lack of government commitment to an essentially donor driven project.[7] This in turn calls for the design to be based on the national systems and continuous monitoring of effective collaboration and coordination between Government and Development Partners, which has also informed design of DDP.

The UNDP/UNCDF launched their support to the Government through the Lesotho Local Development Programme (LLDP) in 2009. The LLDP provides support to MoLGC in the formalization of a national framework for decentralization, and is piloted in the central districts. The LLDP has fielded TA in the form of a Dedicated Support Team in the MoLGC under the Director General Local Government Service of the MoLGC. The LLDP has a strong focus on decentralization, bringing in an advisor in 2010 and 2011 to work on establishing the national framework for decentralization. This includes the establishment of a pilot Local Development Fund (LDF), which will provide the three pilot districts with development funds.[8] The exact positioning, management and governance arrangement for the fund have not been fully detailed yet, although the project document indicates that the funds will be disbursed directly from the Treasury to the local government accounts. UNCDF has fielded their resident expert on fiscal decentralization in March 2010 followed by additional support in early 2011 to address these issues and complete a decentralization road map which will factor in future DDP support. It will be essential to design a funding structure that is both gaining the commitment of central government and is also able to fund a diverse range of community and district priorities that emanates from a bottom up approach balanced with top-down central priority setting. The designed funding structure is as closely aligned as possible to the national budgeting processes and systems so as to facilitate the eventual absorption into national system.

In essence, the LLDP has supported the Government to develop a number of decentralization frameworks each building on one another ultimately leading to a full-fledged national decentralization framework.
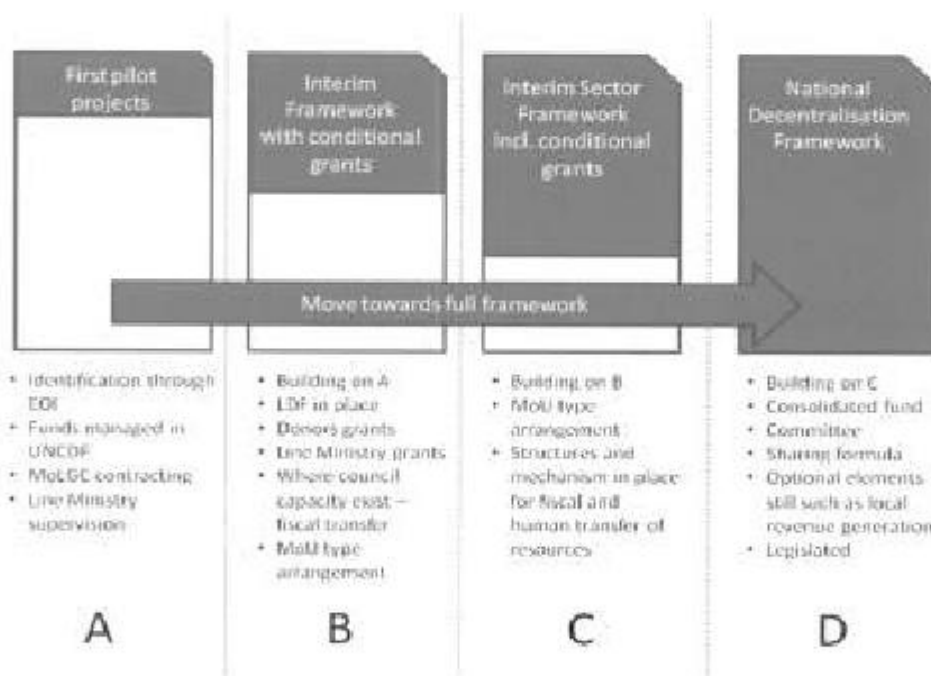
[7] World Bank 'Lesotho Community Development Support Project - Implementation Completion and Results Report' Washington 2004.
[8] Broader fiduciary concerns on public financial management (PFM) are addressed explicitly under the performance assessment framework of GBS, Pillar II on governance and PFM.

Framework A is a result of the piloting of community projects in the 3 pilot districts during 2010 as an initial step to build capacity and confidence in the system. The process while managed through the MoLGC did not follow Government systems and as such was far from ideal, yet providing an invaluable experience in running community projects both for the central and local levels.

During early 2011, the frameworks B, C and D have been drafted based on extensive consultations with all parties involved (MoLGC, MoF, MoHSW (sector framework), Auditor General, Accountant General, etc). Each of these frameworks builds on the predecessor and adds a level of sophistication ultimately leading to the national decentralization framework (D). Each framework is anchored in the national systems in terms of for example procurement, financial management etc. For the LLDP and EU funding to councils, framework B provides sufficient coverage to allow full functionality through conditional grants. Framework C is developed to support sector level decentralization for those line ministries that have indicated an early interest (such as Health and Social Welfare). Framework D is the full national decentralization framework, which still provides certain level of flexibility in terms of the modules that will be applied (e.g. will councils be allowed to raise local revenues or does that responsibility remain at central level, will councils have separate bank accounts etc). Therefore, it is important to understand that even framework D can be tailored based on the assessed capacities and risks associated with decentralization.

The LLDP facilitated the design of a draft fiscal decentralization transfer system jointly developed by the ministries of Finance and Development Planning and Local Government and Chieftainship Affairs. This will provide a solid foundation for the DDP. Additional strengths and value that the LLDP contributed to decentralization included the following:

- It provided discretionary funding to councils that are currently financially constricted. The ambition was that this would promote learning by doing and build the councils' credibility. Furthermore, the LLDP intended to establish an incentive framework that would reward well performing councils.[*]
- UNCDF has unrivalled experience in establishing and implementing local development funds, which should assist in ensuring that it will get traction.
- UNCDF is planning to continue activities after 2013, ensuring a certain degree of continuity to the support of the decentralization process.
- UNDP has considerable experience within democratic governance programmes, and its portfolio comprises other programs aimed at enhancing public service delivery, with which synergies may arise. One example of such is the support to the Ministry of the Public Service to increase its capacity to support efforts of enhancing service delivery.

These factors gave the LLDP substantial clout and leverage among a broad range of government and non-state stakeholders. Clearly, given the limited time the programme had been operational there are few lessons learned per se, but the key issue in this context is that UNDP/UNCDF and Government of Lesotho sought to mainstream the Local Development Fund nationwide if funding can be made available. Given the fact that the DDP will come on stream in late 2012, it was agreed to phase out the LLDP and that the existing commitments for council development funding be channeled through one unique fund so as to reduce the burden on the Government of Lesotho. In essence this means that the funding of the development fund under the DDP will be increased through UNCDF (i.e. an associated action as per cover page).

In addition to the complementarities with the LLDP and DBS activities, the DDP will also (by design) be highly complementary to the EDF-supported Non-Sate Actors (NSA) programme that is expected to be implemented concurrently. The NSA programme will ensure greater demand for service delivery and accountability at local level, through dialogue on public expenditure and developing the capacity of local NSAs to engage with district and community councils.

Donor coordination

General donor coordination between the fifteen development partner agencies that are active in Lesotho is ensured through the Development Partners Consultative Forum (DPCF), which is currently co-chaired by the UN and Irish Aid. All resident development partners are members of the DPCF, which includes the World Bank, the EU Delegation, all resident United Nations agencies, as well as bilateral development partners: Irish Aid, GIZ, USA and China. The DPCF is responsible for donor coordination and taking forward the 2005 Paris Declaration on Aid Effectiveness for Lesotho.

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[*] Both of these aspects are fully consistent with the recommendations in the EC's Reference Document Supporting Decentralization and Local Governance-see e.g. p. 45

As far as support to decentralization is concerned, GIZ, EU and UN have set up a decentralization technical working group, a forum in which all development partners involved in the support of the decentralization reform update each other on the progress of their programmes and exchange advice on their present and future interventions. This technical working group is further strengthened by partners working in sector decentralization (e.g. MCC in health). The partners have expressed a desire that the group be coordinated and convened by the Government and in 2010 a first of such a session has happened. After a break in continuing the process, following the 2012 elections, the new Deputy Prime Minister and Minister of Local Governance and Chieftainship Affairs took office, and such meetings have taken place under his leadership and extended to other partners working in sector decentralization. This will hopefully set the trend for Government-led coordination.

4. Strategies, including lessons learned and the proposed joint programme

Strategically, the DPP will seek to leverage the momentum from the service delivery agenda and the recent (and related) drive to accelerate the decentralization process, as witnessed by the adoption of the DAP and the launch of decentralization strategy in December 2011 by the Government which saw the Ministry of Health as the first to decentralize. This is further evidenced by the willingness to support the development of the different decentralization frameworks (as indicated above).

A key strategic tenet of this is to deepen decentralization by assisting especially MoF and MoLGC in designing new intergovernmental and national principles based on equity, transparency and performance. DDP will also support the roll out of IFMIS to lower levels of government thus building on previous EDF 9 support. Moreover this is fully in line with Government of Lesotho priorities which have the ambition of using IFMIS to link the central financial operations with those of the district councils through the district sub-accountancies.[10]

MoLGC will be supported with its mandate to assist local government in developing the necessary capacity to manage local development funding mechanisms, which includes planning, implementation and accountability strengthening support. More opportunistically, the DDP, through the MoLGC, will support line ministries that display commitment to promote the decentralization process.

The main activities foreseen in the DDP are part of the mandate of both the MoF and the MoLGC and as such the programme strategy needs to be developed to harness and strengthen these mandates. Components of the DDP can be squarely defined with the remit of a single Ministry and as such that Ministry will be assigned the role of Implementing Partner over such a component whilst collaboration and communication with the other Ministry will be encouraged. The component on the decentralization framework is a shared responsibility between the Ministries and therefore this requires a careful design of the management arrangements as defined in the programme strategy.

Objectives

Based on extensive stakeholder consultations and dialogues with Government the following objectives have been formulated:

The general objective of the Deepening Decentralization Programme is to support the government in reducing poverty, promoting inclusive economic growth and entrenching democratic principles through improved decentralized governance.

The general objective of DDP is closely aligned to both the interim national development framework and the principles enshrined in the Cotonou agreement. Poverty reduction is primarily addressed through a two pronged approach of improving social services and hence increasing living standards and productivity, as well as more directly focusing on creating an enabling environment for businesses to grow. To operationalize the overall objective and provide focus for the DDP the following programme purpose has been formulated.

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[10] Budget Speech to Parliament for the 2010/2011 Fiscal Year by Mr Thabane, Minister of Finance and Development Planning, 12 February 2010.

To promote decentralized service delivery for social and economic growth through the development of transparent funding mechanisms and improving the accountability of local authorities.

The basic premise is that only a decentralized system for service delivery will be able to meet the significant challenges that the Basotho are facing, especially in terms of improving outcomes of the social investments and to stimulate local economic development. Thus there is a need to accelerate and deepen the current decentralization drive and to provide substantial capacity development for the local authorities. However the modalities through which this will be implemented is more than a technical concern. Hence the focus on ensuring that funding is provided in a transparent fashion that, combined with other measures, will facilitate greater accountability among the local service providers.[11] It is consequently the ambition to increase the democratic legitimacy and responsiveness of the local government institutions through these measures.

The DDP will seek to further solidify the strong gender achievements made by Lesotho not least in the relevant ministries and local governments. Many of the senior government staff, including several ministers, are women, and the local government elections held in 2005 achieved a 58% representation of women in the district and local councils. This subsequently reduced to 47% women's representation in the 2011 local government elections. The DDP will thus work in an environment characterized by relatively equal participation of men and women at local level and will continuously seek to defend these achievements.

Environmentally the DDP is not expected to have any significant impact, but will of course comply with existing environmental legislation and regulation. The Local Government Act of 1997 mandates local councils, as detailed in First and Second Schedule, to "control Natural Resources and environmental protection" (e.g. dongas, pollution).

To achieve the project purpose the DDP will have to address three core interrelated challenges: 1) The limited budget discretion and size for district and community councils. 2) The limited local level financial management capacity that reduces central level confidence in the decentralization process and 3) The limited decentralization among line ministries with few staff and functions transferred. The below expected results are a response to these core challenges.

Expected results

To operationalize an effective strategy to address the above challenges, the DDP will have three core results that have been translated into corresponding components, described below:

- **Output 1: Improved development funding through local authorities:** The key achievement of this component would be the provision of funds for local development (aligned to national funding systems) through local authorities in the whole country. Modalities and mechanisms for implementation will be informed by lessons learned from the Government local development funding mechanisms currently being established with the assistance of UNDP/UNCDF. Ensuring alignment with national systems is a key guiding principle. These initiatives are a key element of decentralization and empowering local governance structures. Experience gained will be relevant for structuring such a mechanism on a large scale within Government of Lesotho systems.[12]

  The funds will be made available based on the priorities and plans of the district and community councils following transparent and mutually agreed criteria in which both the process and outcomes (e.g. the council plan) are publicly available and open to scrutiny. Implementation procedures will to a large extent follow those of Government of Lesotho, deviating only where fiduciary concerns are decisive or where there is a need to pilot and test new approaches. Capacity development for the associated planning, implementation and monitoring will be provided and delivered mainly through MoLGC. Institutionally, both the MoLGC and MoF would play a key role.

The planned Local Government Training Centre (LGTC) will probably become instrumental in ensuring a harmonized, institutionalized and domestically anchored approach to capacity development. Especially since the LGTC will establish a sustainable system of training, research, information mobilization and dissemination and capacity development that is dedicated to the local government sector in Lesotho, within the framework of the decentralization policy of the Government. GIZ has been extending support to making the LGTC operational but the establishment of the Centre has been postponed by the Ministry of Local Government and Chieftainship.

Ideally an equalization formula guiding intergovernmental transfers should already be in place, but reality is that districts and communities have severely underfunded mandates undermining the political legitimacy. Hence it is suggested to proceed with the LDF as a pilot, with the clear objective of assisting in design the formula for governing fiscal transfers.

- **Output 2: Decentralization and accountability systems at the local level promoted:** This component will work simultaneously with the activity described above and utilize the experience gained to inform and accelerate the decentralization process. Continued substantial work on modalities for local development funding mechanisms (reference is made to the before-mentioned decentralization frameworks), including equalization formulas[13] and performance incentives, are expected to be undertaken under this component. In addition, the LLDP has generated valuable lessons on decentralization, as well as a road map informing initial interventions in the area. MoLGC will be a key partner in this process together with MoF, but, to gain momentum, it will also have to engage line ministries (such as MoHSW). MoF has indicated that the introduction of IFMIS at district council level could facilitate decentralization and improve accountability if managed correctly and supported by appropriate capacity development.[14] It would thus facilitate upwards accountability, but it could also allow local NSAs to hold councils accountable. Moreover decentralization might also open the way for local revenue generation and capacities for management of these, building on previous work in this area.[15]

  The exact sequencing and pace of the decentralization process (and hence this component), is conditional upon the political momentum of the process forward. Hence focus will initially be on relatively technical aspects (e.g. feasibility and capacity development requirement studies of IFMIS at council level). Broader fiduciary issues related to public financial management (PFM) will be addressed through the GBS PAF where Pillar II has an explicit focus on governance and PFM, including procurement and auditing weaknesses and fragility.

- **Output 3: Capacities of Line Ministries and local authorities enhanced to decentralize functions:** In close coordination with MoLGC and in line with the Local Government Act, several line ministries have engaged in transferring functions and related staff to local government. The commitment has been mixed and often due to a combination of external pressures and an internal recognition of the benefits of decentralization.[16] Regardless of motivation, Ministries decentralizing their functions are facing significant challenges in managing the process and deciding on the sequencing, content and adapting to the new roles that decentralization will imply. Moreover there are significant regulatory, procedural and legal issues associated and support in this respect is also needed and constitute a key area for assistance.

  In essence, the DDP will support the MoLGC and decentralizing ministries in sensitizing their staff on devolving functions from the ministry to community councils, provide support in function mapping, business process improvement, organizational design –helping restructure and reorganize councils to fit new functions, train ministries on monitoring and evaluation and provide a wide a range of HR support functions including role profiling, and the development of competency frameworks.

  The DDP will help develop and compile new operating procedures for the ministries and councils, produce manuals and support staff training and development and facilitate the transfer of staff to councils and facilitate induction and capacity building for council staff.

  Progress is conditional to the political momentum and readiness to engage in the process and it is premature to predict which ministries will need support.

  In any event immediate change management support will be provided to the ministry of local government and decentralizing line ministries in strengthening administrative systems, sensitizing their staff on devolving functions from the ministry to district and community councils, providing support in organization design–helping restructure and reorganize councils to fit new functions-AND facilitating function mapping for these new councils.

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[13] Equalization formulas are used to calculate intergovernmental transfers and can be based on indicators of a locality's general needs or estimates of its fiscal capacity.

[14] MoF: Budget Speech, 12 February 2016.

[15] See e.g. GoL: 'Study of Grants and Revenue Raising Capacity of Local Government' June 2007. The study was co-sponsored by GIZ and the World Bank.

[16] Thus the substantial MCC support to the Ministry of Health being conditional on further progress in decentralization has arguably facilitated a better understanding of the need to promote the process.

Business process improvement and training in areas such as monitoring and evaluation and the provision of a wide range of H.R. support functions including role profiling and the development of competency frameworks.

Change management support and advisory services will be provided to decentralizing ministries and new councils to develop and compile new operating procedures, produce manuals, support staff training and development and facilitate the transfer of staff to councils, facilitating induction and capacity building for council staff. Designing and facilitating business process review, design and improvement and embedding new business processes, practices and procedures.

The three components will synergistically aim at improving service delivery using a decentralized and accountable approach to the benefit of all Basotho people, regardless of gender and wealth. The success of the overall programme will be ultimately shown by improved service delivery at local level.

Activities

Considering that the DDP is expected to start only in early 2012, and that decentralization is a fast evolving sector, it is difficult to precisely predict the exact progress, status and momentum of the decentralization process at that point in time, rendering a rigid activity and implementation schedule less than useful. It is thus suggested that - as a first activity of the DDP - an inception report is made which details the status of the decentralization process and provides a more accurate and appropriate set of activities and their sequencing, according to the above indicated results and objectives. This inception report may be informed by the annual joint assessment of the status of decentralization by Government of Lesotho and development partners which is planned under GIZ's current DRDP phase 2010-2014.

Programme Management Activities

Besides result focused activities, the DDP will obviously also have to undertake programme management activities, including the recruitment of staff, setting up of operational procedures, development of specific work plans and detailed budgets. It is proposed that the Delegation of the EU and NAO are active partners in the inception activities as set out in this document. The budget contains a tentative sequencing of the activities, which should be adjusted and updated in the inception phase of DDP.

Stakeholders

The following are key stakeholders in DDP:

1) MoF will be the key ministry for the Local Development Fund design and management. In light of DDP, it has an interest to ensure that fiscal discipline is maintained and that national spending priorities are adhered to. In addition MoF has pioneered the Integrated Financial Management Information System (IFMIS) which has been implemented in both national level ministries and District Administrations through an important financial and technical assistance provided by the 9th EDF. The ministry is planning to extend the IFMIS to district councils which could pave the way for transparent and accountable decentralization. MoF is supporting decentralization provided it can improve accountability and efficiency of public management, e.g. through introduction of better management systems.

2) MoLGC provides the elected district and community councils with technical advice, supervision and effective management of both recurrent expenditure and capital investments. It is also responsible for the District Administrator's Office, which represents the central government at local level. The vision of the Ministry is to create "conditions for sustainable local government, poverty reduction and overall human development in Lesotho." Furthermore, the MoLGC is essential in its role as a facilitator for decentralization, supporting line ministries with change management services tailored to enhance the understanding of decentralization and support the development of decentralization implementation plans.

3) MoPS (Ministry of Public Services) provides overall support to develop the capacities of the ministries to decentralize and provides support for organizational change.

4) Local authorities, including local governments, will be responsible for the front-line services interacting with the ultimate beneficiaries; the citizen of the supported districts. Currently local authorities have underfunded mandates and limited discretion undermining the democratic legitimacy of the local government system. The DDP intends to improve that situation by increasing the budget envelope and strengthening their ability to plan, implement and monitor according to locally anchored priorities. The latter will imply considerable capacity development support.

Location

The decentralization programme will eventually have a country-wide coverage, implemented in a phased sequencing that allows for internalizing and building upon the important achievements made by the currently ongoing programmes. However they will again have substantial qualitative differences in their sequencing and modalities by which they operate.

The DDP will seek full alignment of the decentralization framework to eventually become an integral part of the Government systems. Institutionally the programme team will have a two-pronged approach with one base in MoF and one in MoLGC working collaboratively to deliver on the 3 results but each with particular roles and responsibilities. It is important to note that the strategy is that members of the technical team responsible to support the DDP activities are to be integrated into the existing teams in the respective ministries that are responsible to carry out these activities. This arrangement underscores that the DDP is designed to support the Government of Lesotho with the necessary technical assistance to carry out its own mandate and priorities on decentralization. In addition, this arrangement will greatly facilitate capacity development of the teams in the respective ministries. Members of the team will have a dual reporting line so as to ensure that the project manager can influence the pace and direction of the activities, however their main responsibility with be managed through the host Ministry.

5. Results and Resources Framework in EUR

Country Programme outcome:
Demand-driven and decentralised public service delivery based on claim-holder aspirations and participation strengthened (UNDAF 2008–2012 Outcome #4 & Lesotho CPD 2008–2013)
By 2017, national and local government structures deliver quality and accessible services to all citizens (UNDAF 2013–2017 & Lesotho CPD 2013–2017 – draft to be finalised in 2012)

Outcome indicators: CPD 2008–2012 Outcomes – Indicator: Accessibility of public services at the local level. Baseline: Over-centralization of public services in the capital.
Target: All public services decentralized. Outcome indicators for CPD 2013–2017 currently developed and to be finalized in 2012.

3P Outputs (indicators and baselines)	Participating UN organization-specific Outputs	Participating UN organization	Particip ating UN org. priori ty	Impleme nting Partner	Indicative activities for each Output	Resource allocation and indicative time frame* (INCLUDES DIRECT + INDIRECT COSTS) - Breakdown in Annex 3.				
						Y1	Y2	Y3	Y4	Total
										EUR 5,000,000
Output 1: Improved development funding through local authorities Key indicators: (i) Mechanism for local development funding set up and functioning (ii) No. of decentralizing ministries understand and adopt the principles of local development funding (iii) Number of districts and community councils (or increase) supported through the local funding (iv) % increase in resources flowing to local levels as proportion of total national development budget Baseline: (i) Draft frame work for local development funding (ii) Ministries have little understanding of the local development funding mechanism (iii) Only three districts and three councils directly supported through local development funding (iv) Lack of data on existing funds provided to local levels	• Final design document on local development funding mechanism; An test on the LDF with GoL and an approved national inter-governmental transfer system • Capacity development programme developed and executed for government on local development funding mechanism • Development funding through local level disbursed and regular training programme developed for Councils	UNCDF		1) MoF in cooperati on with MoLG	1) Finalize design of local development funding mechanism • Technical design, conditions, performance measures, etc.	100,000	50,000	50,000	50,000	
		UNDP		2) MoLG with technical support of UNCDF	2) Support adoption of the new system • Ensure Government counterparts (MoF and MoLG) understand and buy into the concept • Ensure counterparts are capacitated to adopt the system	200,000	190,000	100,000	100,000	
		UNCDF		3) MoLG with technical support of UNCDF	3) Operationalise the local development funding mechanism • Provide technical training to councils to operationalize the system and processes • Operate the local dev. funding mechanism with support of UNCDF in the first instance, following which the MoLG will take full responsibility • Disburse funds through the local dev. funding mechanism	500,000	1,400,000	200,000		
		UNCDF		4) MoLG with technical support of UNCDF	4.) Operate the local development funding mechanism Operate local dev. funding mechanism once set up and operated directly through ministry		1,200,000	1,200,000	780,000	

					EUR 1,050,000

Output / Baseline	Indicators	Agency	Activities	Responsible	Amounts
Output 2: Decentralization and accountability systems at the local level promoted Key indicators: (i) Existence of studies documenting current decentralizations and accountability systems and proposing more appropriate principles (ii) Existence of new principles/model for decentralization developed and piloted (iii) Adoption of formula-based system of inter-governmental transfers; Integrated financial management Information System (IFMIS) linking the central financial operations and the district councils through the district sub-accountancies Baseline: (i) New principles not consistently developed or implemented (only three districts (Maseru, Berea and Thaba Tseka) are piloting new principles) (ii) Lesotho Government's integrated financial management information System (IFMIS) operational in Maseru and with access from sub-accountancies	• Documentation on current state of decentralization and accountability system • Model and framework for decentralization in Lesotho agreed upon • Programme of assistance of decentralization programme developed • Inter-governmental transfers system and IFMIS linked up for implementation at sub-national level	*UNDP* *UNDP* *UNCDF*	1) Conduct decentralization assessment and produce inception report • Commission Studies documenting current system and proposing more appropriate principles • Resulting from the commissioned studies, test new and more appropriate principles 2) Decentralization model: • Design the decentralization model (based on findings) and support the finalization and implementation of the decentralization model and system • Develop a solid programme of assistance to councils to decentralization • Rollout decentralization 3) Develop framework for linking up of inter-governmental transfer system and IFMIS for implementation	1) MoLG (in close cooperation with MoF) 2) MoLG (in close cooperation with MoF) 3) MoF (in close cooperation with MoLG)	50,000 / 100,000 / 200,000 / 200,000 300,000 / 100,000 / 200,000 50,000 / 100,000 / 50,000

					100,000	100,000	100,000	50,000	50,000	*BTN* *750,000*

Output 3: Capacities of Line Ministries and local authorities enhanced to decentralise functions

Indicators:
(i) Number of line ministries supported in decentralization
(ii) % of functions effectively unpackaged at local level
(iii) % of staff transferred
(iv) Number of councils assisted in decentralization

Baseline:
(i) Only Ministry of Works has decentralized, Min. of Health decentralization ongoing
(ii) There is no effective unpackaging of functions at local level
(iii) The staff of the Ministry of Works has been transferred
(iv) No councils assisted. There is no programme of assistance to councils to decentralize

- Process established for interdepartment al cooperation for decentralization

- Human resources and functional responsibilities assigned for decentralization

- leadership and environmental change for decentralization facilitated

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1) MoLG

2) Min. of Public service/ MoPSi

3) Min. of Public service/ MoPSi

1) Sensitization and strengthened administrative systems to facilitate the process of decentralization
- Design and develop a communication strategy
- Consult, involve and communicate with all key stakeholders
- Conduct workshops to facilitate interdepartmental decent. working group
- Develop and implement an agenda for change, implementation framework and monitoring arrangements
- Conduct stakeholder workshops, training events, town halls and newsletter to disseminate information and highlight debate and discussion on decentralization
- Conduct a work programme for the interdepartmental decent. working group

2) Facilitate a Human Resource infrastructure functions and systems to implement the decentralization process
- Conduct reorganization and restructuring exercises in decentralizing ministries
- Map functions
- Map business processes
- Support/facilitate the transfer of staff to councils and facilitate induction and capacity building for council staff
- Conduct training events/workshops on monitoring and evaluation
- Develop role profiles, competency frameworks
- Workshops/events to develop and example new operating procedures for district/community councils
- Develop/produce manuals and support staff training and development

3) Facilitate an enabling leaderships and organizational environment for change
- Conduct strategic planning, vision and values exercises for senior leaders in decentralizing ministries
- Conduct leadership and organizational change workshops for senior leaders in

Activity 2 amounts: 50,000 | 60,000 | 50,000 | 50,000

Activity 3 amounts: 100,000 | 50,000 | 30,000 | 20,000

|	UNDP	UNDP					
Output 4: Programme managed effectively and consistently (Technical output) Indicators: (i) Existence of programme management structure (ii) Timely monitoring, evaluation and reporting Baseline: (i) No programme management structure (ii) No monitoring, evaluation and reporting started		decentralizing ministries ▪ Conduct leadership development workshops for Councilors					
		1) Set up and run initial Programme Management structure and overall management arrangements	550,000	550,000	550,000	330,000	EUR 2,080,000
		2) Conduct audit, monitoring and evaluation	20,000	20,000	20,000	60,000	
UNDP							4,270,000
UNCDF							4,610,000
Total	Total Programme Cost						8,880,000
	Of which Indirect Cost						523,364
	Of which Direct Cost						8,356,636

6. Management and Coordination Arrangements (Two pages)

Article III of the Standard Basic Agreement between the Government of the Kingdom of Lesotho and UNDP of 31 December 1974 states that execution of UNDP-assisted projects shall remain the responsibility of the Government. This was also reaffirmed in United Nations General Assembly resolution 44/211, which categorically states that the recipient Governments have the sole responsibility for the co-ordination of external assistance and the principal responsibility for its design and management and that the exercise of those responsibilities is crucial to the optimal use of external assistance and to the strengthening and utilisation of national capacity. UNDP works to help develop and enhance the national capacities in the initiation, implementation and conclusion of the developmental undertakings in which it is involved as a partner. For this to work, it is essential that the Government assume the overall responsibility and direction for the execution of the UNDP-supported initiatives. To this end, the National Implementation (NIM) modality will be used for programme execution in accordance with the approved United Nations Development Assistance Framework (UNDAF) – Action Plan.

Whereas *execution* means overall ownership and responsibility for programme activities, to be undertaken by the Ministry of Finance, expressed via signature of the UNDAF Action Plan, *implementation* means responsibility for management and delivery of programme activities to achieve specified results, and is expressed via signature of an Annual Work Plan (AWP) between UNDP and the designated **Implementing Partner**.

Given the scope of the DDP and its results framework, it is evident that two main partners will be responsible for the management and delivery of programme activities 1) MoF and 2) MoLGC with each Ministry having its particular responsibility as per their mandates. The image below provides a graphical overview of the main responsibilities under the DDP as per the 3 results areas even though it is clear that each result areas requires collaboration between the respective Ministries.
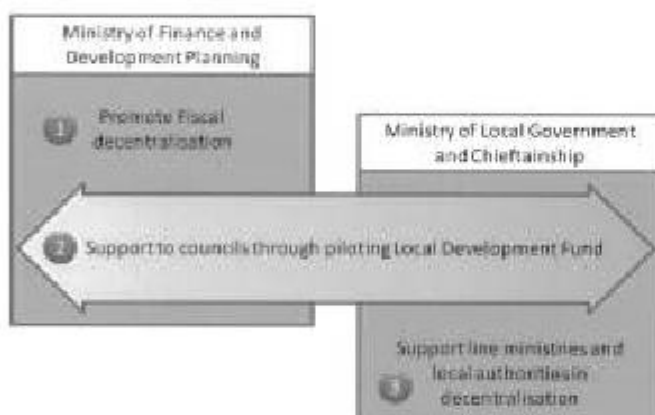
The MoLGC will be the main implementing partner for the project. The MoF, UNDP and UNCDF will be assigned main responsibility in the role of responsible party as per the result framework. Each **Responsible Party** will carry out project activities to deliver on the outputs, procure/contract goods and provide services using the project budget as per the Results and Resources Framework.

In line with the UNDP Harmonized Approach to Cash Transfers (HACT) approach to disbursements of project funds, agreements will be made with the implementing partner to either transfer funds on a quarterly basis to the implementing partner for activities set out in an approved Annual Work Plan or for UNDP to make direct payments to service providers. As requested by the Implementing Partner, the preferred mechanism at the start of the project is direct payments.

In all administrative and operational aspects of the project implementation, the UNDP Country Office will provide support to and facilitate the implementation of activities in the form of **Implementation Support Services** under the National Implementation Modality (as will be defined during the inception phase using the template agreement under annex 2).

If required, training on the UNDP project management, procurement and financial practices and regulations will be given during the start-up of the project to the Implementing Partners.

Organizational Set-up:

In line with PRINCE 2 project management standards, a Steering Committee will be established for making, on a consensus basis, management decisions for a project when guidance is required by the Project Manager, including recommendation for UNDP/ Implementing Partner approval of project revisions. Project reviews by this group are made at designated decision points during the running of a project (see below), or as necessary when raised by the Project Manager. This group is consulted by the Project Manager for decisions when PM tolerances have been exceeded.

The Steering Committee contains three roles:

- **Executive** representing the project ownership to chair the group.
- **Senior Supplier** role to provide guidance regarding the technical feasibility of the project, and
- **Senior Beneficiary** role to ensure the realization of project benefits from the perspective of project beneficiaries.

This list of members (see below) may be expanded if appropriate. The Steering Committee will meet every six months and review and approve annual budgets and work plans and provide strategic guidance to the DDP.

The project through its coordinating mechanisms will ensure synergies between the EU funded NSA support programme and the DDP, as well as other development projects that can contribute to achieving better results.
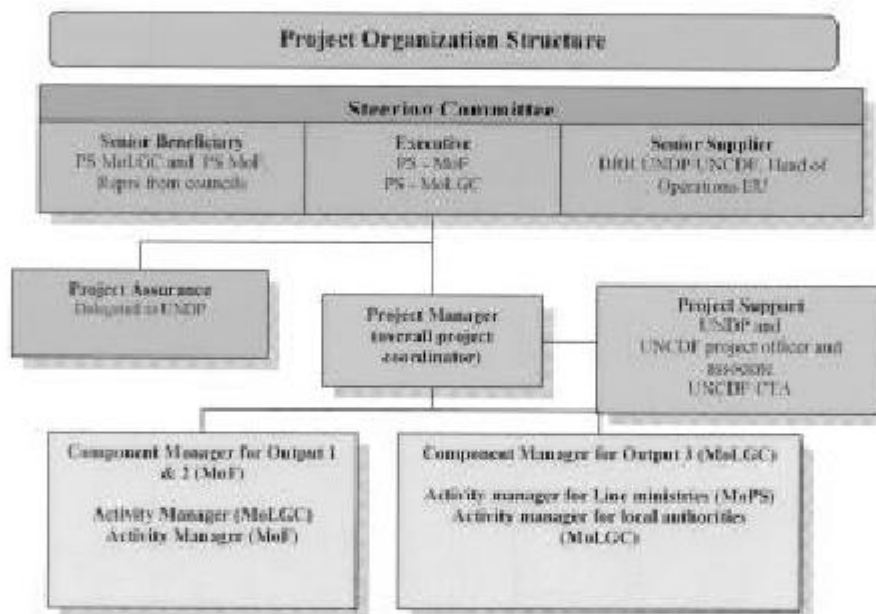
The **Project Manager will have** the authority to run the project on a day-to-day basis on behalf of the Steering Committee within the constraints laid down by the Steering Committee. The Project Manager is responsible for day-to-day management and decision-making for the project. The Project Manager's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost. The Project manager is supported by a Chief Technical Advisor (CTA), backstopped by a programme assistant.

The **Project Support** role provides project administration, management and technical support to the Project Manager as required by the needs of the individual project or Project Manager.

Project Assurance is the responsibility of each Steering Committee member; however, daily monitoring function in this regard is delegate to the programme officer. This role ensures that appropriate project management milestones are managed and completed.

Component Manager is responsible to manage the outputs under the project and coordinate the activities lead by the Activity Managers in the respective ministries. Component managers should be appointed by the government and be embedded in the regular function of the ministries. Short-term technical assistance under component managers will be provided tied to the activities (Activity managers). Component Managers are reporting to the Project Manager regarding the progress of the project activities under their area.

Capacity of UNDP/UNCDF:

UNDP Lesotho has an Operations Unit which services projects either through Implementation Support Services or as part of Direct Implementation. The Unit contains Human Resources, Procurement, ICT Advisory and Finance sections. The backbone of the Operations section for UNDP is the corporate Enterprise Resource Planning (ERP) system known as Atlas. Atlas is used for project management and reporting, all procurement, processing of payments and maintenance of staff, consultants and vendors. No transaction takes place outside of this system to ensure transparency at all times.

On the programming side, UNDP Lesotho and UNCDF will provide local support and technical backstopping to the project through the governance team but also have access to a global network of experts as well as the Regional Office based in Johannesburg, South Africa. Further, all Programme Officers have been trained on PRINCE2 as well as UNDP Results-based project management standards.

During project start up, a UNDP Programme Officer who is competent in project management and Atlas will ensure correct Atlas set-up and oversee the recruitment of the project manager and other project staff.

Audit arrangements

In accordance with the provisions of the EC-UN Financial and Administrative Framework Agreement (FAFA) financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of UNDP.

Intellectual property Rights and Use of logo

UNDP shall take all appropriate measures to publicize the fact that the DPP has received funding from the European Union. Information given to the press, the beneficiaries of DDP, all related publicity material, official notices, reports and publications, shall acknowledge that the DDP was carried out "with funding by the European Union " and shall display in an appropriate way the EU logo. This related to both equipment (e.g. cars) and publications (reports, newsletters, websites, etc.). In relation to publications, Art 6 of the General Conditions will be complied with by including the necessary specific disclaimers in each project publication. Moreover UNDP will comply with the Joint Visibility Guidelines for EC-UN Actions in the Field and the General Conditions for Contribution Agreements.

Procurement and grant award procedures

All contracts implementing the activities foreseen in the Contribution Agreement with UNDP must be awarded and implemented in accordance with UNDP standard procedures.

Reporting

UNDP will provide progress reports in line with the requirements set by the FAFA and specified in the Article 2 of the General Conditions applicable to European Union contribution agreements with international organizations. These reports will also draw from the EC-UN Joint Guidelines on reporting obligations under the FAFA (2011) available here:
http://ec.europa.eu/europeaid/work/procedures/financing/international_organisations/other_docu
ments_related_united_nations/document/joint_guidelines_reporting_2011_en.pdf
On an annual basis, a narrative and financial progress report will be submitted to the Contracting Authority. Additionally, short quarterly updates on technical, operational and financial progress will be submitted to the DDP's steering committee. All these reports should report on the progress in achieving all the indicators agreed upon in the Results and Resources framework.

7. Fund Management Arrangements

Core funds provided by UNDP and UNCDF will be used under the parallel funding modality, whereby each organization funds and implements its activities in parallel with the other participating organization, one organization should be responsible for consolidated reporting as agreed upon by the Steering Committee.

External funding mobilized will be used under the pass-through funding modality and UNDP will be the Administrative Agent. The programmatic and financial accountability will rest with the participating UN organizations and (sub-) national partners that would be managing their respective components of the joint programme.

Funding arrangements with the national implementing partners will be under Support to National Implementation Modality.

8. Monitoring, Evaluation and Reporting

UNDP will conduct project assurance activities. Monitoring will be ensured through regular UNDP progress reports and on the spot monitoring by the staff of the Delegation of the EU undertaken in line with the General Conditions (Annex 2 to the EU-UNDP contribution agreement).
The implementation arrangement will produce reporting on:
* completed and planning activities;
* financial monitoring and reporting;
* monitoring and reporting of results;
* identification of problems arising during the programme implementation, highlighting planning or policy issues to be addressed in the decentralization process.

Independent consultants may be recruited directly by the European Union on specifically established terms of reference (these will be shared with UNDP) to carry out external monitoring ROM system, which may start from the sixth month of project activities, and finalized at the latest 6 months before the end of the operational implementation phase. Such ROMs will be conducted in line with the spirit of good collaboration outlined in Article 8 of the General Conditions (Annex 2 to the EU-UNDP contribution agreement).

The DDP's M&E system, refined and put in place during the initial inception phase of the project, will:
* Provide all stakeholders with information on project progress against assigned outputs and activities. This aspect of the M&E system will be relatively simple, based largely on ensuring that annual work plans are being implemented according to schedule and within budget.
* Ensure that there are adequate "process" indicators, which will track the quality of the processes and procedures being supported by the programme. This aspect of the M&E system will require the identification and use of more qualitative indicators, many of which are likely to require periodic surveys and the use of participatory methodologies.
* Ensure that the assumptions made by the programme remain valid. This effectively means that the programme will track the potential risks and ensure that they are not compromising the ability of the programme to deliver its outputs.
* The DDP will ensure that corporate reporting requirements (e.g. UNDP's Strategic Results Framework) are adequately met. The project shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of UNDP, as foreseen by the *Financial and Administrative Framework Agreement (FAFA)*.
* The Delegation of the EU may conduct its own verifications in line with the FAFA, General Conditions and as set out in the Terms of Reference for Verification Missions[13].

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle
> On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.

> An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.

- Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.

- Based on the above information recorded in Atlas, a Project Progress Reports (PPR) shall be submitted by the Project Manager to the Steering Committee through Project Assurance, using the standard report format available in the Executive Snapshot.

- a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project

- a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually:

- **Annual Review Report**. An Annual Review Report shall be prepared by the Project Manager and shared with the Steering Committee.

Project Evaluations

The DDP will be subject to an independently conducted final evaluation, commissioned by the EU as stated in the Financing Agreement. Further the DDP will also be subjected to an independent mid-term review (again with representatives from the EU Delegation), which should also include a review of the GoL's capacity to take over financial and implementation management roles. The DDP will ensure that UNDP corporate reporting requirements (e.g. UNDP's Strategic Results Framework) are adequately met.

Any evaluation related to this Action will be conducted in accordance with provisions of the Article 8 of the General Conditions (Annex 2 to the EU-UNDP contribution agreement).

Monitoring and Evaluation framework

Joint Programme Monitoring Framework (JPMF)

Outcomes	Outputs	Indicators with baselines and indicative time frames	Means of Verification	Collection Methods & Frequency	Responsibilities	Risks & Assumptions
Demand-driven and decentralised public service delivery based on claim-holder aspirations and participation strengthened (Lesotho CPD 2008-2013) *By 3017, National and local governance structures deliver quality and accessible services to all citizens. (Lesotho CPD 2013-2017 – draft to be finalized in*	Output 1: Improved development funding through local authorities	Mechanism for local development funding set up and functioning by end of 2013 Number of decentralizing ministries understand and adopt the principles of local development funding	Reports from MoF Report from MoF and MoLGC	National Budget and Annual Project Progress Report of DDP	MoF and MoLGC	Competition between MoF and MoLGC. Established cooperation among the ministries sustained
		Number of Districts (Local Councils) supported through local funding	Report from MoF and MoLGC			
		% increase in resources flowing through local funding as proportional of total national development budget.	Report from MoF and MoLGC			

Outcomes	Outputs	Indicators with baselines and indicative time frames	Means of Verification	Collection Methods & Frequency	Responsibilities	Risks & Assumptions
2012)	**Output 2: Decentralization and accountability systems at the local level promoted**	Existence of studies documenting current decentralization and accountability systems and proposing more appropriate principles by end of 2013	Report from MoF and MoLGC	Annually	DDP Technical Team	The necessary statutes for accountability systems not passed. Bureaucrats at Ministries prepared to adopt new accounting systems and mechanism for reporting
		Existence of new principles/model for decentralization developed and piloted in 2013 and finalized in 2014	Report from MoLGC			
		Adoption of formula-based system of inter-governmental transfers, Integrated financial management System Information (IFMIS) linked to the central financial operations and the district councils by 2014	Report from MoF and MoLGC			

Outcomes	Outputs	Indicators with baselines and indicative time frames	Means of Verification	Collection Methods & Frequency	Responsibilities	Risks & Assumptions
	Output 3: Capacities of line ministries and local authorities enhanced to decentralize functions	Number of line ministries supported to decentralize functions	Annual Progress Report of MPS	Annually	DDP Technical Team	Resistance from central ministry staff to move to the districts
		% of functions effectively unpackaged at local level				Necessary incentives in place to attract staff to the district level
		% of staff transferred to the local level	Annual Progress Report MoLGC			
		Number of councils assisted in decentralization	Annual Progress Report MPS			
			Annual Progress Report MoLGC			
	Output 4: Programme managed effectively and consistently (Technical output)	Existence of programme management structure by end 2012	DDP 1st Quarter Project Report in 2012	Quarterly	MoF & MoLGC	Delayed recruitment process for Project staff
		Timely monitoring, evaluation and reporting in every quarter and end of each year	DDP Annual Report	Annually	MoF & MoLGC	Exchange Rate loss
						Expected calibre of people attracted to apply for positions.

9. Legal Context or Basis of Relationship

This document together with the UNDAF Action Plan signed by the Government and UNDP, which is incorporated by reference constitute together a Project Document as referred to in the SBAA [Standard Basic Assistance Agreement between the Government of the Kingdom of Lesotho and UNDP of 31 December 1974] and all UNDAF Action Plan provisions apply to this document.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;

b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document".

10. Work plan and budgets

Indicative Annual Work Plan for the first 12 months of operations (November 2012 – October 2013), in EUR.

JP Outcome

UN organization-specific Annual targets	UN organization	Activities	TIME FRAME				Implementing Partner	PLANNED BUDGET		
			Q1	Q2	Q3	Q4		Source of Funds	Budget Description	Amount

Output 1: Improved development funding through local authorities

(i) Mechanism for local development funding set up and functioning	UNCDF	Finalize design of local development funding mechanism	x	x	x		MoF	EU/UN CDF	Consultancy Workshop/training Communication IT Logistics/Miscellaneous	100,000
(ii) MoF, MoLGC and line ministries understand local funding mechanism and documenting knowledge, support and technical training to all councils in the country	UNDP	Support Adoption of new system		x	x	x	MoLG	EU/UN CDF	Consultancy Workshop/training IT Logistics/miscellaneous us LDF Funding	200,000
(iii) At least 3 districts and 15 community councils supported directly through development funding	UNCDF	Operationalize the local development funding mechanism (initiation)		x	x	x	MoLG	EU/UN CDF	Consultancy Workshop/training IT Logistics/miscellaneous us LDF Funding	500,000
(iv) Funding started to be provided at the local level		Operate the local development funding mechanism								0
UNDP										200,000
UNCDF										600,000

Output 2: Decentralization and accountability systems at the local level promoted

(i) Studies documenting current system and proposing more appropriate principles conducted	UNDP	Conduct decentralization assessment and inception report	x	x			MoLG	EU	Consultancy Surveys Miscellaneous	50,000
(ii) New and more appropriate										

	Agency	Decentralization model					Ministry		EU	Consultancy items	Amount
principles developed based on the findings of studies	UNDP	Decentralization model	X	X	X	X	MoLG		EU	Consultancy Workshops/training Surveys Miscellaneous	300,000
iii) Formulate based system of inter-governmental transfers developed. IFMIS must cover the ten districts of Lesotho	UNCDF	Develop framework for linking up of inter-governmental transfer system and IFMIS for implementation				X	MoLG		EU		50,000
UNDP											350,600
UNCDF											50,000
Output 3: Capacities of Line Ministries and local authorities enhanced to decentralize functions											
Targets: i) 3 Line ministries supported in decentralization	UNDP	Specialization and strengthened administrative systems facilitate the process of decentralization	X	X	X	X	MoLGC		EU	Consultancy Workshops Communications Miscellaneous	100,000
ii) 25% Functions at local level must have been unpacked. Organisation design function mapping restructuring and reorganizing councils to fit new functions, training support to decentralizing ministries on monitoring and evaluation et al.	UNDP	Facilitate a Human Resource infrastructure and functions systems to implement the process of decentralization	X	X	X	X	MoPS		EU	Consultancy Workshops Communications Research/surveys Miscellaneous	95,000
iii) 20% staff transferred											
iv) Ministry of Health supported in decentralization efforts, focusing on HR system and processes, role profiling and the development of competency frameworks, business process review, design and management	UNDP	Facilitate an enabling leaderships and organizational environment for change	X	X	X	X	MoPS		EU	Consultancy Workshops Communications Miscellaneous Training Logistics	100,000
UNDP											290,000
UNCDF											-

Output 4: Programme managed effectively and consistently (technical output)

		X	X	X	X	X	UNDP	EU	
(i)	Programme management structure set up and integrated with key partners								550,000
	Set up initial DDP Project Management Unit and overall management arrangements								
(ii)	Monitoring, evaluation and reporting framework set up and provided in a timely manner								
UNDP									550,000
UNCDF									
Total Planned Budget									**1,640,000**
Includ ing*	**Total UNDP**								**1,390,000**
	Total UNCDF								**650,000**

* The Total Planned Budget by UN Organisation should include both programme cost and indirect support cost.

ANNEX 1: RISK ANALYSIS

Project Title: Deepening Decentralization Programme   Award ID:

#	Description	Date Identified	Type	Impact & Probability	Counter measures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1	DDP will be perceived as donor driven support parallel to Government priorities	24/03/2011	Strategic	$P = 3$ $I = 5$	Management: Integration of technical assistance into the existing Ministry teams. Programme awarding sustainability strategy of DDP is based on gradual harmonization and alignment to government systems that will ensure that Government of Lesotho (at all levels) take over the procedures and mechanisms gradually, while simultaneously providing capacity development to enhance this transfer	UN	Project identification phase	24/03/2011	Open
2	Assumption that the political commitment to further decentralization and the SDA will continue and possibly be accelerated	24/03/2011	Political	$P = 3$ $I = 5$	UN, GIZ, EU Delegation and other development partners can encourage continued commitment by piloting interventions that demonstrate the benefits of decentralization in terms of improved service delivery. Moreover, the general budget support and associated PAF also provide entry points for keeping decentralization on the agenda.	UN, EU, GIZ	Project identification phase	24/03/2011	Open
3	Inter-ministerial cooperation may jeopardize progress in e.g. establishing	24/03/2011	Organizational	$P = 4$ $I = 4$	Promote much needed cooperation by having an inclusive governance structure that actively	GoL, UN, EU, GIZ	Project identification phase	24/03/2011	Open

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	and implementing the LDF and associated capacity development support to local authorities				Facilitate reconciliation and mutual understanding of appropriate roles and responsibilities. In addition there may also be a need for DEDP's sponsors to address this issue at appropriate levels, in order to ensure not only improved collaborative inter-ministerial arrangements, but also to ensure that activities are appropriately institutionally anchored					
4	Lack of incentives to improve transparency and empowering of councils through e.g. increased discretionary spending based on council development plans	24/03/2011	Political	$P = 2$ $I = 4$			Project identification phase	24/03/2011	Open
5		28/11/2011	Financial	$P=4$ $I=4$	Insist on transparent and accountable planning, prioritization and budgeting procedures that are subject to public scrutiny	UNDP	Project identification phase	28/11/2011	Open
					Exchange rate loss				
6	2012 Elections and their aftermath (a) (a) Change in the political leadership. Both ministers are no longer leading their ministries and as a result senior personnel in both ministries may also be changed	01/May/2012	Political	$P=4$	Local development partners together with the international community at large should continue supporting the political process leading to credible free and fair elections	UN, EU, GI			

(h) Changes at central government has an impact on the work of the local councils. Already there is turmoil at local government with councils aligned to different political parties				Engagement of key political leaders and their sensitization to the programme should be embarked upon so that it doesn't really matter who has been elected but that the DDP is a national project	UNDP	
				Lobbying for support of political parties and the government of the day on building capacity of councils so that they increasingly view their role as of service delivery no matter who is at the helm of central government	UN	

Probability (P) measured from 1 (low) to 5 (high)
Impact (I) measured from 1 (low) to 5 (severe)