

**United Nations Development Programme**

**Country: \_\_FYR Macedonia\_\_**

**Project Document**

**Project Title** Social Services in Support of Social Development and Cohesion

**UNDAF Outcome(s):** #2 By 2014, Local and regional governance enhanced to promote equitable development and inter-ethnic and social cohesion.

**Expected CP Outcome(s):** 2.1. Local government units operate in a more effective and transparent manner;

**Expected Output(s):**

- #1: Improved Policy Making and Social Service Delivery **through introduction of a new model of inter-governmental transfers focusing on more equalized distribution of funds**
- #2: **CD for Research and Monitoring Framework - through design of a sustainable system for data collection and analysis**
- #3: Inclusive Participatory Planning - **through introduction of participatory planning service delivery practices in target municipalities**

**Implementing Partner:** UNDP

**Government Counterpart:** Ministry of Finance

**Responsible Parties:** UNDP, Georgia State University (GSU)

### Brief Description

This two-year project is targeting the policy issue of fiscal decentralization, and more concretely the inter-governmental transfers, in function of more equitable provision of social services at local level.

Upon request of the Ministry of Finance, the project is a part of a wider Programme supporting the Fiscal Decentralization Reform and the Social Inclusion agenda of the Government that will allow, on the one hand, an allocation of resources in line with the already decentralized competencies; and, on the other hand, a more equitable distribution of financial resources among municipalities both in terms of expenditure needs and financial capacity.

More specifically, the project aims to improve municipal responsiveness to social inequalities and deficiencies of social services for vulnerable groups, contributing to decrease of social differences and mitigating impact of the economic crisis. This will be achieved by performing the following actions:

- Design of a new model of inter-governmental transfers by developing a new equalization formula and capacity building for the MoF and other actor for management of the new system
- Establishment of a sustainable system for data collection and analysis. Baselines will be established through performing expenditure norms and fiscal capacities studies and training for MoF, State Statistic Office and others will be provided for using the data and perform monitoring and evaluation
- Introduction of participatory planning service delivery practices in municipalities, by establishment of community based planning groups, training municipal authorities and civil society on social service policy, local budgeting and monitoring for local officials and representatives of vulnerable groups, as well as engaging CSOs in monitoring the outcomes of the process

The expected impact of the project output is more equitable and just distribution of government funds for social services at local level, flexibility of the funds to address specific needs and vulnerabilities within municipalities and provision of systematic tools for vulnerable groups and CSO to participate in service delivery planning and monitor the municipal performance.

Programme Period:	2 years
Key Result Area (Strategic Plan)	_____
Atlas Award ID:	_____
Start date:	_____
End Date	_____
PAC Meeting Date	_____
Management Arrangements Implementation	DIM

Total resources required	320,000 USD
Total allocated resources:	_____
• Regular	_____
• Other:	_____
o DGTTF	220,000
o UNDP TRAC	100,000
o Donor	_____
o Government	_____
Unfunded budget:	_____
In-kind Contributions	_____

Agreed by (Government)      See attached Letter of Acceptance

Agreed by (UNDP):      Deirdre Boyd, Resident Representative



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## I. SITUATION ANALYSIS

*(minimum one paragraph, suggested maximum one page)*

FYR Macedonia is a Western Balkan country with 2 million population. The country has a two-tier government system, with local government consisted out of 84 municipalities and the city of Skopje as a special unit of local self-government. As a country aiming for EU membership, FYR Macedonia is undergoing series of reform, including the process of decentralization, as one of the main political criteria.

Being intrinsically embedded in the Ohrid Framework (Peace) Agreement, the decentralization process was primarily perceived as part of the political reforms pursued to improve political cohesiveness and strengthen democratic representative institutions in the country. Nonetheless, with the progress of the reform, the issue of quality and access to public services as well as the overall efficiency of the local institutions is being considered as equally important features for taking the decentralized system of governance to the next phase. Central to this stage of the process is the question of appropriate and adequate systems to ensure fiscal sustainability and effective reach of public services to all women and men in society.

There is a general perception that the process has been moving in the right direction; however, there is common recognition from both the government and key stakeholders that the existing model of fiscal decentralization in the country does not ensure an equitable level of public service provision for all citizens across the country.

With the current local tax and fee structure, rural municipalities have low capacity to generate own revenues, so they are highly dependent on state transfers for service provision. However, the current intergovernmental fiscal system is effectively regressive because transfers are made based on existing facilities and rural and remote areas, where more of the poor live, historically are lacking facilities to provide services. The problem is two-fold: the rural municipalities are underfunded and all municipalities tend to continue inefficient delivery mechanisms, instead of, say, outsourcing service delivery to CSOs or considering deinstitutionalization. Additionally, the service provision is non responsive to the specific development challenges of particular social groups, such as the Roma, who face 80% to 90% unemployment and all the additional public service delivery related issues.

The Mid-Term MDG report and the last EU Progress Report underscore these challenges as they emphasize the need for greater accountability and responsiveness to poverty and social inequalities (along gender, rural-urban and ethnic lines). Although the decentralization process carries the potential to make governance more participatory and accountable to disadvantaged groups, the current fiscal framework reinforces the status-quo; development outcomes are still largely discriminatory to women and socially excluded groups, preventing them from articulating their interests and participating in the processes. The economic crisis has exacerbated these discrepancies by further decreasing the fiscal capacities for delivering solid and inclusive social services, while increasing rural-urban migration and social discord.

A newly adopted National Strategy for Decreasing Poverty and Social Exclusion calls for expanding the reach of social services, such as education and social care services. What is missing is how these will be funded. Changes to the intergovernmental fiscal system (including the equalization grant and capital grants) are needed to support the delivery of services that are responsive to poverty, vulnerabilities and exclusion.

Earlier projects with UNDP<sup>1</sup> support ("An Assessment of Fiscal Decentralization," July 2007 and "Financing Equitable Service Delivery For All Citizens," December 2008) have laid out options for IGF reform to which the Ministry of Finance (MoF) has agreed, in principle. As fiscal decentralization was first implemented six years ago, the MoF recognizes that this is an appropriate time for revisions to improve its transparency and effectiveness.

The project will leverage on other UNDP activities in the field of decentralization, for which UNDP is already recognised by other stakeholders. It will also take account of the work done by other UN agencies at local level, such as the UNIFEM Gender Based Budgeting and the UNICEF work on education and child care at local level. The work of the project will complement USAID and other international organizations that work in the field of fiscal decentralization.

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<sup>1</sup> Funded by the UNDP DGTTFund

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## II. STRATEGY & METHODOLOGY

The Ministry of Finance has requested for UNDP's support in reviewing the models of inter-governmental transfers, with emphasis on the fiscal equalization framework, to be transposed into the legislative system of the country. To achieve that, the project will work at the policy level to reform the IGF system with the aim of a more responsive and effective local social service delivery system that takes into account vulnerable groups' needs. At the local level, the project will also work on a pilot basis to promote inclusive planning and innovative social service delivery in an effort to closing increasing social gaps within municipalities. It will leverage extensive United Nations Development Programme national and international experience in supporting the government through the policy reform processes and facilitating policy dialogue. It will take this one step further by supporting development of local expertise in research and analytical skills to support future fiscal and financial reforms. For practical purposes, the analysis will be based on a representative sample of municipalities (10 to 12) and data from the Ministry of Finance and line ministries. To complement the research and policymaking dimensions of the project, pilot projects will be implemented in at least three municipalities to test and promote inclusiveness and outreach to vulnerable groups in development planning.

An Independent Advisory Group (IAG) composed of experts and stakeholders not directly engaged or involved in the project will provide expert advice and opinion on project activities and deliverables to the Project Board. Further on, the Ministry of Finance and Ministry of Local Self-Government will be supported to organize and manage a stakeholder group (such as MLSP, MOES, MH, ZELS, State Statistic Office, State Revenue Office and CSOs), aiming at introduction of participatory approach in policy development for social services and improving the decentralization concepts in the given areas.

The project will deliver three key outputs: Improved Policy Making for Social Service Delivery; Capacity Development for Research and Monitoring; and Inclusive Participatory Planning

- **Improved Policy Making for Social Service Delivery through introduction of a new model of inter-governmental transfers focusing on more equalized distribution of funds**

The aim of the intergovernmental fiscal transfer system reform is to transition the equalization and capital investment grants to a "expenditure needs and revenue capacities" based system. The main focus of the project activities will be on establishing a new equalization framework, providing concrete formulas and policy options for re-distribution of funds. The second aspect of the transfers - the capital grants, will be addressed by performing a capital grant assessment. The reform process will be supported through two major studies (estimating local expenditure needs for established service standards and local fiscal capacity)<sup>2</sup> carried out with a sample of municipalities and policy dialogue events. This will allow an evidence-based discussion at the policy making level on the priorities and policy choices that the reform entails. The Ministry of Finance and other relevant institutions will receive training in the design of equalization grants, modelling, and management, so as to ensure that policy makers have a set of policy options to choose from as the country's decentralization process and social realities evolve.

- **Capacity Development for Research and Monitoring Framework through design of a sustainable system for data collection and analysis**

Policy development for improving service provision and management of intergovernmental transfers will require better skills for obtaining and analyzing data. Capacity building will be provided at the central level (Ministry of Finance) on Fiscal Policy research so as to enable this institution to carry out research, modelling and monitoring on a regular basis, analyse the impact and adjust policies and transfer mechanisms according to the changing social and economic realities of the municipalities. Moreover key institutional stakeholders (line ministries, State Statistical Office, Revenue Office, etc...) will receive training on establishing indicators related to expenditure needs and collecting and analyzing data, in order to establish a common Monitoring Matrix for Equalization and a database with the relevant indicators, including vulnerability, social exclusion, gender, etc

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<sup>2</sup> For practical purposes, the approach taken will use proxies, allowing system to improve and become more complex over time. This will enable to have solid formula even in environment with not so solid norms and data.

- **Inclusive Participatory Planning through introduction of participatory planning service delivery practices in target municipalities**

A platform for inclusive planning and service delivery will be developed and tested in a set of pilot municipalities, at least three. The platform will be designed to incorporate all relevant municipal bodies (such as the special committees on gender, inter-ethnic relations...) and social partners (such as respective state bodies and CSOs). A User Survey will be undertaken on social service delivery in at least three target municipalities.

Local CSOs active in the social area and representatives of vulnerable groups will receive training on social service policy and local public budgeting, so they can be more effective in presenting policy proposals and understanding both the administrative and the financial dynamics at the local level. Training will be provided to municipalities on various forms of service delivery.

The experience of the pilot municipalities will be presented in a series of workshops and public events to raise awareness and articulate the needs of the most vulnerable by presenting evidence-based analysis and proposals for effective service delivery. The developed platform shall be disseminated and promoted through the Association of Municipalities (ZELS)

. It is envisioned that local CSOs will participate in the data collection and monitoring by identifying the level of service provision, especially among vulnerable groups, in the sample of municipalities.

The project has a duration of 2 years and it is expected to start on September 2010. Annual Work Plans (see below) are defined on project years (September to August) and not on natural years.

An evaluation will be undertaken in 2013, one year after the closing of the project

### III. RESULTS AND RESOURCES FRAMEWORK

#### Intended Outcome as stated in the Country Programme Results and Resource Framework:

*Assign a number to each outcome in the country programme (1, 2,...).*

#### Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:

##### Applicable Key Result Area (from 2008-11 Strategic Plan):

**Partnership Strategy:** The project will be implemented in close partnership with the Ministry of Finance, Ministry of Local Self-Government and ZELS. Georgia State University will be a Responsible Party together with UNDP. Particular attention will be paid to ensure complementarities, coherence and cross-fertilization with earlier or the ongoing related activities undertaken both by the UN system and other national and international organizations

##### Project title and ID (ATLAS Award ID):

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
<p>- Output 1 Design of a new model of inter-governmental transfers focusing on more equalized distribution of funds</p> <p>Baseline: Current model of intergovernmental transfers does not adequately address local imbalances and capacities.</p> <p>Indicators:</p> <p>New Model of intergovernmental transfers, reflecting a new Equalization Framework presented to the MoF</p> <p># national staff trained on the new model of transfers</p>	<p>Targets (2010) Recommendations for a Policy Statement by the MoF</p> <p>Targets (2011) New model of intergovernmental transfers, reflecting new equalization framework</p> <p>15 MoF staff trained</p> <p>Target (2012) Review of Reform</p>	<p>Inter-Governmental Transfers Reform (Equalization Framework).</p> <ul style="list-style-type: none"> <li>- Inception phase: identification and review of stakeholders, resources and actions to be taken (including selection of target municipalities).</li> <li>- Technical Forum on Equalization Framework</li> <li>- Recommendations of the technical Working Group for a Policy Statement, outlining overall reform, objectives and changes in the transfer system based on the recommendations and Government decision</li> <li>- Capacity Building (training and on-the-job technical support): Fiscal Equalization Framework and the Sector Grants Design and Management</li> <li>- Forum on expenditure needs and</li> </ul>	<p>UNDP/GSU</p>	<p>70,000 USD (project staff, international experts, local experts, workshop costs)</p>

	<p>fiscal capacities: presentation and debate of the Fiscal Capacity and Expenditure Norms Study and policy choices, reflecting the design of the equalization formula and its incorporation into the respective legislation and budgetary changes</p> <ul style="list-style-type: none"> <li>- Review of Reform and Assignments</li> <li>- Equalization Framework Forum: presentation of Reform Review and debate</li> <li>- Adoption of Equalization Framework (1/2):<sup>3</sup> Second phase, modification of Framework formula, legal amendments and budgetary changes required</li> </ul>		
<ul style="list-style-type: none"> <li>- Output 2 Establishment of a sustainable system for data collection and analysis</li> </ul> <p>Baseline: No adequate data collection and analysis to support Fiscal Decentralization Reform</p> <p>Indicators: methodologies developed # national staff trained # Academia trained.</p>	<p>Targets (2011)</p> <p><i>3 studies and methodologies developed</i></p> <p><i>1 Monitoring Matrix</i></p> <p><i>25 national staff trained</i></p> <p><i>25 academia and civil society members trained</i></p> <p>Targets (2012)</p> <p><i>15 national staff trained</i></p>	<p>1 Fiscal Decentralization in Social Services Research</p> <ul style="list-style-type: none"> <li>- Expenditure Norms Study that will provide expenditure needs (based on a representative sample of municipalities and data from the Ministry of Finance) in municipal competencies and policy options within the expenditure framework</li> <li>- Local Fiscal Capacity Study that will indicate the fiscal gap between local and central sources of revenue, and the ability to fund the provision of Social Services.</li> <li>- Capacity building will be provided at the central level (Ministry of Finance) on Fiscal Policy research, monitoring and evaluation tools, and development of</li> </ul>	<p>UNDP/GSU</p> <p>190,000 USD (project staff, international experts, local experts, workshop costs)</p>

<sup>3</sup> Due to the characteristics of this policy process (predominantly the budgetary component), there will be a time gap between the adoption of the legislation and the actual application

<p>- <b>Output 3 Introduction of participatory planning service delivery practices in target municipalities</b></p> <p>Baseline: Low levels of participation in local planning (PCA 2009). A User Survey will be conducted in the pilot municipalities</p> <p>Indicators:  % of respondents that believe the local council involves residents  % of respondents that have participated in a meeting and/or filled a questionnaire.  % of respondents from vulnerable groups that believe the LGU involves them in social service delivery</p>		<p>simulation models</p> <p>-Capital Grants Assessment. A review of capital investment programmes and institutional frameworks, with recommendations for reform programme based on equitable access to services</p> <p>- Capacity building of key institutions in data collection and analysis (Statistical Office, MoF, etc.), creation of Monitoring Matrix for Fiscal Decentralization</p> <p>- Academia will also be supported in building their capacities for analysis of Fiscal Policy and Social Services, and monitoring of its impact on vulnerable groups.</p>		
	<p>Targets: To be set according to the Baseline Study and the User Survey</p>	<p>1 Inclusive Planning Piloting</p> <p>-Establishment of community based thematic working groups (3) composed of local officials, social partners and representatives of vulnerable groups</p> <p>- User Survey on selected social services in the pilot municipalities.</p> <p>- Training on social service policy, local budgeting and monitoring for local officials and representatives of vulnerable groups.</p> <p>- Forums and workshops to debate social service delivery at the municipal level and identify policy proposals to be included in the planning documents</p> <p>-Capacity building (training) to municipalities in management and budgeting of social services and outreach to the vulnerable.</p>	<p>UNDP CO</p>	<p>40,000 USD (local experts, workshop costs)</p>



Targets: To be set according to the User Survey		- Support (expert advice) to community based thematic working group's policy proposals  -Civil society will also be supported in building their capacities for analysis of Fiscal Policy and Social Services, and monitoring of its impact on vulnerable groups in the pilot municipalities.		
Evaluation	Target (2013) - Evaluation of Project	-Project Evaluation	UNDP CO	20,000 USD

**IV. ANNUAL WORK PLAN**

**Year 1 (September 2010-August 2011)**

<b>EXPECTED OUTPUTS</b> <i>And baseline, associated indicators and annual targets</i>	<b>PLANNED ACTIVITIES</b> <i>List activity results and associated actions</i>	<b>TIMEFRAME</b>				<b>RESPONSIBLE PARTY</b>	<b>PLANNED BUDGET</b>		
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount USD

<p>- Output 1 <b>Design of a new model of inter-governmental transfers focusing more on equalized distribution of funds</b></p> <p>Baseline: Current model of intergovernmental transfers does not adequately address local imbalances and capacities.</p> <p>Indicators:</p> <p>New Model of intergovernmental transfers reflecting new equalization framework</p> <p># national staff trained on the new model of transfers</p>	<p>Inter-Governmental Reform Framework).          -Inception phase: Further identification and review of stakeholders, resources and actions to be taken (including selection of target municipalities).          -Technical Forum on Equalization Framework          - Recommendations of the technical Working Group for a Policy Statement, outlining, objectives and changes in the transfer system and the equalization scheme based followed up by a Government decision          - Forum for expenditure needs and fiscal capacities: presentation and debate of the Fiscal Capacity and Expenditure Norms Study and policy choices, reflecting the design of the equalization formula and its incorporation into the respective legislation and budgetary changes          - Preparation of the framework for adoption of Equalization Framework (1/2): Establishment of Framework formula, legal amendments and budgetary changes required</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>UNDP/GSU</p>	<p>DGTTF</p>	<p>(project staff, international experts, local experts, workshop costs)</p>	<p>10,000</p>	<p>30,000</p>		
							<p>UNDP TRAC</p>				

-	2	<p><b>Output</b></p> <p><b>Establishment of a sustainable system for data collection and analysis</b></p> <p>Baseline: No adequate data collection and analysis to support Fiscal Decentralization Reform</p> <p>Indicators:</p> <ul style="list-style-type: none"> <li>- methodologies developed</li> <li>- # national staff trained</li> <li>- # Academia trained.</li> </ul> <p><i>Related CP outcome: 2.1</i></p>	1	<p>Fiscal Decentralization in Social Services Research</p> <ul style="list-style-type: none"> <li>- Expenditure Norms Study that will provide expenditure needs in municipal competencies and policy options within the expenditure framework</li> <li>- Local Fiscal Capacity Study that will indicate the fiscal gap between local and central sources of revenue, and the ability to fund the provision of Social Services.</li> <li>- Capacity building will be provided at the central level (Ministry of Finance,) on Fiscal Policy research, monitoring and evaluation tools, and development of simulation models</li> </ul> <p>-Capital Grants Assessment. A review of capital investment programmes and institutional frameworks, with recommendations for reform programme based on equitable access to services and sensitive to vulnerabilities</p> <ul style="list-style-type: none"> <li>- Capacity building of key institutions in data collection and analysis (Statistical Office, MoF, etc.), creation of Monitoring Matrix for Fiscal Decentralization</li> <li>- academia will also be supported in building their capacities for analysis of Fiscal Policy and Social Services, and monitoring of its impact on vulnerable groups.</li> </ul>	X	X	X	X	X	UNDP	DGTF	UNDP TRAC	(project staff, workshop costs)	120,000 USD	30,000 USD
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<p>- <b>Output 3 of participatory planning service delivery practices in target municipalities</b></p> <p>Baseline: Low levels of participation in local planning (PCA 2009). A User Survey will be conducted in the pilot municipalities</p> <p>Indicators:</p> <ul style="list-style-type: none"> <li>% of respondents that believe the local council involves residents</li> <li>% of respondents that have participated in a meeting and/or filled a questionnaire.</li> <li>% of respondents from vulnerable groups that believe the LGU involves them in social service delivery</li> </ul> <p>Targets: To be set according to the User Survey</p> <p>Related CP outcome:2.1</p>	<p>1 Inclusive Planning Piloting</p> <ul style="list-style-type: none"> <li>-Establishment of community based thematic working groups (3) composed of local officials, social partners and representatives of vulnerable groups</li> <li>- User Survey on selected social services in the pilot municipalities.</li> <li>- Training on social service policy, local budgeting and monitoring for local officials and representatives of vulnerable groups.</li> <li>- Forums and workshops to debate social service delivery at the municipal level and identify policy proposals to be included in the planning documents</li> <li>-Capacity building (training) to municipalities in management and budgeting of social services and outreach to the vulnerable.</li> </ul>		X	X	UNDP	DGTTF  UNDP TRAC	(local experts, workshop costs)	10,000  10,000
<b>TOTAL</b>								<b>210,000</b>

Year 2 (September 2011-August 2012)

EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET	
		Q1	Q2	Q3	Q4		Funding Source	Budget Description Amount USD
<p>- <b>Output 1</b> Design of a new model of inter-governmental transfers focusing on more equalized distribution of funds</p> <p>Baseline: Current model of intergovernmental transfers does not adequately address local imbalances and capacities.</p> <p>Indicators: New Equalization Framework # national staff trained on the new model of transfers <i>Related CP outcome: 2.1</i></p>	<p>- Capacity Building (training and on-the-job technical support): Fiscal Equalization Framework and the Sector Grants and Design Management 2<sup>nd</sup> phase of amendment of the Equalization Framework (1/2): Second phase, modification of Framework formula, legal amendments and budgetary changes required</p>	X	X	X		DGTTF  UNDP TRAC	(project staff, international experts, workshop costs)	20,000  10,000

<p>- Output 2</p> <p><b>Establishment of a sustainable system for data collection and analysis</b></p> <p>Baseline: No adequate data collection and analysis to support Fiscal Decentralization Reform</p> <p>Indicators:</p> <ul style="list-style-type: none"> <li>methodologies developed</li> <li># national staff trained</li> <li># Academia and civil society trained.</li> </ul> <p><i>Related CP outcome: 2.1</i></p>	<p>- Capacity building will be provided at the central level (Ministry of Finance, line ministries) on Fiscal Policy research, monitoring and evaluation tools, and development of simulation models</p> <ul style="list-style-type: none"> <li>- Civil society and academia will also be supported in building their capacities for analysis of Fiscal Policy and Social Services, and monitoring of its impact on vulnerable groups.</li> </ul>	<p>X</p>	<p>X</p>	<p>X</p>	<p>UNDP/GSU</p>	<p>DGTTF</p> <p>UNDP TRAC</p>	<p>(international experts, local experts, workshop costs)</p>	<p>30,000</p> <p>10,000</p>
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<p><b>3</b></p> <p><b>Output of participatory planning service delivery practices in target municipalities</b></p> <p>Baseline: Low levels of participation in local planning (PCA 2009). A User Survey will be conducted in the pilot municipalities</p> <p>Indicators:</p> <ul style="list-style-type: none"> <li>% of respondents that believe the local council involves residents</li> <li>% of respondents that have participated in a meeting and/or filled a questionnaire.</li> <li>% of respondents from vulnerable groups that believe the LGU involves them in social service delivery</li> </ul> <p>Targets: To be set according to the User Survey</p> <p>Related CP outcome:2.1</p>	<ul style="list-style-type: none"> <li>- Forums and workshops to debate social service delivery at the municipal level and identify policy proposals to be included in the planning documents</li> <li>-Capacity building (training) to municipalities in management and budgeting of social services and outreach to the vulnerable.</li> <li>- Support (expert advice) to community based thematic working group's policy proposals</li> </ul>	X	X	UNDP	DGTTF UNDP TRAC	(local experts, workshop costs)	10,000 USD 10,000 USD	90,000
<b>TOTAL</b>								

Year 3 (August 2012-August 2013)

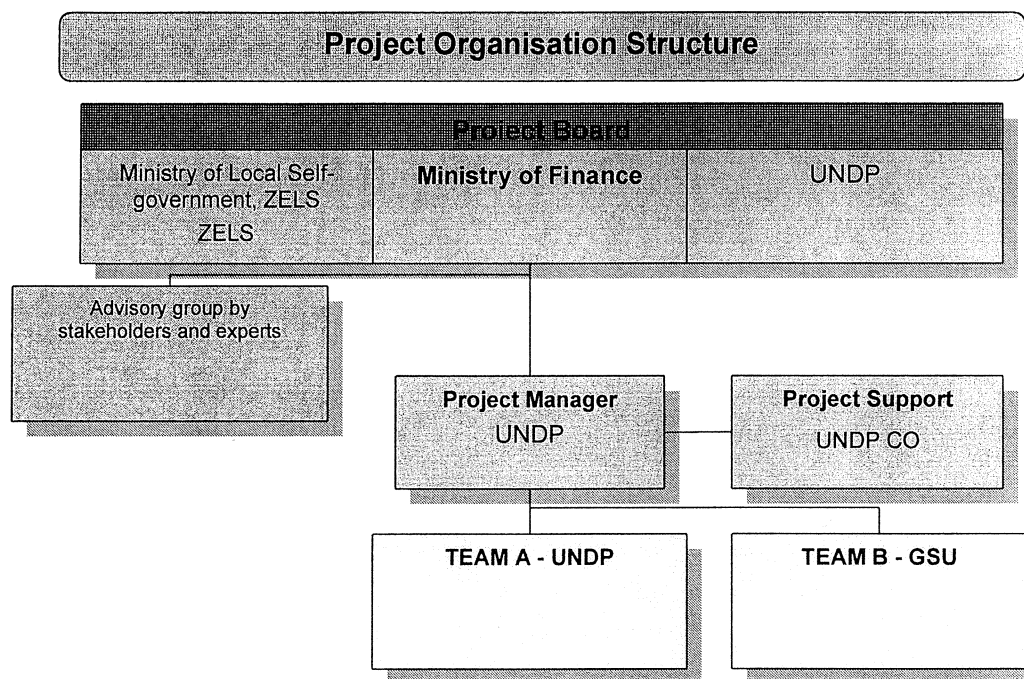
EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET	
		Q1	Q2	Q3	Q4		Funding Source	Budget Description Amount USD
Evaluation Report	Project Evaluation				X	UNDP	UNDP TRAC	(international expert) 20,000
<b>TOTAL</b>								

## V. MANAGEMENT ARRANGEMENTS

Explain the roles and responsibilities of the parties involved in managing the project.

Please refer to the *Deliverable Description* to complete this component of the template.

Use the diagram below for the composition of the Board.



The Project Board (PB) will provide guidance and oversight of the project and will have the following members: a representative of the Ministry of Finance (Executive- Chair), representative of the Ministry of Local Self-Government, representative of ZELS, a representative of UNDP (Senior Supplier). Project Board meetings may be attended by key stakeholders (line ministries, donors, etc...) with an observer status upon agreement by all the PB members.

The Project Board will meet on a quarterly basis, or, on an extraordinary basis, on request from any of the members. UNDP will provide Secretariat services to the Project Board.

An Independent Advisory Group (IAG) composed of experts and stakeholders not engaged or involved in the project will provide additional inputs in terms of strategic guidance and quality assurance of the project. The IAG will provide expert advice and opinion on project activities and deliverables on request from the Project Board.

For this project, Direct Implementation Modality (DIM) will be used including direct payment modality according to the activity at hand and the responsible party.

The project will be implemented by UNDP, and Georgia State University (GSU) as a responsible party for some of the activities. GSU is a leading institution in the provision of research, capacity development and support in the field of Fiscal Decentralization, and it has already supported the Ministry of Finance in preparation of assessments and trainings. GSU has successfully bid in competitive calls to similar assignments launched by UNDP.

UNDP will select a Project Manager to ensure that the project objectives are accomplished, and project funds adequately disbursed.



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## VI. MONITORING FRAMEWORK AND EVALUATION

Please refer to the *Deliverable Description* to complete this component of the template.

Suggested text to be adapted to project context

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 Project Board 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 Project Board and the Outcome Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

### Evaluation

- **Project Evaluation.** As required by the DGTTF Guidelines 2010, a Project Evaluation shall be undertaken in Year 3 Quarter 4.

## Quality Management for Project Activity Results

OUTPUT 1: Improved Policy Making and Social Service Delivery		
<b>Activity Result 1</b> (Atlas Activity ID)	Inter-Governmental Transfer Reform	Start Date: End Date:
<b>Purpose</b>	The initial steps of Fiscal Decentralization reform will be launched with a gradual transformation into a “needs and capacities” based system for both the Fiscal Equalization Framework and the Sector Grants (and more in particular those related with Social Services).	
<b>Description</b>	Support will be provided to the government in coordinating the Technical Working Group and the respective Policy Statements outlining the objectives and steps of the Fiscal Decentralization Reform The MoF will receive training in Equalization Framework design, modelling and management.	
<b>Quality Criteria</b>	<b>Quality Method</b> <i>Means of verification. what method will be used to determine if quality criteria has been met?</i>	<b>Date of Assessment</b> <i>When will the assessment of quality be performed?</i>
Quality of capacity building actions to central government	Ex-ante and ex-post assessment of capacities for management of funds under the new framework	

OUTPUT 2 : Research and Monitoring Framework		
<b>Activity Result 2</b> (Atlas Activity ID)	Fiscal Decentralization in Social Services Research	Start Date: End Date:
<b>Purpose</b>	Establishment of baseline data and indicators on social services and fiscal capacities per municipality for the Fiscal Decentralization process, containing a range of policy options/scenarios for the revision of the current system of intergovernmental transfers. Capacity building will be provided at the central level, civil society and academia on Fiscal Policy research so as to enable these institutions to carry out research and monitoring on a regular basis, analyse the impact and update policies and transfers to the changing social and economic realities of the municipalities	
<b>Description</b>	Carrying out in-depth technical analysis of the socio-economic realities and existing social services within the competency of local government units, fiscal capacities. Desk review of documentation and data concerning fiscal decentralization and social service delivery issues, organizing consultative processes and workshops. The capacity building at the central level (Ministry of Finance and respective line ministries) will comprise both expert training and on-the-job technical support. Civil society and academia will be supported, through trainings and researchers conference, in building their capacities for analysis of Fiscal Policy and Social Services, and monitoring of its impact	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>
Quality of the draft Baseline Study	Consultations and incorporation of inputs, results from analysis and feedback received from the relevant ministries	

Quality of the draft study of the fiscal capacities of local government units	Consultations with relevant national and local stakeholders; feedback from workshop and the Advisory Group.	
Quality of capacity building actions to central government.	Ex-ante and ex-post assessment of capacities for fiscal policy research	
Quality of researchers conference	Advisory Group evaluation of quality of papers presented; participants evaluation.	

<b>OUTPUT 3: Inclusive Participatory Planning</b>		
<b>Activity Result 3</b> (Atlas Activity ID)	Inclusive Planning Piloting	Start Date: End Date:
<b>Purpose</b>	To promote access to local planning processes to social actors and vulnerable groups that will ensure both inclusiveness and tailored responses to the local context and needs	
<b>Description</b>	Three municipalities will be selected to pilot this initiative within the new inter-governmental transfer framework. A platform of municipal bodies and social actors will be established, and its members will receive training on social service policy and local public budgeting. A series of workshops and debates will enable the platform to articulate the local social service priorities and arrive to concrete proposals for its improvement through participation and evidence based analysis. Training will be provided to municipalities in order to enable them in the effective management of funds within the new model of inter-governmental transfers responsive to vulnerabilities.	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>
Quality of capacity building actions to members of the platform.	Ex-ante and ex-post assessment of capacities for on local service policy analysis and municipal budgeting	
Quality of proposals presented	Advisory Group evaluation of quality of presented proposals; platform's members evaluation.	

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## VII. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the SBAA between the Government of (country) and UNDP, signed on (date).

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the executing agency 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 executing agency'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 executing agency 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.

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## VIII. ANNEXES

Risk Log

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1	Often times the individual disaggregated data on each municipality may not be available, outdated or approximated.	2010	Organizational	The occurrence of the risk would limit the quality of the output and the impact of the project.	During the phase of assessment of data availability to identify relevant proxy indicators that might be used in the analysis and to extent possible adjust the methodology to be less dependable of lacking data	UNDP Governance Programme Officer	UNDP Governance Programme Officer	June 2010	
2.	National institutions partners in this project lacking capacity to provide substantive input and guidance in the process	2010	Organizational Strategic	The occurrence of this risk will significantly impact the pace of the project implementation and quality of the project results	Ministry of Finance will make commitment to designate officials from the fiscal decentralization department that will receive on the job and specialized formal training. Project envisages a substantial capacity building component, training and codification of developed methodologies that will contribute to sustainability of the project outcomes	UNDP Governance Programme Officer	UNDP Governance Programme Officer	June 2010	
3.	National institutions withdraw the commitment for reforming the intergovernmental transfers system	2010	Political Strategic	If this risk occurs, the project will fail to achieve its results and envisaged impact	Throughout the process project team and UNDP Country Office will make all efforts to ensure full ownership on the process. Various opportunities, including through formal workshops and conferences will be provided to national counterpart for providing inputs, comments and feedback on products developed by the experts.	UNDP Governance Programme Officer	UNDP Governance Programme Officer	June 2010	
4.	Short timeframe for implementation of such complex and multifolded analysis	2010	Organizational	The occurrence of the risk will force the downscaling of the activities	A well elaborated and precise terms of reference and work plan which shall enable for timely and fast recruitment of the necessary technical expertise	UNDP Governance Programme Officer	UNDP Governance Programme Officer	June 2010	

5	Limited number of qualified experts with required level of technical knowledge, that could be available within tight timeframe	2010	Organizational	The occurrence of the risk will impact negatively on the quality provided services and the overall impact of the project and increase workload on programme and project staff	Terms of reference will be timely prepared and potential experts notified well in advance to secure interest and availability.	Officer UNDP Governance Programme Officer	UNDP Governance Programme Officer	June 2010	
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