JOINT PROGRAMME DOCUMENT

Country: Nepal

Programme Title: Local Governance and Community Development Programme II:
                      Policy and Programme Support Facility

Joint Programme Outcomes:

UNDAF/CPD Outcome 5	Institutions, systems, and processes of democratic governance are more accountable, effective, efficient and inclusive.
Programme Goal	To contribute towards poverty reduction through better local governance and community development
Programme Purpose	To improve local governance for effective service delivery and citizen empowerment
Programme Outcomes	**Outcome 1:** Effective implementation of LGCDP II programme at all levels of the Government **Outcome 2:** Improved policy advice and capacity development support for better overall service delivery at the local level **Outcome 3:** Greater efficiency and effectiveness in programme coordination and oversight

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Programme Duration: 4 years

Anticipated start/end dates: July 2013 / July 2017

Fund Management Option(s): Parallel and Pass-through

Administrative Agent: UNDP

Total estimated budget*: $13.5 million

Out of which:

1. Funded Budget: $12.5million

2. Unfunded budget: $ 1 million

* Total estimated budget includes both programme costs and indirect support costs

Sources of funded budget:

- UNDP $ 1.8 million
- UNCDF $ 0.4 million
- UNV $ 0.3 million
- Government of Denmark $ 1.0 million
- DFID $ 8.0 million
- Government of Norway $ 1.0 million

Names and signatures of national counterparts and participating UN Organizations

UN Organizations	National Counterpart/Implementing Partner
Name of Representative: ***Ms. Shoko Noda*** Signature Name of Organization: ***United Nations Development Programme*** Date & Seal	Name of Head of Partner: ***Mr. Bodh Raj Niroula*** Signature
Name of Representative: Signature Name of Organization: ***United Nations Capital Development Fund*** Date & Seal	Name of Institution: ***Ministry of Federal Affairs and Local Development, Government of Nepal***
Name of Representative: Signature Name of Organization: ***United Nations Volunteers*** Date & Seal	Date & Seal:

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ACRONYMS & ABBREVIATIONS

AA	Administrative Agent
ADB	Asian Development Bank
AMEP	Annual Monitoring and Evaluation Plan
ASIP	Annual Strategic Implementation Plan
ATAP	Annual Technical Assistance Plan
AWP	Annual Work Plan
CA	Constituent Assembly
CAC	Citizens' Awareness Centre
CD	Capacity Development
CFLG	Child Friendly Local Governance
CPAP	Country Programme Action Plan
CSO	Civil Society Organisation
DAG	Disadvantaged Group
DDC	District Development Committee
DFID	Department for International Development
DGE	District Governance Expert
DOLIDAR	Department of Local Infrastructure Development and Agricultural Roads
DP	Development Partner
DPCC	Development Partner Coordination Cell
EFLG	Environmentally Friendly Local Governance
EO	Executive Officer
FCA	Foreign Currency Account
FMR	Financial Management Report
GESI	Gender Equality and Social Inclusion
GIS	Geographical Information System
GIZ	German Society for International Cooperation
GoN	Government of Nepal
HACT	Harmonised Approach to Cash Transfer
HDSPP	Human Development and Social Protection Pilot
ICT	Information and Communications Technology
IGFR	Inter-Governmental Fiscal Relations
IP	Implementing Partner
IUNV	International United Nations Volunteer
JAR	Joint Annual Review
JFA	Joint Financing Agreement
JFTA	Joint Fund for Technical Assistance
LB	Local Body
LBFC	Local Bodies' Fiscal Commission
LDO	Local Development Officer
LDTA	Local Development Training Academy
LED	Local Economic Development
LG	Local Government
LGAF	Local Governance and Accountability Facility
LGCDP	Local Governance and Community Development Programme
LIP	Livelihoods Improvements Programmes
LSGA	Local Self-Governance Act
LSP	Local Service Provider
M&E	Monitoring and Evaluation
MCPM	Minimum Conditions and Performance Measures
MDG	Millennium Development Goal
MIS	Management Information System
MoE	Ministry of Education
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development

MoU	Memorandum of Understanding
MPTF	Multi-Partner Trust Fund
MTR	Mid-Term Review
NAC	National Advisory Committee
NDVS	National Development Volunteer Service
NEX	National Execution
NGO	Non-Governmental Organisation
NPC	National Planning Commission
NPD	National Programme Director
NPM	National Programme Manager
NUNV	National United Nations Volunteer
ODA	Official Development Assistance
PBGS	Performance-Based Grant System
PCU	Programme Coordination Unit
PEB	Programme Executive Board
PEM	Public expenditure management
PFM	Public Financial Management
PPSF	Policy and Programme Support Facility
PREPARE	Project to Prepare Public Administration for State Reform
PRF	Programme Recruitment Facility
QA	Quality Assurance
RCU	Regional Coordination Unit
SAA	Standard Administrative Arrangement
SBAA	Standard Basic Assistance Agreement
SCDLB	Support to Capacity Development of Local Bodies in Nepal Project
SIP	Strategic Implementation Plan
SM	Social Mobilisation or Social Mobiliser
SPCBN	Support to Participatory Constitution Building in Nepal
SPMP	Strengthening Public Management Programme
Sub-NAC	Sub National Advisory Committee
SWAp	Sector Wide Approach
TA	Technical Assistance
TASC	Technical Assistance Sub-Committee
ToRs	Terms of Reference
UGE	Urban Governance Expert
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNJP	United Nations Joint Programme
UNV	United Nations Volunteers
VDC	Village Development Committee
VRF	Vital Registration Function
WCF	Ward Citizens' Forum

1. Executive Summary

This United Nations Joint Programme (UNJP) document has been jointly prepared by the United Nations Development Programme (UNDP), United Nations Capital Development Fund (UNCDF) and the United Nations Volunteers (UNV) at the request of the Government of Nepal (GoN) to operate technical assistance (TA) within the TA allocation for the Local Governance and Community Development Programme Phase II (LGCDP II). The UNJP will provide support to establish and operate a Policy and Programme Support Facility (PPSF), aimed at providing technical assistance and other support to the GoN's LGCDP II. The Joint Programme (PPSF) will bring together three UN agencies: UNDP, UNCDF and UNV.

LGCDP II, which builds upon its predecessor (LGCDP I), is an ambitious, four year (2013- 2017), national programme, funded by GoN and several development partners (DPs). The stated goal of LGCDP II is to contribute towards poverty reduction through better local governance and community development. To achieve this, the stated purpose of LGCDP II is to improve local governance for effective service delivery and citizen empowerment, which – in turn – will be ensured through the delivery of four outcomes and nine outputs. The national programme covers both the "demand" and "supply" dimensions of local governance. "Demand" side actions are aimed at facilitating citizen engagement and participation in local governance, through transformational social mobilisation and through the establishment of robust social accountability mechanisms. "Supply" side actions, on the other hand, are intended to provide local governments with fiscal resources with which to finance local priorities, with capacity development (CD) services, and with an enabling institutional and policy environment within which to function effectively and accountably. LGCDP II will cover all local governments in Nepal (75 District Development Committees; 58 Municipalities; and 3,915 Village Development Committees, VDCs) and will be managed by the Ministry of Federal Affairs and Local Development (MoFALD).

The PPSF will provide LGCDP II and its development partners with support in three main areas:

- Programme implementation, through the provision of national TA at the centre, in the regions and at the local level, as well as funding for associated operational and logistical costs;
- Policy, field testing and innovation, and capacity development, through the provision of TA, seed funding, operations and logistics;
- Coordination and oversight, through the establishment of a Development Partner Coordination Cell (DPCC) and the deployment of TA for the purposes of fiduciary assessments, and technical reviews and evaluations.

The PPSF will provide TA on the basis of LGCDP II's regular programming process. PPSF TA will therefore be deployed as a function of LGCDP II's Strategic Implementation Plan (SIP), its Annual Strategic Implementation Plans (ASIPs) and its Annual Technical Assistance Plans (ATAPs).

Given that the PPSF will provide inputs across the whole of LGCDP II, the programme will contribute to achieving the same overall objectives as the national programme; it is thus fully in line with GoN policy priorities. The PPSF is also fully aligned with the United Nations Development Assistance Framework (UNDAF 2013-2017).

The PPSF will be expected to leave a long term legacy. Through a range of activities, the PPSF will result in the development of improved policies, systems and procedures: a more enabling institutional and organisational environment for local bodies that perform and deliver. Capacity development will result in enhanced knowledge and skills among key stakeholders. Finally, the PPSF will be expected to contribute towards enhanced capacities at the national level.

The PPSF will be implemented through the National Execution (NEX) modality, which is the principal implementation modality under the 2013-2017 UNDP Country Programme Action Plan (CPAP) in Nepal. As such, the PPSF will be housed in MoFALD, and will be directly accountable to the Project Executive Board (LGCDP II's National Advisory Committee's Sub-Committee, or Sub-NAC), under the guidance of MoFALD.

2. Situation Analysis[1]

Nepal is on track to achieve up to six (out of eight) Millennium Development Goals (MDG). With the Gross Domestic Product growing at an average of about 4% per annum over the last 20 years, poverty has fallen by some 39 percent. The overall decrease of the population living below the poverty line from 42 percent in 1996 to 25.4 percent in 2012 is an important achievement and means that Nepal should be able to halve poverty by 2015. Several MDG targets in the education sector have been achieved, and various targets on gender equality and health have been or are projected to be achieved by 2015[2].

Nonetheless, there remain significant challenges. Gender inequality remains a major concern with Nepal ranked 102nd out of 186 countries in the Gender Inequality Index of the UN Human Development Report, 2013. Income inequality appears to be on the rise, accentuating an already deeply entrenched social and political hierarchy. The Nepal Living Standards Survey of 2010-2011 reveals that income inequality measured in the form of Gini coefficient is approximately 0.51, considered to be one of the highest from any international comparison. Public services continue to under-perform, especially at the local level. The proportion of the rural population using improved sanitation facilities remains at a low of 27%[3]. Health and education services need to be improved in both rural and urban areas.

Nepal is going through a complex and challenging political transition. The country's democracy is undergoing a historic change following the end of its decade long armed conflict in April 2006. Because the socio-economic and political issues which fuelled the conflict were complex and deep rooted, the post conflict transition has been equally difficult and protracted. The failure of the Constituent Assembly (CA) to approve a new constitution before the deadline of 27 May 2012 and its subsequent dissolution have prolonged the transition, resulting in increased political uncertainties. Elections for a new CA are scheduled for November 2013. Once national elections have been held, the CA – also acting as a parliament – will be established and the process of drafting a new constitution will resume.

The armed conflict in the decade leading up to 2006 and wider political uncertainty and turmoil since 2006 have impacted on local governance. Elected local bodies were dissolved in 2002; since then, local government decision-making has been undertaken by civil servants, political parties, and other local stakeholders. Downward accountability has been and remains weak, and operates through relatively informal mechanisms. Despite all this, successive Governments since 2006 have remained committed to supporting local government, most visibly through the allocation of more fiscal resources to local bodies (especially VDCs).

The first phase of the Local Governance and Community Development Programme (LGCDP I), which began in 2008, has also reflected continued Government and donor commitment to locally-led development. Embracing both "demand" and "supply" side approaches to local governance, LGCDP I has been largely successful in establishing a broad and consistent programmatic framework through which support for local development has been provided. However, significant challenges remain – in terms of establishing more robust accountability mechanisms, strengthening local government capacities to deliver public goods and services, operationalizing the rhetoric of gender equality and social inclusion, (so that groups such as the youth become change agents in local level planning, monitoring and oversight processes), building more effective linkages between local bodies and sector departments and line ministries, and reducing fiduciary and related risks. Indeed, LGCDP II – the Government's successor programme to LGCDP I – is explicitly intended to build upon and go beyond its predecessor.

The spirit of volunteering has always been an important component of development practices in Nepal. The National Development Service, a successful model of volunteerism which began in the early 1970s, involved students in government projects in the rural districts of Nepal in the areas of infrastructure development, agriculture, health and sanitation. The National Planning Commission (NPC) launched the National Development Volunteer Service (NDVS) in 2002 to support the poverty alleviation efforts of the government by assisting local government bodies. At present it has

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[1] This section draws on and is consistent with key elements of the Government's LGCDP II programme document
[2] See Nepal UNDAF 2013-2017
[3] UNICEF, 2008

expanded into 75 districts. The idea of volunteerism in not new and needs to be promoted. With support from UNV, the NDVS volunteers made significant contributions for the effective implementation of the social mobilisation component during LGCDP I. Drawing on these experiences; there is a need to establish formal volunteering mechanisms enabling participation of all sectors of communities in development.

3. Strategies, Lessons Learned and the Joint Programme

Background/ Context

This UN joint programme has been formulated by UNDP, UNCDF and UNV at the request of the GoN and its development partners[4]. The proposed PPSF is intended to provide much of the technical assistance required within the framework of the Government's LGCDP II. In responding to the Government's request, the participating UN agencies have formulated a Joint Programme that is fully consistent with the LGCDP II programme document, along with the programme's Strategic Implementation Plan and Technical Assistance Framework (TAF). The objective and purpose of the programme are the same as those for the wider LGCDP II.

This programme is consistent with the recent UNDAF of Nepal. The PPSF is closely and primarily aligned with UNDAF Outcome 5: *institutions, systems, and processes of democratic governance are more accountable, effective, efficient and inclusive*. Given that LGCDP II is aimed at the sub-national level, the particular focus of the PPSF will be on local democratic governance and on a more accountable and inclusive local public sector. In policy terms, the PPSF is also aligned with UNDAF Outcome 6: *tiers of government are established and function to meet the provisions of the new federal constitution*. To this end, the PPSF will be able to respond to the policy and implementation challenges associated with inter-governmental relations, as and when they emerge in a federal system or in the transition to a federal form of government. The PPSF is also aligned with UNDAF Outcome 1: *Vulnerable and disadvantaged groups get improved access to basic essential social services and programmes in an equitable manner*. This will provide a platform to support Output 1.13: Institutional frameworks for volunteering for delivery and development services established by Government of Nepal/ National Planning Commission, and the capacity of local actors, including local government, community-based organizations and volunteer organizations, to mobilize volunteers for delivery of basic services strengthened.

Through the support that it will provide to LGCDP II implementation (and to better local level infrastructure and service delivery), the PPSF will contribute towards the achievement of the MDGs in Nepal.

Insofar as the PPSF provides a coherent and unified framework for the provision and deployment of technical assistance to a nation-wide programme, jointly funded by many of Nepal's development partners, it will make a significant contribution to improving aid effectiveness and donor harmonisation. The PPSF will thus be able to make ODA more efficient and more effective, and increase the extent to which both the Government and its development partners reap benefits in terms of value for money.

Lessons Learned

This programme has been formulated in the light of a number of key lessons learned from LGCDP I and other local development programmes. These include the following:

Local governance and community development issues

- Whilst the "demand" side of local governance appears to have become more vibrant over time, as a result of Ward Citizen Forums, greater citizen engagement, and transformative social mobilisation, the "supply" side has not been sufficiently robust to respond to greater citizen

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[4] This request was formally made through a decision made by LGCDP's National Advisory Committee (NAC) on 29 August 2013.

choice and voice. This has been partly due to weak capacity in local bodies, but also due to under-developed accountability frameworks at the local level.

- The capacity of local bodies to deliver public goods and services, to coordinate and plan local development, and to operate in accountable and transparent ways does not appear to have improved a great deal. These capacity issues need to be addressed urgently through a comprehensive CD strategy.
- It has become increasingly clear that much more needs to be done to link sectors and local bodies if local development and service delivery are to become more responsive and effective. Strengthening accountability among local bodies can generate added value if DDCs, VDCs and Municipalities are, in turn, able to interact with local line agencies (such as health and education).
- At the same time, some of the core mandates of local bodies (such as social security and the coordination of local development) need to be strengthened through better management procedures and the introduction of new approaches.
- National capacities for evidence-based policy-making, for robust policy and institutional analysis and for strategic management remain relatively weak.

Programmatic issues

- Arrangements for the mobilisation and deployment of TA in LGCDP I were sub-optimal and several improvements need to be made:
  - National capacities need to be strengthened in the medium to long term so that MoFALD – in the future – is able to procure, contract and manage TA in ways that are fully consistent with GoN systems. Little was done during LGCDP I to achieve this.
  - TA has not been used in order to maximise value for money, to the extent that a good deal of the national TA in LGCDP I was used largely for purposes of programme implementation and not consistently for capacity development.
  - The District Facilitators in LGCDP I were neither of the right profile nor sufficiently experienced to play a robust TA role at the local level. During the course of LGCDP I, it became clear that more qualified and experienced TA is required at the level of local bodies if programme activities are to be properly supported and implemented.
  - TA in LGCDP I was delivered in highly fragmented and disjointed ways, thereby substantially increasing transaction costs. Some TA was provided through the earlier UNJP, some through MoFALD, and some by individual development partners.
  - The TA provided in LGCDP I was not always consistent with wider programming processes and was not systematically identified and prioritised as a function of the ASIPs.
  - The earlier UNJP's annual work planning process, through which a good deal of TA was mobilised, was not clearly aligned to the ASIP.
  - The TA provided (in various ways) to LGCDP I was of variable quality and insufficiently linked to deliverables and results.
  - The unpredictability of funds for long-term national consultancies has contributed to unstable staffing tables and a high level of staff turnover due to difficulties in retaining competent people under these circumstances.

- The engagement of volunteers to support LGCDP I demonstrated that it is a strategic resource for development to deliver services without permanent liability to the State, and also contributed to facilitating a link between local communities and national level agencies. However, some issues arose at the end of the contract period of the volunteers.

LGCDP II has been designed to address some of these issues, as has this proposed programme. Programme quality assurance mechanisms in LGCDP I were neither as effective as they should have been, nor as integral to the programme as they could have been. While quality assurance (QA) was sufficiently independent (so as to allow for impartiality and rigour), it was too "external" to be effective or to provide a basis for meaningful improvements in programme performance. The proposed programme will seek to improve both the effectiveness and the value of QA in LGCDP II.

The Joint Programme

The second phase of LGCDP II is an ambitious follow-up operation to LGCDP I. LGCDP is a national programme, implemented by MoFALD and financed out of GoN, donor and UN resources. The first phase of LGCDP was implemented over the period 2008-2013, covering all 75 districts, 58 Municipalities and 3,915 VDCs. Phase I of the programme came to an end after 5 years in July 2013 and LGCDP Phase II has been approved by the Government. LGCDP II has been in implementation since mid-July 2013.

The <u>goal</u> of LGCDP II is to contribute towards poverty reduction through better local governance and community development. To achieve this, the stated <u>purpose</u> of LGCDP II is to improve local governance for effective service delivery and citizen empowerment, which – in turn – will be ensured through the delivery of four outcomes and nine outputs (see below for a more detailed description of the LGCDP II logical framework).

To assist the Government in achieving the broad objectives of LGCDP II, this programme will establish a PPSF, which will provide most of the technical assistance support required for LGCDP II. At the request of GoN, implementation of the PPSF will bring together UNDP, UNCDF and UNV, all of which were partners in the earlier UNJP of support to LGCDP I. The new programme of support will be more focused and more coherent than its predecessor, in that it will be structured around an overall framework of technical and capacity development support for the implementation of LGCDP II. This framework will consist of three distinct, but inter-related Pillars – which, taken together, will ensure that LGCDP II has access to the technical assistance required for programme management, coordination and implementation, capacity development, policy development, field testing of reforms and policy-relevant innovations and for a volunteer component involving fresh university graduates. The Government's focus areas include livelihoods improvements programmes (LIP) and local economic development (LED), social inclusion, Environmentally Friendly Local Governance (EFLG), local community infrastructure, local participatory integrated planning and coordination; IT based financial management, and reforms of local governance, including accountability. Importantly, the PPSF represents a significant improvement over earlier TA arrangements for LGCDP I and will provide a unified and consistent framework for the deployment of the core TA required for LGCDP II. The TA modality is fully in line with the LGCDP II programme document and its SIP and TAF. In addition, the PPSF's Annual Work Plan (AWP) will be adjusted and be guided by decisions made by LGCDP II's Sub-NAC and Technical Assistance Sub-Committee (TASC) through annually approved ASIPs and ATAPs. Technical assistance, as defined in this document, consists of the deployment of human resources – on a full-time or short term basis – to assist, and also strengthen the capacity of, the Government to implement LGCDP II and to handle policy issues related to decentralisation and local governance.

Broadly speaking, the PPSF will have a dual mandate. On the one hand, it will be one of the two key instruments (the other being the Joint Financing Arrangement, JFA) through which the majority of external partners (development partners and UN agencies) will assist the Government in implementing LGCDP II. On the other hand, it will assist in the implementation of an over-arching CD strategy which encompasses both the central and local levels and which aims to result in sustainable improvements in the overall institutional environment for local development and in the delivery of public goods and services at the local level. In this respect, the PPSF will be a flexible instrument to respond to and subsequently adjust with likely political developments such as local elections and future federal arrangements.

Although UNDP, UNV and UNCDF will be jointly responsible for PPSF implementation, each agency will focus on aspects for which its own expertise and experience are best established and for which it has a distinctive and recognized organizational mandate. Thus UNDP will take the lead on overall capacity development, with UNCDF providing additional support in terms of operationalizing linkages between the Performance-Based Grant System (PBGS) and related CD activities. Similarly, UNDP will lead on providing LGCDP II with core management and technical support. In terms of policy advice and analytical work, UNDP will take the lead on issues such as political and administrative restructuring at the sub- national level, while UNCDF will lead on fiscal and public finance issues in both the current setting and any future federal arrangements. UNDP and UNCDF will work together

on testing out policy-relevant innovations, as prioritized by the Government, and if additional financing becomes available. As a rough rule of thumb, UNCDF will focus on areas and activities where its investment instruments are to be used or its thematic concerns addressed, while UNDP will lead on capacity development, sub-national governance reform/restructuring and livelihoods, areas in which it has been engaged on a longstanding basis. UNV, using its expertise in the promotion of volunteering, will work with relevant departments in Nepal's universities to identify/mobilize graduate students to serve as youth volunteers for providing Information and Communications Technology (ICT) support to DDCs and Municipalities through a transparent selection process ensuring that representatives of marginalized youth groups are part of the process. The "marginalized youth" group is meant to include young people with disabilities, ethnic minorities including rural youth and youth from low-income families. UNV will also provide management and technical support to develop the required operational manuals for this volunteer component.

The joint programme will consistently address a number of major cross-cutting concerns. This reflects LGCDP II itself, which has been designed on the basis of several key principles, including equity and participation. LGCDP II also explicitly mainstreams cross-cutting areas into all its outcomes, outputs, and activities: thus, gender equity and social inclusion (GESI), CD, child-friendly local governance (CFLG), EFLG, and results based monitoring have all been built into LGCDP II as integral cross-cutting elements. Given that it will be a key input into LGCDP II implementation, the PPSF will therefore incorporate such cross-cutting concerns. Moreover, the PPSF will – in itself – include CD as an over-arching objective. Finally, the PPSF's in-house advisory services will ensure that gender and human rights based concerns are consistently kept on the LGCDP II policy agenda.

The PPSF will explicitly seek to deliver sustainable and enduring results. As an intervention that it is broadly about capacity development, the PPSF will be expected to leave a long term legacy. Through a range of activities, the PPSF will result in the development of improved policies, systems and procedures, a more enabling institutional and organisational environment for local bodies that perform and deliver. Capacity development will also result in enhanced knowledge and skills among key individual stakeholders at all levels. Finally, the PPSF will be expected to contribute towards enhanced capacities at the national level.

4. Results Framework

Overall Objective

The PPSF will contribute to the achievement of the overall objectives and outcomes of LGCDP Phase II. Accordingly, the PPSF will have: (i) the same overall objective as LGCDP II, which is to contribute towards poverty reduction through better local governance and community development; and (ii) the same overall purpose, which is to improve local governance for effective service delivery and citizen empowerment.

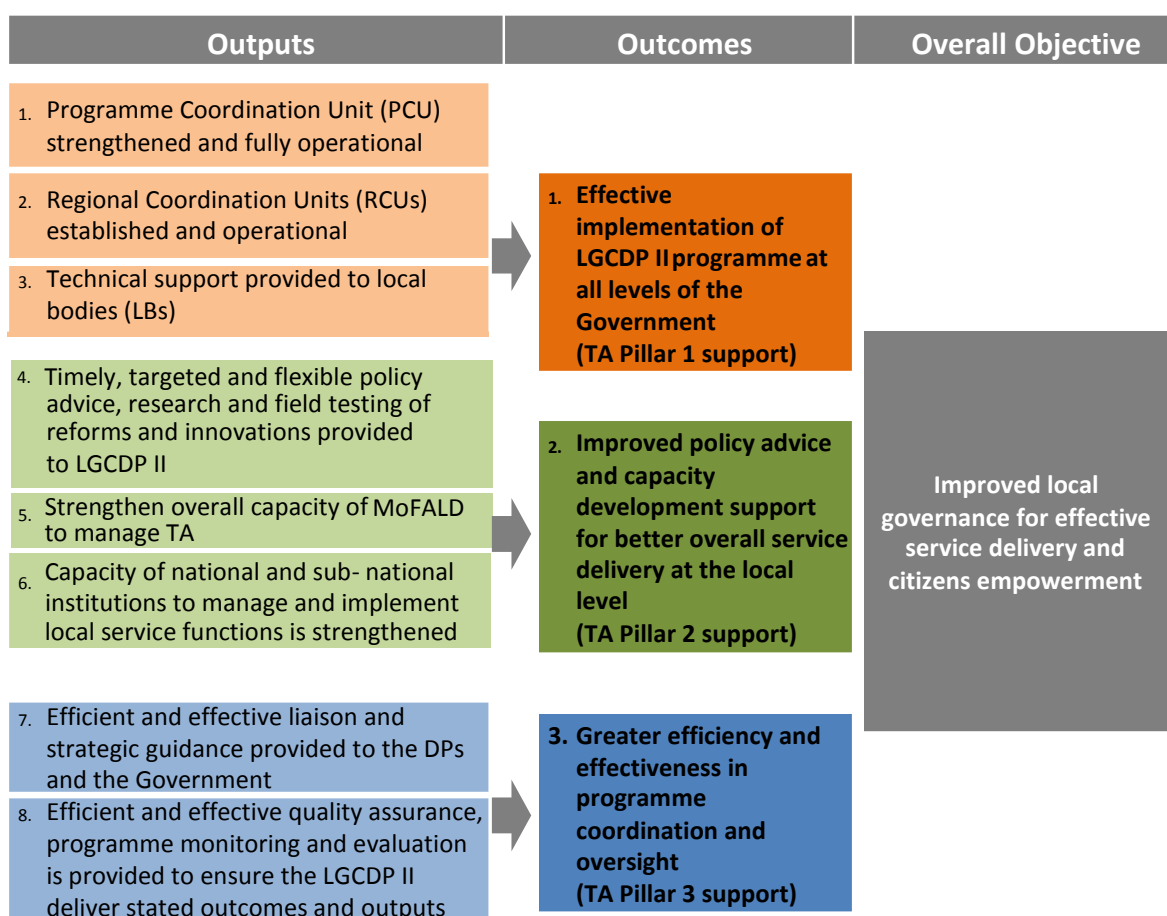*Results Chain of Outcomes and Outputs*

The PPSF will achieve this objective by providing the Government and its development partners with strategic policy- and programme-related technical support and assistance during the implementation of LGCDP II. In addition, the PPSF will play a supporting role in the implementation of LGCDP's II core CD strategy. As such, the PPSF will provide support across the various outcome areas of LGCDP II, as outlined below:

Table 1: LGCDP II Results Framework

Goal: To contribute towards poverty reduction through better local governance and community development	
Purpose: To improve local governance for effective service delivery and citizens empowerment	
Outcomes:	**Outputs:**
Outcome 1: Citizens and communities actively engaged with local governance actors and holding them accountable	**Output 1:** Citizens' Participation – Citizens and community organizations actively participating in local governance
	Output 2: Public Accountability – Citizens and communities empowered to assert their rights and hold local governance actors accountable at the local level
Outcome 2: Increased access to resources and Improved financial and management capacity of local governance actors	**Output 3:** LBs' access to resources increased
	Output 4: Public financial management system improved
	Output 5: Institutional and human resource capacities strengthened
Outcome 3: Improved efficiency and effectiveness of local service delivery	**Output 6:** Service delivery and local infrastructure improved
	Output 7: Strengthened integrated planning, budgeting, monitoring and evaluation and coordination amongst local governance actors
Outcome 4: Strengthened policy and institutional framework for devolution and local self-governance	**Output 8:** Refined policy on local governance and improved inter-agency cooperation
	Output 9: Policies developed for devolution and federalism

It should, however, be noted that there are several inputs required to achieve the objective of LGCDP II and that the PPSF is one of them. The deliverables of this programme focus on the three pillars for TA support as outlined in the LGCDP II document. The overall results chain and "theory of change" for PPSF is shown in the table below:

Table 2: Policy and Programme Support Facility (PPSF): Results Chain

Outputs	Outcomes	Overall Objective
1. Programme Coordination Unit (PCU) strengthened and fully operational 2. Regional Coordination Units (RCUs) established and operational 3. Technical support provided to local bodies (LBs)	1. **Effective implementation of LGCDP II programme at all levels of the Government (TA Pillar 1 support)**	
4. Timely, targeted and flexible policy advice, research and field testing of reforms and innovations provided to LGCDP II 5. Strengthen overall capacity of MoFALD to manage TA 6. Capacity of national and sub-national institutions to manage and implement local service functions is strengthened	2. **Improved policy advice and capacity development support for better overall service delivery at the local level (TA Pillar 2 support)**	**Improved local governance for effective service delivery and citizens empowerment**
7. Efficient and effective liaison and strategic guidance provided to the DPs and the Government 8. Efficient and effective quality assurance, programme monitoring and evaluation is provided to ensure the LGCDP II deliver stated outcomes and outputs	3. **Greater efficiency and effectiveness in programme coordination and oversight (TA Pillar 3 support)**	

The eight outputs are aligned so as to deliver the PPSF outcomes. Outputs one to three will establish the full-time national TA teams that will operate at the national, regional and local levels. These TA teams will facilitate effective implementation of LGCDP II throughout the country and will therefore ensure the delivery of Outcome 1. Through the delivery of policy, research and field testing of various reforms and innovations (output four), the programme will ensure sound policy advice is provided to all LGCDP II stakeholders (both in Government and in the development partner community). Combined with the delivery of CD initiatives (outputs five and six) which will strengthen capacities at the national (with respect to MoFALD management of technical assistance) and at the local level (with respect to service delivery functions), this will ensure the delivery of Outcome 2 which is the key in terms of contributing to overall improvement of service delivery at the local level. Finally, outputs seven and eight are both linked to LGCDP coordination and oversight mechanisms which, during LGCDP I, were delivered in highly fragmented ways and incurred high transaction costs. The new arrangement delivered through Outcome 3, will represent a significant improvement in the efficiency and effectiveness of in-house policy advice, coordination and quality assurance, which will guide planning and implementation of LGCDP II core activities and aligned programmes.

Achievement of the three outcomes will enable the programme to contribute to LGCDP II's overall objective of improving local governance for effective service delivery and citizen empowerment. Implementation of LGCDP II, coupled with sound policy advice, policy-relevant learning and CD delivered through the PPSF, will impact on local service delivery and citizen empowerment. At the same time, effective Government/ DP coordination and robust programme oversight will also contribute to achieving LGCDP II's purpose.

In essence, the PPSF's purpose is to develop national and local capacities to support delivery of public services and to enable and empower citizens to articulate and communicate developmental priorities, while – at the same time – providing the Government with policy advice and management support for LGCDP II implementation. To achieve its purpose, the PPSF will deliver three distinct, but

inter-related, outcomes (and sets of outputs) which are directly linked to the TA framework as envisaged in the Government's programme document. LGCDP II will rely on externally-funded TA for three primary purposes, each of which corresponds to a distinct LGCDP II TA Pillar (see text box below).

Text Box 1: LGCDP II Technical Assistance Framework

TA Pillar I: TA for Programme Implementation

TA under this Pillar will be used to for two purposes: (i) assist MoFALD in the implementation of LGCDP II activities, at both the national and sub-national levels; and (ii) build capacity of the Ministry and local bodies to manage such a Program on their own in future. A Programme Coordination Unit (PCU) and six Regional Coordination Units (RCUs) will be established. 75 District Governance Experts and 58 Municipal Governance Experts will be hired and funded by UNJP. A total of 133 ICT volunteers will be assigned to each of the Municipalities and DDCs, to be funded by MoFALD. UNJP will provide support to MoFALD in the selection, training, coordination and capacity building of the volunteers in order to provide support for local bodies (LBs) and to strengthen the linkages with the RCUs. These ICT volunteers will be coordinated by 8 National UNV (NUNV) and 2 International UNVs (IUNV) and managed by the PCU. Pillar I will also support short-term national consultants to work on specific activities related to programme implementation.

TA Pillar II: Policy, Research and Capacity Development (CD) support

This pillar will be used to support CD initiatives (at both national and local levels) for new areas of work, policy development, and technical reviews and studies, in addition to field testing of reforms and innovations. This pillar will provide high-level policy advisory services on issues such as LB restructuring and decentralization, including fiscal decentralisation. Pillar II will also be used to address emerging policy development needs jointly identified by GoN and DPs.

TA Pillar III: TA for Programme Support

Pillar III will cover the coordination of DP support to LGCDP II and activities to ensure efficient and effective liaison between the DPs and GoN. Pillar III will include TA to provide strategic policy support to the DPs and GoN as well as analytical support, quality assurance and programme monitoring, reviews and evaluations of LGCDP II, including a Mid Term Review (MTR), thematic evaluations and an independent evaluation towards the end of the programme period.

This three pillar framework for TA support arrangements will provide the programme with an efficient and effective mechanism for high level national and short-term international technical support, policy advice, quality assurance and oversight and the testing of policy development initiatives. The functioning of these arrangements, including the transition to full GoN responsibility for TA management, will be reviewed on a regular basis and will be refined and aligned with the GoN systems as required.

As was the case in LGCDP I, technical assistance will play a vital and important role in LGCDP II. However, the framework through which externally-funded TA will be delivered will be more coherent, comprehensive and consistent than was the case in LGCDP I. Over the life of the programme, the delivery of national TA will gradually become the full responsibility of the Government through the establishment and operation of the Government's Programme Recruitment Facility (PRF). This unit will ultimately be responsible for the procurement, provision and delivery of technical services for the programme. The PRF will manage a Joint Fund for TA (JFTA), which will pool Government and DP funds earmarked for the provision of technical services. Although the stated intention is that the PRF/JFTA will eventually provide the majority of national TA, it is recognised that this will take time, given the need to establish robust but efficient procedures for procurement and to build up MoFALD management capacities. It is therefore envisaged that PPSF will manage the requirement for national TA for up to two years, while at the same time assisting in the establishment and CD of the PRF. International TA, on the other hand, will continue to be provided through the PPSF for the duration of LGCDP II.

TA for LGCDP II will therefore be based on two distinct, but inter-related, facilities: (i) the Programme Recruitment Facility (PRF); and (ii) the Policy and Programme Support Facility (PPSF), which is made operational through this document. The operations of both the PRF and the PPSF will be coordinated through the TASC of LGCDP II. Table 3 (below) provides a summary of the functions, financing and management arrangements for these two facilities.

Table 3: PRF and PPSF: Functions and Arrangements

Functions and arrangements	PRF	PPSF
Type of TA to be provided:	National TA	National and international TA, but with decreased role over time in provision of national TA
Relevant LGCDP II TA pillars:	Pillars 1 and 2	- Pillar 1 (until PRF is established and functional) - Pillars 2 and 3 (throughout the life of the programme
Other functions:	n/a	Provide capacity development support for establishment and management of PRF, in addition to overall quality assurance
Management arrangements:	MoFALD- appointed Fund Manager in coordination with the TASC, and sub-NAC as the apex policy committee	UN Joint Programme in coordination with the TASC, and sub-NAC as the apex policy committee
Procedures for procurement/-delivery of TA and financial management:	GoN will develop separate procurement procedures and adapted GoN FM regulations	NEX
Funding modalities:	Joint Fund for Technical Assistance (JFTA), with on-budget contributions from GoN and DPs	Multi-Partner Trust Fund (MPTF), with contributions from DPs and with parallel UN agency core contributions

In other words, the PPSF will provide LGCDP II with an efficient and effective mechanism for the delivery of high level national and international technical assistance. PPSF TA will provide the Government and LGCDP II with: support for programme implementation; policy advice; support for field testing reforms and innovations; and quality assurance and oversight. Finally, the PPSF will build MoFALD's internal capacities to manage TA recruitment, and strengthen national and local level capacities for improved service delivery. The PPSF's CD functions will ensure that the programme delivers sustainable and enduring results. To sum up, the PPSF will have several functions:

- Providing CD support for the establishment and management of the PRF/JFTA;
- Supporting the overall CD framework and implementation of the CD strategy;
- Handling the provision of national technical services until such time as PRF/JFTA arrangements are in place. The PPSF will be responsible for QA and technical support to PRF throughout the programme;
- Managing the provision of international technical assistance for LGCDP II;
- Coordinating the technical assistance associated with LGCDP/DP coordination, external programme monitoring/evaluation and quality assurance;
- Providing management and technical support to the volunteer component involving 133 University Youth ICT graduates to support the process of digitization of working procedures in local bodies as well as support to the promotion of volunteerism.

The PPSF will deliver TA in ways that are fully consistent with LGCDP II programming processes. Based on the LGCDP II programme document, a four-year SIP has been drawn up and agreed to by the LGCDP II NAC. On an annual basis, the SIP will be operationalized through the ASIP (to be endorsed by the NAC), which will provide the basis upon which the TASC will draw up an ATAP, defining LGCDP II's annual TA requirements. On the basis of the ATAP, the PPSF will then draw up its AWP – the AWP will therefore constitute a sub-set of the ATAP.

Given that the PPSF will provide technical assistance and support across all three of LGCDP's TA Pillars, the programme will deliver the following outcomes and outputs.

Outcome 1:   Effective implementation of LGCDP II at all levels of the Government (TA Pillar 1 support)

The PPSF will provide the Government with support to implement LGCDP II, to build capacities for improved local infrastructure and service delivery, and to strengthen the "demand"-side for better local governance. Long-term national TA will be deployed at central, regional and local levels and will be tasked with assisting MoFALD and local bodies in the implementation of LGCDP II activities, as well as with providing and coordinating CD support. In other words, Pillar 1 is not simply about implementing LGCDP II, but – perhaps more importantly – about developing medium-to-long term national and local level capacities to deliver public goods and services in response to citizen demand.

This support will consist of strengthening/ establishing: (i) the Programme Coordination Unit (PCU) embedded within MoFALD; (ii) six Regional Coordination Units (RCUs) located in the five development regions of Nepal; and (iii) DGEs and UGEs based, respectively, in each of the Districts and Municipalities. The recruitment and management of these staff will be the responsibility of the Ministry in the medium- and long-term. In the short term, however, the PPSF has been tasked with supporting this national TA framework and with supporting the programme's overall Capacity Development Strategy. PPSF support to TA Pillar 1 is on an interim and stop-gap basis, and will seek to hand over Pillar 1 responsibilities to the PRF/JFTA <u>as soon as possible</u>, as agreed with MoFALD. This PPSF outcome, and its related outputs and budgets, are only foreseen to be operational for two years out of the total four years of the programme period.

Output 1: Programme Coordination Unit strengthened and fully operational

The PCU will be based in MoFALD and led by an Under-Secretary (National Programme Manager, NPM). It will assist the Ministry in coordinating LGCDP II day-to-day operations, assist in regular monitoring & evaluation[5] of the programme and provide technical advice as needed. The PCU will report directly to the National Programme Director (NPD), Joint-Secretary of the Local Self Governance Division in MoFALD. Full-time national TA will provide support to the PCU, with individual technical specialists being contracted to assist LGCDP's Outcome Coordinators (the heads of respective MoFALD divisions) in programme implementation. Full-time PCU technical specialists will be expected to provide the NPD and LGCDP II Outcome Coordinators with any advice needed, as well as general support for implementation of the programme's agreed ASIP. The following PCU technical specialists will be recruited to provide TA[6]:

- Local Governance specialist
- Results-based Monitoring specialist
- Social mobilisation & livelihoods specialist
- Public procurement specialist
- Local environment specialist
- Geographical information systems (GIS) specialist
- Gender and social inclusion specialist
- Fiscal Decentralisation specialist

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[5] Including those M&E activities linked to civil society oversight and monitoring of local government performance and service delivery (as provided for in Output 2 of LGCDP II).
[6] A full-time national technical specialist for vital registration will be recruited through the ongoing HDSPP (see Pillar 2).

- Capacity development specialist
- Accountability and Oversight specialist
- Local infrastructure and building code specialist
- Communications and Documentation Officer

Support staff (one finance officer, two programme associates, three drivers and two messengers) will provide the PCU with administrative and logistical support.

UNV will provide the PCU with two full-time National UN Volunteers as ICT Specialist and Programme Specialist and support resource mobilization for full funding of two full time international UN Volunteers (as ICT and GIS specialists).

The support to the PCU will also include short-term national TA for specific and time-bound tasks (e.g. technical consultancies, ICT services, etc.). The national TASC will provide guidance on this.

The key focus of the PCU in terms of CD will be to: (i) provide day-to-day support to the various output managers/sections within MoFALD; (ii) provide support to develop and improve guidelines and procedures; (iii) assist with reporting, monitoring and evaluation; and (iv) ensure overall backstopping to RCUs.

In addition, the PCU will be responsible for preparing regular narrative and financial progress reports for LGCDP II as a whole. These reports will be structured in accordance with commonly agreed formats.

The terms of reference for the PCU and its individual specialists are included in Annex 1.1 of this document.

Output 2: Regional Coordination Units established and operational

This output will focus on overall support to the Regional Coordination Units (RCUs), based in the development regions of Nepal[7]. RCU functions will include the provision of technical support to local bodies, programme coordination/ facilitation, and monitoring[8] and reporting. Each RCU will be headed by an Under Secretary deputed by MoFALD as a Regional Coordinator, and will be staffed by full-time experts. Special provisions will be made so as to incentivise the Regional Coordination positions on the basis of performance contracts. Until this arrangement is in place, the Local Governance Expert will lead and manage the RCU. The following RCU experts[9] will be recruited:

- Local governance and Capacity Development expert
- Monitoring, reporting and accountability expert
- Social mobilisation & community mediation expert
- Livelihoods and local economic development expert
- Social protection expert
- Gender and social inclusion expert

UNV will provide a total of six full-time national UN Volunteer, one for each RCU, as ICT Officers, responsible for providing support to ICT volunteers in districts. Each RCU will have support staff. Terms of reference for the RCUs and their technical members are included in Annex 1.2 of this document.

RCUs will be expected to submit regular progress reports on LGCDP II activities, using commonly agreed and standardised reporting formats.

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[7] There will be one RCU in each development region, plus an additional RCU based in the central development region.
[8] Including those M&E activities linked to civil society oversight and monitoring of local government performance and service delivery (as provided for in Output 2 of LGCDP II).
[9] Public financial management experts in the RCUs in the will be funded from SPMP.

Output 3: Technical support provided to local bodies

Special attention needs to be paid to building the capacities of DDCs, VDCs and Municipalities. Any significant improvement in the delivery of public goods and services by DDCs, VDCs and Municipalities will, to a very large extent, be the key indicator of LGCDP II success.

Given this, the following TA for Local Bodies (LBs) will be deployed:

- Full-time Governance Specialists (District Governance Experts, DGEs, and Urban Governance Experts, UGEs) in all DDCs and Municipalities. These experts will be expected to provide their respective local bodies (DDCs, and Municipalities) with on-the-job mentoring and to coordinate/facilitate LGCDP II CD activities at the local level. In addition, DGEs and UGEs will coordinate and facilitate LGCDP II implementation in the jurisdictions of their respective local bodies, as well as carrying out monitoring[10] and reporting functions at the local level. DGEs and UGEs will provide their respective RCUs and the PCU with regular progress reports, using agreed and standardized formats.

- University Youth ICT volunteers in all the DDCs and Municipalities. These graduate volunteers will provide local bodies with assistance in ICT management, reporting and e-governance. ICT volunteers will be accountable to their respective Local Development Officers (LDOs) /Executive Officers (EOs) and will benefit from RCU support. These volunteers will be administered by GoN, while technical support to the management of the UNVs will be part of the programme. ICT volunteers, as part of their terms of reference will support promotion of volunteerism within local bodies and communities.

The terms of reference for the DGEs, UGEs and ICT volunteers are included in Annex 1.3 of this document.

The exit strategy relating to outcome 1 (pillar 1) will be as elaborated under output 5 below.

Outcome 2: Improved policy advice and capacity development support for better overall service delivery at the local level (TA Pillar 2 support)

Pillar 2 of the PPSF will work on improving the overall institutional environment within which LGCDP II and local bodies function, as well as providing support to LGCDP II CD activities in general. Doing so will require that the PPSF: (i) provides the Government with high quality advisory services on a range of policy-relevant issues; (ii) assists in the design and implementation of a comprehensive strategy for strengthening national and sub-national capacities to manage functions related to service delivery, of which Pillar 1 is a part and parcel; and (iii) provides support for field testing of reforms and innovations (as and when these are identified and prioritised by LGCDP II). This kind of TA will be provided by both national and international TA to support LGCDP's policy, research, reform/innovation and CD activities, as identified in the SIP/ASIP and endorsed by the TASC.

Output 4: Timely, targeted and flexible policy advice, research and field testing of reforms and innovations provided to LGCDP II

The PPSF will provide high-level policy advisory services with respect to a range of issues. In the immediate term (prior to the promulgation of any new constitution), policy issues would include (but are not limited to):

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[10] Including those M&E activities linked to civil society oversight and monitoring of local government performance and service delivery (as provided for in Output 2 of LGCDP II).

- Reviewing and strengthening the institutional framework for the current performance-based grant system (PBGS) – or Minimum Conditions Performance Measure (MC/PM) assessments;
- Refining the system of inter-governmental fiscal transfers;
- Updating policies, laws, manuals and guidelines.

In the <u>medium</u> to long term, policy support will be widened to take into account a new federal constitution. Policy issues that will be addressed with PPSF technical assistance are likely to include, inter alia:

- **Federal arrangements:**

    - Reviewing existing policies and legislations in the light of a new constitution as they relate to federalism;
    - Detailing out constitutional provisions relating to the roles and responsibilities of tiers of governments;
    - Developing new policies by sectors and across-sectors in line with the new constitution;
    - Reviewing the intergovernmental relations covering political, fiscal and administrative aspects of federalism, including dispute settlement.

- **Transition management related but not limited to:**

    - Administrative jurisdictions and natural resources;
    - Local revenue generation and local borrowing ;
    - Management of assets;
    - Transfer and adjustment of personnel at the local level;
    - Civic education;
    - Central level institutions (including MoFALD).

The work related to federalism and state restructuring under the programme will be undertaken in close coordination with other UNDP projects – namely, Support to the Participatory Constitution Building (SPCBN) and Project to Prepare Public Administration for State Reform (PREPARE).

Whilst some policy support will be linked to pre-identified programme actions, the PPSF will also be able to respond to policy issues as they emerge and are jointly identified by the Government and its development partners. Therefore, a flexible TA component has been included to enable PPSF to deploy rapid analytical and technical input for emerging policy issues as identified by TASC.

If funding is made available over the life of the programme and if such activities are prioritised by LGCDP II, the PPSF will also provide support for field testing reforms and innovations (as currently identified in the SIP)[11].

Pilot activities (and funding for them) will initially be limited to a continuation of the on-going Human Development and Social Protection Pilot (HDSPP) until December 2014, thus allowing time for lessons to be learned. Annex 2 of this document provides a more detailed description of the HDSPP.

Output 5: Strengthen overall capacity of MoFALD to manage TA

As described under outcome 1, the PPSF will assist MoFALD in establishing and building the capacity of the proposed PRF, which has the objective of increasing the Ministry's in-house capacity for procurement and contract management of national consultants– not only related to LGCDP II but (in the long-term) for all TA related to the activities of the Ministry and LBs. The intended result from the output is increased capacity for TA management by MoFALD. The PPSF will attach a high priority to assisting MoFALD in establishing procedures for PRF delivery of national TA to avoid continued parallel arrangements for TA. This support will entail meeting a number of benchmarks:

- Reviewing current arrangements for managing programmatic TA;

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[11] To the extent that funding permits, grants and other non-TA inputs for field testing innovations or piloting reforms will be provided by the Government, through its own budget or through JFA resources. The PPSF will provide any necessary TA, subject to funding availability.

- Identifying and assessing realistic options for financing the TA that is to be procured through the PRF mechanism[12];
- Designing PRF management and financing arrangements, based on best practice in Nepal and internationally;
- Developing a PRF operational manual for the procurement of national TA;
- Defining PRF budget norms (specifying TA rates);
- Development of a transition plan from PPSF to PRF.

It will be the responsibility of the PPSF to support the Government in development of the above. Technical assistance will be deployed to assist the Ministry in establishing the PRF, training Ministry staff in the initial period, and providing the PRF with technical support thereafter.

This CD component of the PPSF will operate on the basis of a two-year deadline, the intention being to hand over as many national TA management functions as possible to the PRF. Any extension to this deadline will need to be discussed and agreed upon by the TASC. The precise timing of any PPSF hand-over to the PRF/JFTA will be determined on the basis of a mid-term review of the TA arrangement in LGCDP II in particular, and TA in the Ministry in general. The review will cover, among others, the modality and scope of the TA being provided.

Although it is not possible, at this stage, to describe precisely what arrangements will apply to the PRF, they will need to be consistent with GoN procurement regulations, with modifications intended to ensure that the facility is able to recruit high quality national TA on a timely basis. In close cooperation with the Ministry of Finance (MoF), MoFALD and other GoN institutions, the PPSF will explore workable options and develop operational guidelines for the PRF. These will include options for pre-qualification (or certification) of TA providers, for using quality and cost based methods for TA procurement, and for sanctioning poor performance on the part of TA providers. In addition, options for funding PRF TA will be identified at an early stage and discussed with all stakeholders as soon as possible.

Overall quality assurance and CD support with respect to TA procurement and management will continue throughout the lifetime of this joint programme. PPSF quality assurance of TA will focus on monitoring (i) terms of reference; (ii) pre-qualification (or certification) of consultants; and (iii) the appropriateness and quality of deliverables. These QA functions will be provided by the PPSF for both its own and the PRF's recruitment and management of national and international TA.

Output 6: Capacity of national and sub-national institutions to manage and implement local service functions is strengthened

A key change from the earlier UNJP will be in how the PPSF will deliver CD support to achieve LGCDP II objectives. The new approach is based on assisting in the development and implementation of an over-arching CD strategy that blends Pillar 1 national TA, core CD activities, and a focus on LB performance (as measured through MC/PM assessments).

Sub-national capacities

PPSF will provide all LBs with basic CD support, with a focus on areas/functions where improvements in capacity will lead most directly to better basic service delivery. CD activities should be targeted, as a priority, on those LBs that are under-performing and on subject areas in which LBs are under-performing. The results of annual MC/PM assessments[13] will therefore be used to identify under-performing LBs and areas of weakness. In cases where LBs are persistently "failing", LGCDP II should develop a special approach aimed at addressing systemic fragility and at restoring very basic service delivery.

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[12] Several options will need to be considered, including continued financial support being provided by development partners, as well as additional GoN funding.
[13] The MC/PM system will be revised early on in LGCDP II so as to increase the extent to which they focus on local body service delivery capacities.

A CD strategy will be developed based on the core principles outlined below.

Text Box 2: LGCDP II Capacity Development Strategy – Principles and Orientation

The **purpose** of the CD strategy is to **make the delivery of public goods and services by local bodies as accountable, inclusive, efficient and effective as possible** which is in line with the overall objective of LGCDP II. This will entail ensuring that: (i) legal and regulatory frameworks are in place; (ii) staffing structures are filled; (iii) user-friendly operational guidelines are issued; (iv) basic office facilities are established; and (v) targeted learning takes place at the right time and right locations.

CD support will be prioritised in the following ways:

- All local bodies should be provided with orientation, training and support with respect to a limited number of **key and basic areas including volunteering as a strategic resource for development;**
- Special attention needs to be paid to building the capacities of **VDCs and Municipalities**, which are frontline service delivery units and the local bodies to which citizens turn to in order to satisfy a wide range of basic administrative and developmental needs;
- Focused and targeted support needs to be provided for **poorly performing** DDCs, VDCs and Municipalities in those areas indicated as weak by MC/PM assessments;
- Special focus on **"fragile"** DDCs and VDCs. MoFALD needs to make a special effort to find innovative solutions to the systemic failure of a limited number of local bodies;
- The final priority is the **Ward Citizen Forums** (WCF), focusing particularly on their role as community representatives in the planning and budget allocation processes, in addition to their new and important role as a key oversight mechanism for the implementation of local infrastructure investments.

Four basic **priority areas** can be seen as being fundamental to any improvements in the delivery of public goods and services at the local level:

- Public expenditure management (PEM): this is about the ways sub-national units go about making decisions on how they intend to use and allocate their resources.
- Scheme implementation, monitoring and procurement (SI): this concerns the ways in which sub-national units actually "produce" public goods and services, in terms of design, costing and technical oversight/supervision during implementation related to investments in small-scale infrastructure items and other core services.
- Public financial management (PFM): this is about the ways in which sub-national units undertake book-keeping, bank account and cash management, and financial reporting.
- Vital registration functions (VRF): this is a key decentralized function of VDCs and Municipalities and of considerable importance to citizens.

CD activities will be mainly supply-driven, based on MC/PM assessment results, focused on improving local service delivery, and expected to make a significant (and measurable) contribution to improving the performance of local bodies. All long-term national TA positions will play a role in implementing this strategy, in addition to short-term input from national and international TA. The PCU will assist in developing guidelines for LBs and in monitoring Capacity Development Strategy implementation as a whole. The RCUs will ensure CD planning and coordination in each region, as well as mentoring and backstopping for DDCs. District Governance Experts (DGEs) and Urban Governance Experts (UGEs). DGEs will coordinate CD activities at the DDC and VDC levels while UGEs will provide Municipalities with CD support.

Activities related to this dimension of output 6 will be undertaken in close collaboration with the Local Development Training Academy (LDTA), given the role assigned to LDTA in the design and

management of local capacity development. The PPSF will also ensure that its local CD work is harmonised with the approach taken by Support to Capacity Development of Local Bodies in Nepal (SCDLB) project, implemented by GIZ in collaboration with LDTA, with financial support from the Government of Norway.

National Capacities

Support will also be provided in a variety of ways to develop capacities at the national level (MoFALD, LBFC, Department of Local Infrastructure Development and Agricultural Roads-DOLIDAR, other institutions), in line with the provisions of the LGCDP II programme document.

As indicated in the LGCDP II SIP (in particular for LGCDP II outputs 5, 6 and 7), there are several areas in which national-level capacities will require strengthening, *inter alia*:

- Monitoring, evaluation and reporting systems in MoFALD;
- Management of vital event registration and the social security system by MoFALD;
- Inter-governmental fiscal relations and the work of the Local Bodies Fiscal Commission (LBFC);
- Management of technical support services for local bodies by DOLIDAR;
- Management of local level CD and backstopping activities (by MoFALD and LDTA);
- Human resource management;
- Results-based planning;
- ICT management and communications.

PPSF CD support related to this output will include the provision of TA for developing systems/procedures and for training, funding for peer and "horizontal" learning, and other relevant inputs.

Outcome 3:   Greater efficiency and effectiveness in programme coordination and oversight (TA Pillar 3 support)

The PPSF will be entirely responsible for Pillar 3. As with all the TA activities associated with LGCDP II, Pillar 3 quality assurance and monitoring will be subject to TASC oversight.

In order to implement Pillar 3 activities, the PPSF will deploy a full-time international DP Coordinator and Governance Specialist supported by a senior national Programming and Monitoring Analyst and a part-time PFM analyst. In addition, short term TA can be deployed for specific QA and monitoring tasks.

Output 7: Efficient and effective liaison and strategic guidance provided to the DPs and the Government

The LGCDP DPCC will meet the coordination needs of the LGCDP II development partner group and provide the DPs and the Government with in-house and strategic policy support. This component will be a key factor in ensuring strong coordination between the DPs, and between the DPs and the Government. More specifically, the Cell will be responsible for:

- Liaising between LGCDP II management and the development partners;
- Providing DPs with programme documentation;
- Analysing programme documentation and reports;
- Organising regular DP meetings to discuss programmatic issues and to agree on priorities;
- Providing DPs with high level policy analyses and assessments related to LGCDP II and to sub-national governance issues;
- Identifying and deploying technical support for various LGCDP II sub-committees and initiatives;

- Drawing up terms of reference for technical reviews and evaluations as prioritised by DPs and agreed with the TASC.

The office space for the DPCC will be arranged by the UNJP within its premises. The international DP Coordinator and Governance Specialist will be based in the PCU for two days and the other three days of a week in the UNJP premises.

Output 8: Efficient and effective quality assurance, programme monitoring and evaluation is provided to ensure the LGCDP II deliver stated outcomes and outputs

The PPSF will ensure that LGCDP II is regularly monitored and assessed with respect to:

(i)   The quality and performance of all technical assistance. Draft terms of reference for all TA will be thoroughly reviewed, deliverables will be closely scrutinized, and sanctions will be applied to TA that under-performs.
(ii)   Overall programme performance (in terms of meeting operational targets, financial management, implementation and other programmatic issues).
(iii)   Programme impact (using baseline and final surveys, citizen perception surveys).

With respect to financial management and fiduciary risk issues, the PPSF will work closely with PFM experts working with the DPs, who will be providing SPMP with fiduciary risk monitoring services.

This quality assurance (QA) element of the PPSF will be undertaken in line with a QA Operational Manual, which will specify in detail what will be subject to PPSF QA, how, when and by whom. For the most part, formal QA exercises will be undertaken as part of the six-monthly review and the Joint Annual Review (JAR), both of which are an integral part of LGCDP II's JFA. The JARs will culminate in a formal aide-memoire, which will follow an agreed format and include assessments of progress with respect to:

- Programme implementation, as measured against ASIPs;
- Programme results and policy commitments, as measured against the Annual Monitoring and Evaluation Plans (AMEPs);
- Quality of TA, as measured against ATAPs and relevant Terms of Reference;
- Financial management and mitigation of fiduciary risk;
- Programme reporting.

In addition, as part of programme reviews and monitoring activities, the PPSF will be responsible for organising and managing field trips, workshops, retreats, training and other such events as and when required by the TASC or DPs.

Results and Resources Framework

Programme budget

The total budget for the PPSF amounts to an estimated $ 13.5 million, which is within the TA ceiling authorised by the Government. There is currently a $ 1 million funding shortfall based on the commitments as follows:

Development partners (DFID, Government of Denmark and Government of Norway): $10.0 million
UNDP: $ 1.8 million
UNCDF: $ 0.4 million
UNV: $ 0.3 million

Total funding commitments: $12.5 million

The following sections of this programme document provide a detailed matrix for the Results and Resources Framework.

Table 4: Programme Results and Resources Framework

Related UNDAF Outcome 5: Institutions, systems, and processes of democratic governance are more accountable, effective, efficient and inclusive

Joint Programme Objective: To contribute towards poverty reduction through better local governance and community development

Programme Purpose: To improve local governance for effective service delivery and citizen empowerment

Programme Outcomes:

Outcome 1: Effective implementation of LGCDP II at all levels of the Government (TA Pillar 1 support)

Baseline:
- PCU in place
- CCUs in place and operating
- District and Municipal facilitators in place

Indicators:
- Timely preparation of ASIP in line with LGCDP II programme document objectives and targets
- Implementation of ASIP
- National accountability initiatives are closely aligned

Outcome 2: Improved policy advice and capacity development support for better overall service delivery at the local level (TA Pillar 2 support)

Baseline:
- Un-coordinated CD support
- Un-coordinated TA support

Indicators:
  Analytical work and field testing of reforms and innovations to inform policy processes and decisions
- All national TA for LGCDP II implementation fully managed by MoFALD
- Improved aggregate LB performance in financial management, HR management, vital registration M&E and overall reporting

Outcome 3: Greater efficiency and effectiveness in programme coordination and oversight (TA Pillar 3 support)

Baseline:
- Policy advice and coordination functions procured directly by DPs outside LGCDP I;
- Programme Assurance and reviews procured directly by DPs outside
LGCDP I;

Indicators:
- Better alignment between JFA and non-JFA
stakeholders
- Unified funding mechanisms for quality assurance and monitoring

JP Outcomes and Outputs	Funded	Indicative activities for each Output	Resource allocation and indicative time frame*					
	Unfunded		2013	2014	2015	2016	2017	Total
Outcome 1: Effective implementation of LGCDP II at all levels of the Government (TA Pillar 1 support)			**577,824**	**4,328,613**	**2,245,133**	**13,295**	**6,648**	**7,171,512**
Output 1: Programme Coordination Unit (PCU) strengthened and fully operational			**180,478**	**552,156**	**311,260**	**13,295**	**6,648**	**1,063,837**
Results: - Improved overall capacity at the central level - Expert advice provided to MoFALD management team - Better coordination between the Ministry and the RCUs **Baselines:** - PCU in existence as established under LGCDP I with weak capacity and need continued support **Indicators:** - Full PCU established in MoFALD by end 2013/14 (% of planned experts actually recruited for PCU as per TASC TA plan) - Improved trimester progress reporting against planned activities in the ASIP - Timely (bi-monthly) and effective output group meetings	Funded	1.1 Recruit and maintain long-term national technical staff for PCU as defined by TASC	100,209	258,919	161,649	-	-	**520,777**
	Funded	1.2 Recruit and maintain long-term national support staff for PCU	42,000	68,326	53,619	-		163,945
	Funded	1.3 Recruit and maintain long-term national UNV for PCU support		15,268	15,268			**30,536**
	Funded	1.4 Provide operational budget to PCU for monitoring	21,768	44,262	41,762	-	-	**107,792**
	Funded	1.5 Provide operational budget to PCU for day-to-day operations of PCU	16,501	37,159	37,159	13,295	6,648	**110,761**
	Funded	1.6 Provide 2 vehicles for PCU		122,222				**122,222**
	Funded	1.7 Provide operational and monitoring budgets for NUNVs	-	6,000	1,803			**7,803**
	Funded	1.8 Agree performance targets and transitional plans for all long-term TA roles	-	-	-	-	-	**-**
Output 2: Regional Coordination Unit (RCU) established and operational			**202,099**	**1,347,053**	**546,848**	**-**	**-**	**2,096,000**
Results: - Better coordination and between local bodies and the Ministry; - Improved overall Monitoring of LB; - Strategic CD support to LB based on MCPM results - Expert advice/mentoring provided to officials	Funded	2.1 Recruit long-term RCU staff as defined by TASC	95,000	554,248	298,441	-	-	**947,689**
	Funded	2.2 Recruit and maintain long-term national support staff for RCU	63,182	183,119	98,603			**344,904**
	Funded	2.3 Recruit and maintain six NUNV ICT officers	-	45,804	45,804	-	-	**91,608**

JP Outcomes and Outputs	Funded	Indicative activities for each Output	Resource allocation and indicative time frame*					
	Unfunded		2013	2014	2015	2016	2017	Total
and staff of local bodies **Baseline:** - 5 RCUs in existence as established under LGCDP l with limited capacity **Indicators:** - 6 planned RCUs established by end 2013/14 - % of planned experts actually recruited for RCU as per TASC TA plan - % of ASIP activities under the responsibility of RCU implemented according to plan - % of targeted failing or low performing LB supported based on MCPM assessments - % of trimester and annual progress reports submitted by RCUs on time - Efficient and effective guidance provided for mobilization, placement and administration of 133 volunteers	Funded	2.4 Provide operational and monitoring budgets for NUNVs	-	18,000	1,409	-	-	**19,409**
	Funded	2.5 Provide operational budget to RCU for monitoring	22,999	71,591	71,591			**166,181**
	Funded	2.6 Provide operational budget to RCU for day-to-day operations	20,918	36,514	31,000			**88,432**
	Funded	2.7 Provide 7 vehicles for RCUs		427,778				**427,778**
	Funded	2.8 Agree performance targets and transitional plans for all long-term TA roles	-	10,000	-	-	-	**10,000**
Output 3: Technical support provided to Local Bodies (LBs)			**180,625**	**2,133,642**	**1,155,694**		**-**	**-**	**3,469,961**
Results: - Strategic CD support to LB based on MCPM results - Technical Support provided to LBs in key areas as identified through SIP **Baseline:** - CD support not based on MCPM results - Lack of implementation of overall CD strategy **Indicators:** - % of planned experts actually recruited for LBs as per TASC TA plan - % of targeted failing or low performing LB	Funded	3.1 Recruit long-term District and Urban Governance Experts as defined by TASC	180,625	1,883,642	986,721	-	-	**3,050,988**
	Funded	3.2 Conduct cluster-wise training/workshops for University Volunteers and other officials	-	50,000	34,144	-	-	**84,144**
	Funded	3.3 Provide operational budget for day-to-day operations						**-**
	Funded	3.4 Provide operational budget for monitoring		200,000	134,829			**334,829**

JP Outcomes and Outputs	Funded / Unfunded	Indicative activities for each Output	Resource allocation and indicative time frame*					
			2013	2014	2015	2016	2017	Total
supported based on MCPM assessments - Efficient and effective guidance provided for mobilization, placement and administration of 133 volunteers	Funded	3.5 Agree performance targets and transitional plans for all long-term TA roles	-	-	-	-	-	-
	Funded	Sundry(GMS) for Pillar I	14,622	295,762	231,331	-	-	541,715
Outcome 2: Improved policy advice and capacity support for development for better overall service delivery at the local level (TA Pillar 2 support)			261,135	1,345,328	1,081,191	952,204	357,799	3,997,657
Output 4: Timely, targeted and flexible policy advice, research and field testing of reforms and innovations provided to LGCDP II			49,000	626,500	380,000	335,000	170,000	1,560,500
Results: - 50% of DDCs and 40% of Municipalities have well equipped organizational set up and guidelines for revenue administration and collection - New grant allocation formula implemented - MCPM system updated and performance based principles applied to conditional and unconditional grants and devolved sector grants - Strengthened local management of vital registration and social security system (50 districts using social protection MIS developed under HDSPP and branchless banking reached to 14 of districts by 2016-17) **Baselines:** - Existing tax base - No local revenue administration guidelines in place - MCPM system in place but needs to be updated - high fiduciary risk	Funded	4.1 Support downward accountability of LBs	5,000	2,500				7,500
	Funded	4.2 Select CSOs for compliance monitoring		15,000	15,000	15,000		45,000
	Funded	4.3 Expanding the tax base for LBs	-	10,000	20,000	-	-	30,000
	Funded	4.4 Supporting LB revenue administration and collection	6,000	22,000	25,000	-	-	53,000
	Funded	4.5 Review and update MCPM System	28,000	60,000			-	88,000
	Funded	4.6 Implement existing recommendation of changes in grant allocation formula	-	30,000		-	-	30,000
	Funded	4.7 Roll out improved accounting system at local bodies	10,000	-	-	-	-	10,000
	Funded	4.8 Review/update DIP and Fiscal Decentralization Roadmap (FDR) and redynamise Decentralization Implementation Monitoring Committee (DIMC)	-	30,000	-	-	-	30,000

JP Outcomes and Outputs	Funded / Unfunded	Indicative activities for each Output	Resource allocation and indicative time frame*					
			2013	2014	2015	2016	2017	Total
- HDSPP operational - Lack of coordination between Sector financing and LG financing at the local level **Indicators:** - % of DDCs and % of Municipalities have well-equipped organizational set up and guidelines for revenue administration and collection - Government grants allocated and transferred based on updated allocation formula and MCPM system - Performance based systems applied to sector grants - # districts using social protection MIS developed under HDSPP - Branchless banking reached to # of districts by 2016-17	Funded	4.9 Categorize LBs on basis of new/updated criteria and analyze functional and administrative implications	-	20,000	20,000	-	-	**40,000**
	Funded	4.10 Update, codify and consolidate policy on local governance and community development and the corresponding guidelines/manuals	-	30,000		-	-	**30,000**
	Funded	4.11 Prepare policy paper on sub-national governance options in a federal context			60,000			**60,000**
	Funded	4.12 Developing and implementing transition plans for concerned national institutions and agencies (including MoFALD)*			10,000			**10,000**
	Funded	4.13 Start to align existing policies/laws and identify new laws (in a federal context)*		10,000				**10,000**
	Funded	4.14 Identify options for high-level institutional arrangements for oversight of inter-governmental fiscal relations*			10,000			**10,000**
	Funded	4.15 Review administrative structures and arrangements for sub-national bodies*		5,000	10,000			**15,000**
	Funded	4.16 Designing and drafting metropolitan city legislation		20,000	20,000			**40,000**
	Funded	4.17 Developing the modality of governance and infrastructure SWAps in the context of federal governance*					10,000	**10,000**

JP Outcomes and Outputs	Funded / Unfunded	Indicative activities for each Output	Resource allocation and indicative time frame*					
			2013	2014	2015	2016	2017	Total
	Funded	4.18 Develop civil society compliance monitoring methodology and ToRs	-	30,000				**30,000**
	Funded	4.19 Strengthen and improve local management of vital event registration and social security system (HDSPP)	-	200,000	50,000	-	-	**250,000**
	Funded	4.20 Support to application of performance based principles to sector financing		2,000		60,000	-	**62,000**
	Funded	4.21 Support field testing and rolling out of LIP/LED principles*		140000	140000			**280,000**
	Unfunded	4.21 Support field testing and rolling out of LIP/LED principles*				260,000	160,000	420,000
Output 5 Strengthen overall capacity of MoFALD to manage TA			-	85,000	50,000	20,000	10,000	165,000
Results: - MoFALD able to manage overall TA support - TA support roles institutionalized - Transition plan/exit strategy for all long-term programme support staff **Baselines:** - Low institutional and HR capacity to manage TA within MoFALD **Indicators:** - PRF operational and PRF regulatory framework in place - National TA procured and managed by the Ministry - Volunteer Management guidelines/system developed for effective management of National Volunteers	Funded	5.1 Establish and operate the Programme Recruitment Facility (PRF) in MoFALD	-	60,000	50,000	20,000	10,000	**140,000**
	Funded	5.2 Review TA modality of PPSF*	-	10,000	-	-	-	**10,000**
	Funded	5.3 Develop Volunteer Management Information System, Software development	-	15,000	-	-	-	**15,000**

JP Outcomes and Outputs	Funded	Indicative activities for each Output	Resource allocation and indicative time frame*					
	Unfunded		2013	2014	2015	2016	2017	Total
Output 6: Capacity of national and sub-national institutions to manage and implement local service functions is strengthened			203,000	585,000	611,837	515,000	145,926	2,060,763
Results: - 30 % reduction of failed MC in LB by 2016/17 - 10 % points average MCPM improved by 2016/17 - 90% of all LBs have a functional MIS	Funded	6.1 Support to enhance capacity of MoFALD and central level agencies	-	75,000	75,000		-	**150,000**
	Unfunded	6.1 Support to enhance capacity of MoFALD and central level agencies				50,000		50,000
Baselines: - Declining overall MCPM scores of DDCs, Municipalities and VDCs	Funded	6.2 Strengthen LB capacity for service delivery	183,000	150,000	106,837		-	**439,837**
	Unfunded	6.2 Strengthen LB capacity for service delivery				150,000	90,926	240,926
Indicators: - National CD strategy approved and operationalized - % reduction of failed MC - % points average MCPM improved - % of LBs information system updated and digitised	Funded	6.3 Design and Implement LB capacity development initiatives*		25,000	20,000			**45,000**
	Unfunded	6.3 Design and Implement LB capacity development initiatives*				20,000	10,000	30,000
	Funded	6.4 Expand capacity in LBFC towards the capacity expected from a National Fiscal Commission		10,000	10,000	10,000	5,000	**35,000**
	Funded	6.5 Support for quality assurance of local infrastructure	-	50,000	50,000	30,000	20,000	**150,000**
	Funded	6.6 Provide technical backstopping to VDCs to improve quality of local infrastructure	-	30,000	30,000	35,000	-	**95,000**
	Funded	6.7 Support to review and update periodic plan of LBs	-	100,000	100,000		-	**200,000**
	Unfunded	6.7 Support to review and update periodic plan of LBs				100,000		100,000

JP Outcomes and Outputs	Funded / Unfunded	Indicative activities for each Output	Resource allocation and indicative time frame*					
			2013	2014	2015	2016	2017	Total
	Funded	6.8 Provide support to local annual planning processes*	-	25,000	100,000		-	**125,000**
	Funded	6.9 Strengthen monitoring and reporting systems at national and local levels	-	25,000	25,000	25,000	10,000	**85,000**
	Funded	6.10 Experience sharing in central and regional consultative meetings	20,000	75,000	75,000			**170,000**
	Unfunded	6.10 Experience sharing in central and regional consultative meetings*				75,000	10,000	85,000
	Funded	6.11 Enhance capacity of national long-term support staff		20,000	20,000	20,000		**60,000**
	Funded	Sundry (GMS) Pillar II	**9,135**	**48,828**	**39,354**	**29,743**	**10,260**	**137,320**
	Unfunded	Sundry (GMS) Pillar II				52,461	21,613	74,074
Outcome 3: Greater efficiency and effectiveness in programme coordination and oversight (TA Pillar 3 support)			84,580	711,187	730,218	549,956	254,890	2,330,831
Output 7 Efficient and effective liaison and strategic guidance provided to the DPs and the Government			70,000	315,000	315,000	315,000	45,000	1,060,000
Results: - Better coordination and harmonization among DPs and between DPs and government	Funded	7.1 DP Coordinator and Governance Expert, PFM and Programming and Monitoring Analyst	50,000	250,000	250,000	250,000	10,000	**810,000**
Baselines: - Fragmentation of activities - Higher transaction cost and delay in implementation	Funded	7.2 Operational costs	10,000	40,000	40,000	40,000	20,000	**150,000**
Indicators: - "One door service" for LGCDP II coordination - Timely information sharing - Lower transaction costs	Funded	7.3 Logistic costs	10,000	25,000	25,000	25,000	15,000	**100,000**

JP Outcomes and Outputs	Funded	Indicative activities for each Output	Resource allocation and indicative time frame*					
	Unfunded		2013	2014	2015	2016	2017	Total
Output 8 Efficient and effective quality assurance, programme monitoring, documentation and evaluation is provided to ensure the LGCDP II deliver stated outcomes and outputs			**10,000**	**357,500**	**375,500**	**205,000**	**196,000**	**1,144,000**
Results: - DPs and the Government better informed with timely and quality findings and recommendations	Funded	8.1 Provide regular QA*	5,000	25,000	25,000	25,000	1,000	**81,000**
	Funded	8.2 Flexible short-term policy advice	-	100,000	100,000	75,000		**275,000**
Baselines: - Quality assurance provided in parallel to LGCDP I directly by various DPs	Funded	8.3 Event management	-	20,000	20,000	20,000	15,000	**75,000**
	Funded	8.4 Annual and half year reviews (for NAC)	5,000	40,000	30,000	30,000	20,000	**125,000**
Indicators: - Annual technical reviews conducted	Funded	8.5 Focused Evaluations*		40,000	60,000	10,000		**110,000**
- Mid-term review conducted - Monitoring and review/evaluation system streamlined	Funded	8.6 Mid-term and Final Reviews			70,000		80,000	**150,000**
- Information available in time for annual planning	Funded	8.7 Baseline / endline surveys	-	60,000			50,000	**110,000**
	Funded	8.8 Independent Citizens' Perception Survey*	-	60,000	45,000	45,000	30,000	**180,000**
	Funded	8.9 UNV HQ missions	-	8,500	9,500	-	-	**18,000**
	Funded	8.10 Promote volunteerism and develop knowledge products	-	4,000	16,000	-	-	**20,000**
	Funded	Sundry (GMS) Pillar III	**4,580**	**38,687**	**39,718**	**29,956**	**13,890**	**126,831**
Grand Total								**13,500,000**

*) Activity has been identified as underfunded

5. Management and Coordination Arrangements

The PPSF will be implemented through the NEX[14] modality, which is the principal implementation modality under the UNDP CPAP (2013-2017) in Nepal.

The PPSF will be institutionally attached to MoFALD and will be directly accountable to the Project Executive Board (PEB) under the guidance of the Secretary of MoFALD. In order to reduce transaction costs and work with existing LGCDP II management arrangements, the PEB for the PPSF will be the National Advisory Sub Committee (known as the Sub-NAC). The Sub-NAC is chaired by the NPD, Joint-Secretary of the Local Self Governance Division in MoFALD, and consists of representatives from the Government, development partners and the Local Body Associations. It is responsible for the implementation of the policy decisions made by the NAC, for operational level decision-making, for acting as the consultative coordinating body of the LGCDP and for deciding on LGCDP human resource and technical assistance issues. The PEB (Sub-NAC) will meet four times a year to discuss LGCDP II TA and PPSF progress and endorse programme orientations. It will be responsible for providing oversight of PPSF implementation. The PEB (Sub-NAC) will be responsible for endorsing AWPs, and mid and annual progress reports.

The NAC is the apex body which oversees LGCDP II and formally approves all major programmatic decisions; it is chaired by the Secretary of MoFALD and its membership includes senior GoN and DP representatives. The Sub-NAC provides regular oversight of LGCDP II activities.

The PPSF's AWPs will be drawn up in close collaboration with LGCDP II's TASC, which will consist of the following members:

- The National Programme Manager (NPM),
- Two MoFALD officials
- A representative of the Asian Development Bank (ADB);
- A representative of the bilateral development partners;
- Two representatives of the UN agencies[15].
- Administrative Officer, LGCDP

Annual work plans for the PPSF will be drawn up on the basis of the overall LGCDP II implementation planning processes. On an annual basis, MoFALD and the PCU will draft an ASIP. The ASIP will provide a comprehensive annual work plan for LGCDP II. On the basis of the ASIP, the TASC will finalise an ATAP, which will provide a detailed description of TA needs for the coming year. Part of the ATAP will be assigned to the PPSF and will thus become the basis for the PPSF's annual work plan. This work will be done under the direct supervision of TASC.

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[14] The NEX modality will be replaced by NIM (National Implementation Modality) once the latter has been finalized.

[15] Two UN representatives on the TASC is justified by the need to ensure that a majority of the UN agencies involved in the PPSF are able to participate effectively in discussions about the provision of TA to LGCDP II. UNDP and UNCDF will therefore be represented on the TASC. UNDP will ensure that UNV concerns and issues are discussed at TASC meetings.

The PEB structure is shown in the diagram below:

Diagram 1: Management Arrangement
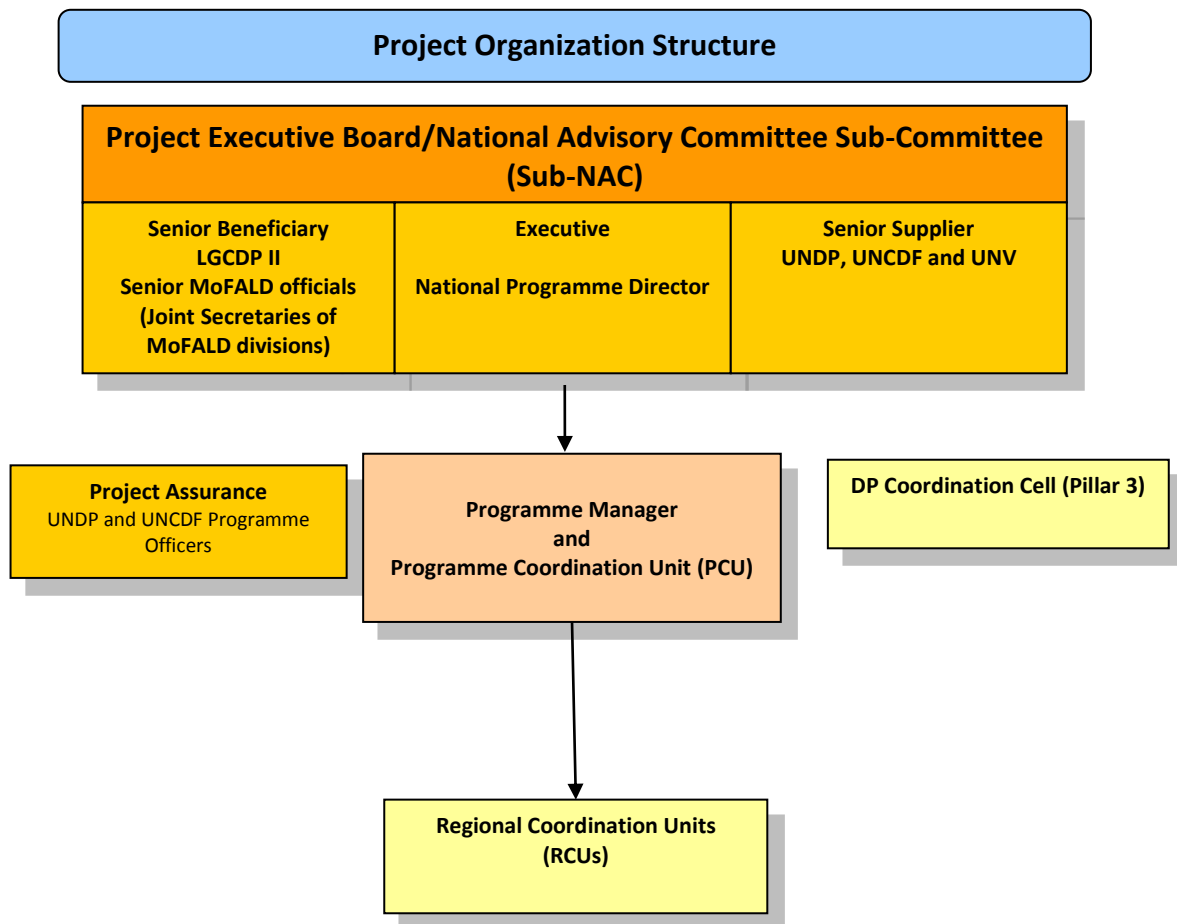
Programme Coordination Unit:
In order to coordinate LGCDP II day-to-day operations and to ensure the internal coordination of policy matters, a PCU will be established under the supervision of the Local Self Governance Division to coordinate LGCDP II activities across the Ministry. The Joint Secretary of the Local Self Governance Division will serve as the National Programme Director (NPD) of the programme, while a full time Under Secretary will assume the responsibilities as the National Programme Manager (NPM) and will manage the PCU programme staff and activities under the guidance of the NPD. Since the programme will be fully integrated into MoFALD, the PCU's role will be to provide technical backstopping for the various MoFALD Division Chiefs and Outcome Managers, in addition to ensuring close coordination of the programme components.

Programme Assurance:
Delegated by the PEB, the Programme Assurance role will be ensured, on a day-to-day basis, by UNDP and UNCDF Programme Officers. In addition, UNDP's Governance Unit, UNCDF's Regional Office, and the UNV Country Office will provide higher level programme assurance on a regular basis. Programme assurance will ensure that the Programme management delivers planned outputs as per the annual work plan on the basis of the quarterly and annual progress reports.

DPs Coordination Cell:
As described above, the programme will have a dedicated **DPCC** which will be slightly independent from the overall programme structure to facilitate the tasks of this cell in terms of oversight, strategic advice and coordination among all stakeholders. This cell will be made up of Pillar 3 TA.

Resource Mobilization:
Resource mobilization will be an integral part of the PPSF's on-going work, and will be led by the Government with the support of UNDP, UNCDF and UNV. This will involve dialogue with long term partners who have supported LGCDP over several phases, such as the UK's Department for International Development (DFID), the Government of Denmark and the Government of Norway, as well as potential new partners. The PPSF will devote specific attention during its regular planning exercises to mobilizing further support from strategic partners and donors. If additional funding becomes available, the PPSF will be scaled up to cover more LGCDP II activities.

Partnerships:
The programme will rely on partnerships and the cooperation of a wide range of international and national stakeholders to maximize impact and to ensure that its interventions are harmonized with and complement the efforts of other partners. The PPSF Joint Programme draws on the well-established partnership from the previous phase with MoF, Ministry of Education (MoE), LBFC and NPC at the national level and with the 75 DDCs, 58 Municipalities, and 3,915 VDCs. The PPSF Programme complements first and foremost LGCDP II in addition to other projects and programmes of its current development partners, in the areas of improving service delivery, CD and good governance.

National Project Manager: The Ministry will assign a senior Under Secretary of the Ministry as the NPM who will be responsible for the day to day operation, management and coordination of the Programme.

National professionals and support staff will be hired by the project as per the NEX Guidelines and will be assigned in the PCU, RCU and LBs as outlined in section four, Result Framework (Outcome One). The professional and support staff team will work under the guidance of the NPD and NPM.

6. Fund Management Arrangements

The PPSF will be a programme support facility under the umbrella of the Government's framework for LGCDP II, and will therefore fall under and be part of the same programme management arrangements as LGCDP II through a UN Joint Programme arrangement. On this basis, PPSF will be a joint UN programme using a combination of fund management options: "parallel" and "pass-through".

UNV fund management for International and National UNVs and for the overall volunteer initiative will use the "parallel" option.

The participating UN organizations have appointed UNDP as the "Administrative Agent" (AA) for the "pass-through" funds from its partners. The AA will receive contributions from donors that wish to provide financial support to PPSF based on a Standard Administrative Arrangement (SAA). Common work plans would clearly indicate the activities to be supported by each of the participating UN organizations, including the indirect costs to be charged by each participating organization. UNDP in its capacity as the AA will disburse funds to each of the participating UN organization in accordance with instructions from the Programme Executive Board. The AA will also consolidate statements and reports, based on submissions provided by each participating UN organization. However, the participating UN organizations will assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent.

The PPSF will be implemented under NEX modality, with MoFALD being the Implementing Partner (IP). Cash transfers will be made according to the procedures outlined in the Harmonised Approach

to Cash Transfer (HACT)[16]. Based on the latest HACT results in Nepal, the following cash transfer modalities are proposed:

- UNCDF "seed" funding in the form of capital grants (for HDSPP, until December 2014) will be provided to the IP as direct payment to the same Foreign Currency Account (FCA) as with the JFA basket fund, and managed, reported on and audited in exactly the same manner as the other main LGCDP II funds managed through the JFA. This modality will establish several triggers for fund release and reporting which reduces the overall fiduciary risk. This is particularly important considering the pilot nature of these types of funds[17]. The system and precedence for this has already been established through the HDSPP grant transfer arrangements.

- Most of the national capacity building activities (i.e. organising workshops/trainings, etc.), hiring of national consultants, etc.) will continue to be implemented directly by the national IP under the Direct Cash Transfer modality.

- Within the NEX modality it is recommended that the following activities will fall under Direct Agency Implementation whereby UNDP, UNCDF and UNV assist with project implementation and become Responsible Parties under this modality. This modality will cover the following services:

    - Hiring and payment of international technical advisory positions
    - Hiring and payment of international consultants (technical experts from various areas of support)
    - Hiring and payment of national and international UNVs with related operational support, monitoring, outreach activities, development of knowledge products and promotion of volunteerism.
    - Quality assurance (including independent reviews and evaluations, UN Agencies and technical reviews by UNDP, UNCDF and UNV)

All these activities will be planned, implemented, managed and reported on as an integral part of PPSF activities and therefore, will continue to remain under the overall management of the IP and the TASC.

Cash Transfer Mechanism: UNDP will transfer the fund (cash) allocated for this project in the project account managed by MoFALD on a quarterly basis. The first request will be based on the approved AWP, and first quarter work plan and subsequent instalments will be transferred based upon a minimum expenditure of 80% from the previous advances and 100% from all earlier advances. UNDP will transfer the budget required for the first instalment in the beginning of the implementation. The subsequent transfers will be made upon receipt of signed completion of each quarterly plan including the financial report as well as the subsequent quarterly work plan.

There will be direct payment through UNDP for the payment where UNDP is assigned as the responsible party to complete the activities outlined in AWP/QWP. UNDP adopts the HACT and the payment modality will be based on the HACT approach (i.e., based on the micro assessment report of IP). As specified within the provisions of the NEX guidelines, the project shall maintain and operate separate bank account to management project cash.

Audit Arrangements: The Audit of the project will be conducted in consultation with MoFALD as per UNDP requirements and procedures for the activity funded and managed by UNDP.

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[16] With reference to the UNDP POPP there are four transfer modalities under NEX:
- Direct cash transfer which is known also as the "NEX Advance"
- Reimbursement whereby UN agencies reimburse the IP for their disbursements
- Direct payment whereby the IP requests UN agencies to make the disbursement
- Direct Agency Implementation whereby UN agencies assist with the project implementation

[17] The procedures and precedent for this have already been established through the HDSPP grant transfer arrangements applied during LGCDP I.

7. Monitoring, Evaluation and Reporting

Monitoring: Regular monitoring of the Programme will be conducted through a Programme Monitoring Framework (PMF). All stakeholders will be encouraged to be involved in this process. PPSF's M&E framework will provide information on progress against assigned outputs and activities in line with LGCDP II's AMEP.

The following table sets out the Monitoring Framework for the PPSF. The indicators and baselines used at the output level are taken from LGCDP II's AMEP.

Table 5: Joint Programme Monitoring Framework (JPMF)

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
Outcome 1: Effective implementation of LGCDP II at all levels of the Government (TA Pillar 1 support)	**Indicators:** Timely preparation of ASIP in line with LGCDP II programme document objectives and targets Implementation of ASIP National accountability initiatives are closely aligned **Baseline:** PCU in place CCUs in place and operating District and Municipal Facilitators in place	ASIP approval Annual reviews Mid-term review Final review Annual accountability report	Review of ASIP Annually After 2 years After 4 years Annually	MoFALD UNJP partners (UNDP, UNCDF and UNV)	Timely approval of ASIP Timely disbursement of LGCDP II funds Timeliness and Implementation of Aligned Programmes
Outcome 2: Improved policy advice and capacity development support for better overall service delivery at the local level (TA Pillar 2 support)	**Indicators:** Analytical work and field testing of reforms and innovations inform policy processes and decisions All national TA for LGCDP II implementation fully managed by MoFALD Improved aggregate LB performance in financial management, HR management, vital registration M&E and overall reporting **Baseline:** Un-coordinated CD support Un-coordinated TA support	Policy papers New or revised GoN guidelines MoFALD recruitment records MCPM results	Policy papers New or revised GoN guidelines MoFALD recruitment records and TASC minutes Annual MCPM assessments report	MoFALD UNJP partners (UNDP, UNCDF and UNV)	MCPM assessments are carried out on a timely and regular basis Frequent changes to the MCPM assessment criteria Fiduciary risk of MoFALD TA management is acceptable to DPs Basic HR and fiscal pre-conditions for LB operations are in place

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
Outcome 3: Greater efficiency and effectiveness in programme coordination and oversight (TA Pillar 3 support)	**Indicators:** Better alignment between JFA and non-JFA stakeholders Unified funding mechanisms for quality assurance and monitoring **Baseline:** Policy advice and coordination functions procured directly by DPs outside LGCDP I; Programme Assurance and reviews procured directly by DPs outside LGCDP I;			UNJP partners (UNDP and UNCDF)	DP basic oversight requirements remain unchanged Non-JFA DPs endorse PPSF liaison and oversight functions PPSF fully funded
Outcome 1: Effective implementation of LGCDP II at all levels of the Government (TA Pillar 1 support)					
Output 1: Programme Coordination Unit (PCU) strengthened and fully operational **Results:** - Improved overall capacity at the central level - Expert advice provided to MoFALD management team - Better coordination between the Ministry and the RCUs	**Baselines:** - PCU in existence as established under LGCDP I with weak capacity and need continued support **Indicators:** - Full PCU established in MoFALD by end 2013/14 (% of planned experts actually recruited for PCU as per TASC TA plan) - Improved trimester progress reporting against planned activities in the ASIP - Timely (bi-monthly) and effective output group meetings	HR records TASC TA Plan	List of recruited positions received from HR	MoFALD UNJP partners (UNDP and UNV) PCU	Timely approval of PPSF to commence approvals of TORs and recruitment processes in 2013; Delays in approvals of TORs by TASC; Delays in recruitment process.

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
Output 2: **Regional Coordination Unit (RCU) established and operational** **Results:** -Better coordination and between local bodies and the Ministry; - Improved overall Monitoring of LB; - Strategic CD support to LB based on MCPM results - Expert advice/mentoring provided to officials and staff of local bodies	**Baseline:** -5 RCUs in existence as established under LGCDP I with limited capacity **Indicators:** - 6 planned RCUs established by end 2013/14 (% of planned experts actually recruited for RCU as per TASC TA plan - % of ASIP activities under the responsibility of RCU implemented according to plan - % of targeted failing or low performing LB supported based on MCPM assessments - % of trimester and annual progress reports submitted by RCUs on time - Efficient and effective guidance provided for mobilization, placement and administration of 133 volunteers	HR records TASC TA Plan ASIP Annual Reviews CD plan RCUs progress reports	List of recruited positions received from HR Review of ASIP, LGCDP II review reports, CD plans and RCU reports	MoFALD UNJP partners (UNDP and UNV) RCU	Timely approval of PPSF to commence approvals of TORs and recruitment processes in 2013; Delays in approvals of TORs by TASC; Delays in recruitment process.
Output 3: Technical support provided to Local Bodies (LBs) **Results:** - Strategic CD support to LB based on MCPM results - Technical Support provided to LBs in key areas as identified through SIP	**Baseline:** - CD support not based on MCPM results - Lack of implementation of overall CD strategy **Indicators:** - % of planned experts actually recruited for LBs as per TASC TA plan - % of targeted failing or low performing LB supported based on MCPM assessments by M/UG Experts - Efficient and effective procedures and manuals developed to support mobilization, , placement and administration of volunteers	HR records TASC TA Plan Annual Reviews CD plan RCUs progress reports	List of recruited positions received from HR Review of ASIP, LGCDP II review reports, CD plans and RCU reports	MoFALD UNJP partners (UNDP and UNV) M/UGEs	Timely approval of PPSF to commence approvals of TORs and recruitment processes in 2013; Delays in approvals of TORs by TASC; Delays in recruitment process.

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
Outcome 2: Improved policy advice and capacity support for development for better overall service delivery at the local level (TA Pillar 2 support)					
Output 4: Timely, targeted and flexible policy advice, research and field testing of reforms and innovations provided to LGCDP II **Results:** - 50% of DDCs and 40% of Municipalities have well equipped organisational set up and guidelines for revenue administration and collection - New grant allocation formula implemented - MCPM system updated and performance based principles applied to conditional and unconditional grants and devolved sector grants - Strengthened local management of vital registration and social security system - Innovations tested out in the field and policy advice provided to inform national policies	**Baselines:** - Existing tax base - No local revenue administration guidelines in place - MCPM system in place but needs to be updated - high fiduciary risk - HDSPP operational **Indicators:** - % of DDCs and % of Municipalities have well equipped organisational set up and guidelines for revenue administration and collection - Government grants allocated and transferred based on updated allocation formula and MCPM system - # districts using social protection MIS developed under HDSPP - Branchless banking reached to # of districts by 2016-17	Guidelines for revenue administration LG Administrative setup for revenue collection MCPM guidelines MCPM Consultancy reports Policy advisory reports Reports on field testing of innovations Approved Gov. guidelines /instructions enrolled beneficiaries with bank accounts	Approved Gov. guidelines on Revenue collection and MCPM system LB organogram Review of progress and final evaluation reports Review of approved Gov. guidelines/ instructions review beneficiary list provided by the PSP	MoFALD UNJP (UNDP and UNCDF) LBs	Approval of new revenue administration guidelines Approval of new MCPM guidelines Approval of performance criteria for conditional and sector specific grant allocations Guidelines not approved or applied No political will for innovations in LGCDP II Additional funding secured for field testing of reforms and innovations

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
Output 5: Strengthen overall capacity of MoFALD to manage TA **Results:** - MoFALD able to manage overall TA support within the Ministry and to LBs - TA support roles institutionalized - Transition plan/exit strategy for all long-term programme support staff	**Baselines:** - Low institutional and HR capacity to manage TA within MoFALD **Indicators:** - PRF operational and PRF regulatory framework in place and operational - National TA procured and managed by the Ministry -	Approved Gov. guidelines /instructions List of TA procured through the new PRF framework QA reviews of TA reports	Review of approved Gov. guidelines /instructions; Review of TA procured through PRF Review of LGCDP II QA reviews/reports	MoFALD UNJP partners	PRF guidelines approved PRF established by the Ministry PRF establishment delayed Proposed PRF changes to regulations not accepted within the Government regulatory framework; Agreed PRF benchmarks not met by MoFALD by mid-2015; PRF not established by end of 2015 by MoFALD
Output 6: Capacity of national and sub-national institutions to manage and implement local service functions is strengthened **Results:** - 30 % reduction of failed MC in LB by 2016/17 - 10 % points average MCPM improved by 2016/17 - 90% of all DDCs and Municipalities have a functional MIS	**Baselines:** - Declining overall MCPM scores of DDCs, Municipalities and VDCs **Indicators:** - National CD strategy approved and operationalized - % reduction of failed MC - % points average MCPM improved - % of LBs information system updated and digitised	MCPM assessment results Ministry and LB MIS systems	Annual MCPM assessment results Review of local and Ministry MIS	UNJP partners (UNDP, UNCDF and UNV)	All LBs have functional IT equipment 133 Volunteers recruited and in place IT Equipment not sufficient Quality of volunteers not at expected level volunteers not deployed lack of establishment of a streamlined LB MIS framework LB MIS not updated after establishment

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
Outcome 3: Greater efficiency and effectiveness in programme coordination and oversight (TA Pillar 3 support)					
Output 7: Efficient and effective liaison and strategic guidance provided to the DPs and the Government **Results:** - Better coordination and harmonization among DPs and between DPs and government	**Baselines:** - Fragmentation of activities - Higher transaction costs and delay in implementation **Indicators:** - "One door service" for LGCDP II coordination - Timely information sharing - Lower transaction costs	LGCDP II weekly updates to Gov. and DPs Information shared through the PPSF All pre-agreed reviews done through PPSF mechanisms	Review LGCDP II updates Review DPs satisfaction with the service provided	UNJP partners (UNDP and UNCDF)	Pillar 3 is fully staffed and funded Operational budgets in place Recruitment of staff delayed Insufficient funding Lack of sufficient pillar 3 independence from general management of LGCDP II
Output 8: Efficient and effective quality assurance, programme monitoring, documentation and evaluation is provided to ensure the LGCDP II deliver stated outcomes and outputs **Results:** - DPs and the Government better informed with timely and quality findings and recommendations	**Baselines:** - Quality assurance provided in parallel to LGCDP I directly by various DPs **Indicators:** - Annual technical reviews conducted - Mid-term review conducted - Monitoring and review/evaluation system streamlined - Information available in time for annual planning	Bi-annual reviews Joint Annual Reviews Mid-term review Final review High quality input provided to ASIP and ATAP processes	Review various reviews and reports prepared through this output	UNJP (UNDP, UNCDF,UNV)	Pillar 3 QA activities fully funded and qualified consultants and UN regional offices available Sufficient finances not available Lack of sufficient pillar 3 independence from general management of LGCDP II

The Joint Programme M&E system will track progress against output indicators for each output defined in the Results and Resources Framework (Table 4 above). In addition to day-to-day monitoring by the National Programme Manager and the PPSF DPCC, bi-annual and annual review mechanisms will be put in place to assess progress against planned activities and achievement of key results.

Joint Quarterly Programme Reviews: The PEB (Sub-NAC) meeting will be conducted four times a year to review the extent to which progress is being made toward achievement of outputs. The final meeting of the year will also be an opportunity to approve the AWP for the following year. For each quarterly meeting, a progress report shall be prepared by the Programme Manager and shared with the PEB in preparation for the Quarterly Review. As a minimum requirement, the Quarterly Report shall consist of financial and physical progress of activities for the quarter under review, as well as a summary of progress towards achieving pre-defined targets at the output level.

Joint Annual Review: A JAR will take place each year and should be done prior to and in conjunction with the regular LGCDP II bi-annual review meeting. The PPSF JAR will be an integral part of the wider LGCDP II Joint Annual Review. The review team will include the Government, UN agencies and DPs. The JAR will examine progress against Programme objectives and make recommendations to the PEB/Sub-NAC to provide consistent guidance.

Mid-term Review: The programme will be subject to a MTR. The JAR at the end of the second year will provide the platform for the MTR which will focus on assessing programme relevance, efficiency, effectiveness, and likely sustainability of results and make recommendations in response to the findings. This MTR will be part of the larger LGCDP II MTR.

Final Review: A final review of the PPSF will take place as a part of LGCDP II's final evaluation.

Participating UN Organizations

Each Participating UN Organization will prepare the following reports on its contribution in accordance with its financial rules and regulations:

- Annual narrative progress reports, to be provided no later than three months (31 March) after the end of the calendar year;
- Annual financial statements and reports as of 31 December with respect to the funds disbursed to it from the Joint Programme Account, to be provided no later than four months (30 April) after the end of the calendar year;
- Final narrative reports, after the completion of the activities in the Joint Programme Document and including the final year of the activities in the Joint Programme Document, to be provided no later than four months (30 April) of the year following the financial closing of the Joint Programme. The final report will give a summary of results and achievements compared to the goals and objectives of the Joint Programme;
- Certified final financial statements and final financial reports after the completion of the activities in the Joint Programme Document and including the final year of the activities in the Joint Programme Document, to be provided no later than six months (30 June) of the year following the financial closing of the Joint Programme.

The Administrative Agent (UNDP) will:

- Prepare consolidated narrative and financial progress reports, based on the narrative consolidated report prepared by the Lead Agency and the financial statements/ reports submitted by each of the Participating UN Organizations;
- Provide those consolidated reports to each donor that has contributed to the Joint Programme Account, as well as the Steering Committee, in accordance with the timetable established in the Administrative Arrangement.
- Provide the donors, Steering Committee and Participating UN Organizations with:
  - ✓ Certified annual financial statement ("Source and Use of Funds" as defined by UNDG guidelines), along with a detailed breakdown of expenditures, to be provided no later than five months (31 May) after the end of the calendar year;
  - ✓ Certified final financial statement ("Source and Use of Funds") to be provided no later than seven months (31 July) of the year following the financial closing of the Joint Programme.

8. Legal Context or Basis of Relationship

This Joint Programme document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement (SBAA) between the GoN and UNDP, signed on 23 February 1984. Consistent with the Article III of the SBAA, the responsibility for the safety and security of the executing agency and its personnel and property, and of UNDP's property in the executing agency's custody, rests with the executing agency.

The executing agency shall:

- put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the Programme is being carried;
- assume all risks and liabilities related to the implementing 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 Implementing Partners agree to undertake all reasonable efforts to ensure that none of the funds received pursuant to this Joint Programme are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by Participating UN organizations 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 programme document.

9. Work Plans and Budgets

The work plans and relating budgets have been annexed (annex 3).