



PROVINCIAL AND LOCAL GOVERNANCE SUPPORT PROGRAMME (PLGSP)

Programme Document
(July 2019/20 - July 2022/23)

Government of Nepal
Ministry of Federal Affairs and General Administration
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Programme Summary

Programme Period	16 July 2019/20 -15 July 2022/23.
Executing Agency	Ministry of Federal Affairs and General Administration.
Implementing Agency	Provincial Governments (PGs), Rural Municipalities, Municipalities, Sub Metropolitan Cities, Metropolitan Cities, restructured Local Development Training Academy (LDTA) and Provincial Centre for Good Governance (PCGG).
Geographical Coverage	7 Provinces, 6 Metropolitan Cities, 11 Sub Metropolitan Cities, 276 Municipalities and 460 Rural Municipalities.
Development Partners (DP)	DFID, SDC, Norway, EU, UN.
Total estimated budget	US\$130 million.
Financial contribution: The Government of Nepal DPs	GoN: \$30 million. DPs: \$100 million.
Distribution of fund	Financial Support: \$120 million. Technical Assistance Support: \$10million.
Use of fund for different outcomes and levels of governments (including uncommitted fund)	Funding for outcomes – including TA: Outcome 1(Policy support and inter-governmental (IG) relations strengthened): \$8.5million (6.5%). Outcome 2 (PG and LG institutions strengthened): \$104.5 million (80.4%). Outcome 3 (PG and LG individuals capacity developed): \$17million (13.1%). Funding for different levels of governments: Federal level: \$16.5 million (12.7%). Provincial levels: \$62.8 million (48.3%). (\$25 million IPF will be mobilized at LGs) Local levels: \$50.7million (39.0%).
Funding Modality	Financial Support: for budget and treasury; technical assistance support: On budget & off treasury.
Final Impact	All citizens receive quality services at provincial and local level and enjoy better local infrastructure and economic prosperity.
Programme Goal /Intermediate Impact	Provincial and local governments are fully functional, sustainable, inclusive and accountable to their citizens.
Theory of Change (ToC)	1. Supportive federal ministries and agencies with proper and functional IG mechanisms can help institutionalize federal governance and make Provincial and Local Governments (PLGs) functional, sustainable, inclusive and accountable. 2. Efficient, effective, inclusive and accountable institutions will make PLGs fully functional, sustainable, inclusive and accountable. Supportive federal organizations, I-G mechanisms and motivated & capacitated PLG officials will help develop such institutions. 3. Empowered, trained and incentivized elected representatives and civil servants at PLGs will build and develop efficient, effective, sustainable and accountable PLGs.
Programme Outcomes	1. Government institutions and IG mechanisms at all levels are fully functioning in support of federal governance as per the Constitution. 2. Provincial and local governments have efficient, effective, inclusive and accountable institutions. 3. Elected representatives and civil servants at provincial and local governments have the capacity and serve citizens to their satisfaction.
Programme Outputs	<i>Outcome 1</i>

	<p><u>Output 1:</u> Federal level institutions develop legislation and policies to support PLGs in a consultative manner.</p> <p><u>Output 2:</u> Federal level institutions develop tools and systems to support PLGs in a consultative process.</p> <p><u>Output 3:</u> IG administrative mechanisms are strengthened and are functional.</p> <p><i>Outcome 2</i></p> <p><u>Output 4:</u> PGs draft legislation in a consultative manner.</p> <p><u>Output 5:</u> Modernized PG systems enable horizontal and vertical accountability to all citizens and mainstream gender equality and social inclusion (GESI).</p> <p><u>Output 6:</u> PGs manage provincial public administration functions more effectively.</p> <p><u>Output 7:</u> PCGGs made operational to deliver capacity development (CD) service</p> <p><u>Output 8:</u> Modernized LGs have strong administrative systems and accountable public financial management (PFM) system.</p> <p><u>Output 9:</u> LG systems enable horizontal and vertical accountability to all citizens.</p> <p><u>Output 10:</u> LG systems mainstream GESI in their service delivery.</p> <p><u>Output 11:</u> LG systems enable citizen engagement and inclusive participation.</p> <p><u>Output 12:</u> Innovative Partnership Fund (IPF) is operational and transparently supporting LGs.</p> <p><i>Outcome 3</i></p> <p><u>Output 13:</u> Elected representatives and civil servants at the province level are trained for delivering high quality.</p> <p><u>Output 14:</u> LGs elected representatives and civil servants are empowered and trained for delivering high quality services.</p>
Programme Management	<p>Federal level</p> <ul style="list-style-type: none"> National Steering Committee (NSC) under the chair of the Hon'ble Minister of the Ministry of Federal Affairs and General Administration(MOFAGA)

	<ul style="list-style-type: none"> • National Executive Committee (NEC) under the chair of the MOFAGA Secretary • National Fiduciary Risks Advisory Sub Committee under the chair of MoFAGA Secretary • Technical Assistance Sub Committee under the chair of the National Programme Manager /Under Secretary MOFAGA • Programme Coordination Unit (PCU) under the overall management of the National Programme Director/Joint Secretary of MOFAGA. <p>Provincial level</p> <ul style="list-style-type: none"> • Provincial Coordination Committees (PCC) under the chair of the Hon'ble Chief Minister or minister designated by the Hon'ble Chief Minister. • Provincial Programme Implementation Units (PPIU) under the overall management of the Provincial Programme Director/Secretary, Governance Reform Division, Office of the Chief Minister and Council of Ministers.
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1. CHAPTER 1: BACKGROUND

1.1. Transition to the Federal System

Nepal adopted a new constitution in September 2015, with the intent of transforming the country from a centralized unitary state into a federal country and to ensure economic equality, prosperity and social justice. The new constitution marks a fundamental paradigm shift in the system, structure and functioning of SNGs in Nepal. Three levels of government as stipulated by the constitution includes the federal government at the centre, seven provincial governments overseeing each respective province and the 753 local governments in the municipalities and rural municipalities.

Basic devolution of power is guaranteed to the various levels of government by the constitution through exclusive and concurrent powers and responsibilities as provided in schedules five to nine of the constitution. The constitution envisages a non-hierarchic relationship of the three levels of government based on the principles of coordination, cooperation and coexistence. The federalism envisaged by the constitution treats the three levels of governments as autonomous whole governments (exclusive functions) interdependent upon each other through shared 'Rules' (concurrent functions). The devolution is holistic and encompasses all sectors.

Local governments now have the full-fledged responsibility of local development and service delivery functions in all sectors. The local governance system has gone through a complete restructuring process to establish viable and vibrant local governments. Making the local governments effective and fully functional is a task of immediate and critical relevance.

Based upon recommendations of the Local Level Restructuring Commission, 753 local levels (293 municipalities and 460 rural municipalities) have been established in the seven provinces. The successful completion of elections in 2017 for local, provincial and federal level legislatures and government is a key achievement in the implementation of the new constitution and institutionalizing federalism. The 'Local Government Operations Act, 2017' (LGOA) has been enacted to facilitate and empower the newly established local governments and to define their powers, duties, responsibilities and the relationship of local governments with other levels of government.

A key institution responsible for determining the principles of fiscal federalism and allocation of resources for provincial and local levels is the National Natural Resource and Fiscal Commission (NNRFC) which was created through the 'NNRFC Act, 2017'. A fundamental principle of fiscal federalism (both revenue and expenditure) has been laid out through the 'Inter-Governmental Fiscal Management Act, 2017' (IGFM Act). Restructuring of the federal government and the federal ministries has been undertaken by the newly elected federal government. Similarly, PGs have been established in all seven provinces with new organizational structures designed with the support of the federal government. The PGs have various sector ministries and the office of the Chief Minister and the Council of Ministers. The federal government has also handed over various functionaries to the PGs which were earlier aligned with the erstwhile federal ministries as their field units in

development regions, zones and district headquarters. The federal civil service has been restructured through executive decisions and the 'Staff Adjustment Act, 2017'. A substantial number of civil servants from various services have been deputed to both the provincial and local governments. The organizational structures at the provincial level is still not fully formed and the concerned agencies both at the federal and provincial levels are busy finalizing their shape along with their scope and need of human and financial resources.

A number of federal, provincial and local legislations have already been enacted to fully implement the constitution and ensure the delivery of services to the citizens and the development outcomes as per the spirit of the new constitution. However, several founding legislation are still in the pipeline as work in progress. The Financial Year (FY) 2017 budget laid basic outlays for the federal system of governance. The new federal government has come up with the first full federal budget in FY 2018 with a separate Grants Book for the provincial and local governments as per the provisions of the constitution and the IGFM Act, 2017. Similarly, both the provincial and the local governments have enacted their first full year budget to be financed by both fiscal transfers from the federal (in case of local governments – also from the PGs) budget and from their own resources into the expenditure headings as per the arrangements of the Constitution and as per the development policies adopted by them (or entrusted to them by the other levels of the governments).

The move from a unitary to a federal structure of governance takes the “whole of government” approach that requires massive reorientation of the institutions, systems, work cultures and styles of functioning. The horizontal and vertical lines of communication between the different levels of government have to be clarified and fully reset. After the successful elections and the oath taking ceremonies of the new sub-national governments (SNG), there has been a growing demand for services and development deliverables by the constituent citizens. This has led the three levels of governments to quickly assess the need for institutional and human capacity based upon the constituents' assessment and has led to the government planning and investing in the strengthening of institutions of governance, deployment of the required human resources, enhancing and building capabilities for planning and service delivery and aligning their strategic policies to orientate their organizational resources towards new accountability structures befitting the federal spirit of the constitution whilst exercising their exclusive and concurrent powers as bestowed upon them by the constitution.

1.2. Programme Background

Over the past decade, the Local Governance and Community Development Programme (LGCDP 2008-2016) has been the only nationwide programme on local governance. It was designed for rebuilding the trust between the citizens and the state at a time when the country had emerged from a period of conflict and there was no elected leadership, sense of accountability in citizen orientated service delivery at a local level. The LGCDP was meant to prepare the ground for institutionalized elected local governments that have become a reality under the new constitution.

Four achievements of the LGCDP have been generally acknowledged:

- (1) Massive social mobilization for engagement, empowerment and participation in local governance, particularly of the marginalized and disadvantaged groups and communities. This has been achieved through the Ward Citizen Forum (WCF) and Citizen Awareness Centres (CACs) which is also known as the “silent revolution” through social mobilization;
- (2) Attention to local needs and the promotion of inclusive service delivery;
- (3) Capacity building at a local level (planning, implementation, monitoring and downward accountability); and
- (4) Expansion of the space for devolution.

The fact that an estimated 30-40 percent of the elected members in the local elections have benefitted from training and awareness raising under the LGCDP is a testimony of the credits generated by the programme. Given that under the new constitution administrative boundaries have changed – whilst formal structures have taken over from the erstwhile project structures – the main transferable asset of the LGCDP is the ‘human capital’ that it has created, and people need to see how this human capital can be made to work in the new set up. However, an analysis of GESI mainstreaming in LGCDP –II undertaken in May 2017¹ points out that GESI is limited to “representation of women and DAGs” without substantive participation. The need for explicit mainstreaming is obvious.

The promulgation of the new federal constitution also necessitated structural changes in the LGCDP and a faster transition to a new programme known as the “Provincial and Local Governance Support Programme” with an aim to support the newly elected provincial and local governments according to their needs and the spirit of federal transition and devolution.

A transitional bridging programme known as the ‘Transition to Sub-national Governance Programme’ was implemented in FY 2017 during the bridging period when elections to the new levels were taking place and aimed to assist with a smooth transition towards the federal structure and the preparatory and immediate capacity building needs. The enactment of legislation such as the Local Government Operations Act, 2017; the Inter-Governmental Fiscal Management Act, 2017; the National Natural Resource and Fiscal Commission Act, 2017 and the Staff Adjustment Act, 2017 together with deliberations by the federal parliament and the government on various Bills to legislate federalized sector governance and optimize the federal structures to reach their greatest potential is a further testimony to the fact that the government is busy in ensuring the quick and smooth transition to the federal system of governance as envisaged in the constitution. A new programme with objectives of policy support, institution building and capacity building at the provincial and local levels of government in new strategic ways which respect to the principles of devolution and local/provincial autonomy caters to them in accordance with their needs and with their ownership and aims to harmonize the IG relationships in the true spirit of

¹ Piccard, S, Analysis GESI Mainstreaming within LGCDP II, SDC/Swiss Embassy in Nepal, May 2017, p.9

cooperative federalism. This is a highly needed framework programme in the area of federal governance for Nepal.

1.3. Structure of Programme Document

The structure of this program document is as follows:

- Chapter 2 provides a situational analysis, progress with the transition and establishing government institutions and inclusive governance.
- Chapter 3 provides the rationale, goal, objectives, theory of change, basic principles and approaches, results framework, implementation strategy, final impact, programme impact, programme outcomes, intermediate outcomes, outputs, sub-outputs and activities and risk assessments.
- Chapter 4 describes programme management including considerations underlying management structure, governance systems, committees, programme coordination mechanisms, technical assistance management, monitoring and evaluation.
- Chapter 5 presents the programme financing, funding arrangement, fund flow and a tentative programme budget.

2. CHAPTER 2: SITUATIONAL ANALYSIS

2.1. Progress with the Transition

Nepal entered a new phase in its democratic transition after the promulgation of its new constitution. In some areas, progress on the implementation of the constitution has been substantial: provincial and local government structures were defined and phased elections have been conducted for three levels of governments with 40 percent of the elected representation at local levels being based on affirmative action for women and disadvantaged groups. The elected government at all three levels have been formed as per the arrangements of the new federal constitution and these governments have taken full charge of dispensing their responsibilities including the execution of new budgets and plans for the FY 2018 as per the arrangements of fiscal federalism in the constitution and the new laws. With the completion of federal, provincial and local level elections, formation of the governments at all levels and the start of executing their constitutional duties and responsibilities, the initial transition from a unitary State to a federal State is complete.

However, progress in the implementation of the constitution has not been even across the various dimensions of the transition. The following subsections assess the state of affairs with respect to provincial and local government and inclusive local governance systems; the devolution of the public administration; the introduction of fiscal decentralization (or fiscal federalism) and the decentralization of service delivery mechanisms from the federal government to provincial and local governments in line with the new federal dispensation.

2.1.1. Establishing Provincial and Local Governments and Inclusive Governance System

The constitution embraces the principles of republicanism, federalism and inclusiveness in order to create society based on equity. Given such a huge expectation it is hardly surprising that the transition to federalism has yet to be fully commensurate with the spirit of the constitution. When expectations are high there is always a risk of disappointment and disillusionment that needs to be mitigated to ensure the success of the transition.

Institutions are understood as

- (a) sets of rules and regulations that shape incentives to undertake specified functions; and
- (b) organizations with norms and values, culture, defined patterns of entry and career ladder, leadership selection and financial resources associated with the functions.

Both of these attributes in the context of SNGs are currently in the initial institution building and stabilisation phase. Some initial rules and regulations have been enacted while others are still at various stages of preparation drafting or legislation. Organizational structures are still evolving and stabilizing with a risk of repeating past structures which will result in duplicating the *status quo*, particularly with respect to GESI, rather than being innovative and open to new modes.

Based upon various recommendations of preparatory committees on federal administrative restructuring and an earlier report on Unbundling (adopted by the Cabinet), the federal Government has restructured the federal ministries through mergers and the streamlining of functions into 22 ministries. Similarly, federal departments and agencies have also been restructured and realigned. Many of these agencies are still undergoing a restructuring process. Many erstwhile field

structures like regional offices, district offices and division offices of the federal ministries have been transferred to the newly formed PGs. Many of the erstwhile district offices have been abolished and the staff and resources have been transferred to respective local governments. While most of the staff from the federal civil service have reported to the local or PGs where they were deputed – there are still many who have not reported to these SNGs. The federal government is continuously engaged in supporting the SNGs by further deputing staff and allocating resources to them. However, the SNGs are still in dire lack of staff, physical infrastructure (such as buildings to house its newly assigned functionaries) and other resources which can make them effective as governments and deliver services to the expectation of their citizens.

There are also concerns with the inclusivity of the new institutions both in respect to staffing and functions. The absence of local government institutions in the form of formal channels for meaningful participation of citizens, especially of women, poor and historically disadvantaged groups is in essence the missing link for ensuring functional and inclusive local governance that is GESI responsive and accountable.

2.1.2. Devolving the Public Administration

The public administration is the body of staff (including offices and other required support provisions to execute the tasks) which manages policies and programs to ensure the functioning of the government.

Currently there are about 80,000 civil servants employed by central government and about 20,000 posted at the local level (of which only 15.3 percent are women, mostly in non-gazetted positions). Following the implementation of the new constitution, these civil servants have been readjusted and re-deployed in the three levels of the new government structure. The number of erstwhile federal civil servants to be deployed at the provincial levels is about 21,000 (out of which 8,000 have already been posted) and at the local levels is about 37,000 (out of which 20,000 have already been posted).

Despite the efforts made by MOFAGA, especially after the enactment of The Staff Adjustments Act, 2017 in deploying required personnel to the SNGs from the erstwhile federal structures. Presently there is a limited number of qualified management level officers available in the local and PGs. This has hindered the SNG's smooth functioning. The determination of local and PGs' organizational structures is according to their constitutional mandates and functions. The determination of the required number of employees is based upon these functions: it is an evolving and gradual process which may take some time to complete. This has added challenges in acquiring an adequate number of civil servants according to the type, competencies and qualifications that the SNGs need. Capacitating the provincial and local governments to enable them deliver on the functions defined by the constitution is a huge challenge. It should also be noted that the inclusive governance demands changes in policy and regulations for promoting gender parity and diversity in human resources of the SNGs.

2.1.3. Fiscal Decentralization

Rapid progress is being made on the fiscal aspects of the new federal system. In fact, fiscal decentralization immediately 'hit the ground running' upon establishment of the first phase of local governments. As part of the budget for FY 2018/19, 36.48 percent of total federal budget is allocated to the provincial and local governments in the form of fiscal equalization grants to local governments (NPR 85207.5 million),

conditional grants to local governments (NPR109845.6 million), fiscal equalization grants to the PGs (NPR 50298.6 million) and conditional grants to PGs (NPR 63,135.5 million). On top of these fiscal transfers as grants from the federal budget, the provincial and local governments will also receive an estimated amount of NPR 11, 4240 million as revenue transfer from the central accounts.

Other key elements of an IG finance system are also introduced. First, the annual federal budget is supplemented by the publication of a sub-national Red Book, which contains grants of various types for all provincial and local governments is an important step of an objective, efficient, equitable and transparent IG fiscal transfer system. Second, the SNGs are provided with budget preparation guidelines. Third, the Ministry of Finance and the Financial Comptroller General's Office (FCGO) have launched SUTRA (Sub-national Treasury Regulatory Application) for financial reporting and financial management system at sub-national levels. Fourth, the role of the Office of the Auditor-General has been expanded to practically cover the audit of provincial and local government accounts as required by the Constitution.

On the legislative front, the key legislative framework for IG finance system has already been put in place. Key legislation has been enacted, including the Inter-governmental Finance Management Act, the Federal Financial Procedures Act, and the National Natural Resource and Fiscal Commission Act. In addition, the Local Government Operations Act is also effective, which deals with key local government planning and finance issues and enables them to operate and discharge their constitutional duties and responsibilities.

Progress has been achieved in the absence of a coherent integrated IG fiscal policy and implementation strategy. As a result, the different aspects of the implementation of fiscal federalism could benefit from improved coordination. In particular, refinement of the IG fiscal transfer system; separating the IG Division of Revenue from the Federal Budget process (into separate budget processes); preparation of more detailed budget preparation guidelines; strengthening of local-level financial management, including Integrated Financial Management Information System management and internal controls; and a focus on ensuring budget transparency at all levels are issues that should be prioritized in the continued implementation of the fiscal aspects of the constitution.

The main challenge or risk with respect to fiscal federalism should not exclusively be seen as the fiduciary risks associated with weaker federal financial controls during the transition *per se*, but rather the need to balance on the one hand, the reputational risk to federalism if public funds are not spent (or not spent well) by SNGs, and on the other hand, the risk of undermining the letter and the spirit of the constitution by (intentionally or not) impinging on the fiscal discretion of SNGs by imposing a transfer system that is too conditional in nature (either in its formulation, or in its administration). Of significance is the fact that the Ministry of Finance has established an inter-ministerial Gender-Responsive Budget Committee with the mandate to design a methodology to monitor sector budget allocations and public expenditures from a gender perspective and to assess the impact of development policies on women and men.

2.1.4. Local Service Delivery Mechanism

Taking into account the above observations, federalism at the local level is already operational after the elections and establishment of local governments. The grants from the centre and the provinces have been directly disbursed to the local level. Following the provisions of the constitution, financial resources for sector

programme such as education, health, agriculture, livestock, and a variety of infrastructures including rural roads and irrigation have also been provided to local governments. Frontline service delivery staff, such as teachers, health workers and agriculture extension officers has been deployed to the local levels. Sector programmes are now being managed by local governments in line with the exclusive and concurrent powers enshrined in the constitution and elaborated by the LGOA.

While the functions and resources have been provided to the local governments, this has not been matched by adequate deployment and mobilization of management-level sector functionaries from the district level to the municipalities to perform the transferred functions. Local level functions that were previously carried out by the Village Development Committee in the past are now generally performed at the ward level, but there are problems in many areas.

New functions such as in education, health and other development sectors have not been effectively handed over to the local governments although most of the financial resources needed to perform these functions at local levels have been allocated to them. This has created considerable confusion with respect to service delivery. Organograms for local level governments, as well as lines of communication and coordination between sectors, are still not fully evolved to make them capable to handle these development sectors. It may take some time for sector top-down accountability structures to devolve fully and stabilize at local government levels.

There are two main challenges with regards to putting in place a service delivery system through the local governments. Firstly, the enormous challenge of alignment of the sector ministries with the provisions of the constitution and the likely need for harmonization of sector legislation. The second challenge is to find away for funds to be allocated to service delivery is such a way to allow efficient and cost-effective service delivery improvement.

2.1.5. Summary of the Main Issues

Based on the analysis, five broad constraints are identified as real and potential obstacles in the implementation of the federal structure as envisaged in the constitution with regard to its aim of achieving greater empowerment of the people by putting in place an inclusive local governance system. In almost all cases, the obstacles cut across the different dimensions of the federal and IG system, including inclusive governance, public administration, public finance and service delivery. The five major issues are:

- 1. IG coordination and implementation:* There is insufficient horizontal coordination between different federal stakeholders with respect to implementing different aspects of the SNG's system. Moreover, many federal stakeholders are yet to implement important aspects of devolution which are required of them. Similarly, federal entities have not yet been fully restructured to conceive their new roles. The necessary enabling legislations for sector coordination along the vertical structures of the federal system and the organizational structures to achieve vertical coordination of the federal (especially at sector ministries and their agencies) efforts with those at provincial and local government entities are yet to be created.
- 2. Provincial and local governments' systems and procedures:* Provincial and local governments are established but are still not well structured. Although rapid progress is being made, much of the legislative and regulatory framework that provides the backbone for SNG systems and procedures still

needs to be put in place. The provincial and local governments lack the appropriate legislative, regulatory and administrative guidance to effectively operate as the 'whole of the government' entities. For inclusive and accountable governance, notably procedures for inclusive participatory planning, PFM and transparency regarding budget and budget execution are critical. PFM systems need to integrate a gender responsive budget right from the beginning for equitable budget allocation and expenditures.

3. *Provincial and local governments' institutional capacity:* The institutional capacity of provincial and local government in terms of the number of staff; qualifications of those staff, both in terms of the required technical skills given the new situation, but also in terms of mind-set working under the oversight of a provincial or local government and last but not least, in terms of understanding the roles and mandates of each level of government, needs substantial improvement.
4. *Capacity of local governments' elected officials and sub-national governments' staff:* Local elected officials are not sufficiently empowered to perform their constitutional functions within their respective local areas. The SNGs' staff do not have adequate orientation, training and built-in capacity to deliver as per their roles and responsibilities. If their capacity is not developed well in time, there is a risk that they will fail the aspirations of their constituencies and the general citizens. If unchecked, for 'business as usual', the central (federal) government will continue making decisions for and on behalf of the sub-national levels of governments as a default, and thereby capture the constitutional space of the provincial and local governments.
5. *Local participation and accountability:* The link between citizens and their newly elected local governments for meaningful participation and accountability is missing (or at least has yet to be established), which reduces and inhibits meaningful participation and downward accountability, thereby reducing the chance of constitutional expectations and requirements to be fully honoured.

It is inferred that an effective inclusive SNG system requires involvement of all government levels (federal, provincial and local) in addition to requiring active participation and involvement of citizens and civil society. For instance, in the absence of adequate federal or provincial legislation, guidelines and institutional capacities, local governments cannot perform their constitutional function as responsive and accountable governments.

2.1.6. Limitation

Given the total reversal of roles as foreseen under the new constitution, naturally the onus of the programme would be situated at the sub-national levels, especially at the provincial level. Yet the formal structures at the provincial levels are still nascent and at their early evolution stage and are yet to anchor the programme fully at this early stage.

Defining 'a total governance programme for the federal transition' is not only an immense task, but also a rather futile undertaking; as such a programme would entail almost the whole of government.

Given the needs as identified and the approach advocated, the PLGSP will first and foremost focus on local governments (both executive and legislative branches that are both essential to the nature of a local government) and predominantly the executive branch of the PGs. The federal government will be supported only on policy areas related to the stabilization of federal structures and IG relationships.

Given the massive need for support identified for the sub-national levels (municipalities and provinces) the programme will mostly focus on support to the provincial and local governments. The programme will focus on the core elements of functional local governance, public sector service delivery, planning and decision-making through local democratic institutions where all people have a voice.

3. CHAPTER 3: PROGRAMME DESCRIPTION

3.1. Rationale

The rationale of the programme derives from the provisions of the constitution that envisions three levels of government – federal, provincial and local – that are based on the principle of coordination, cooperation and coexistence. The schedules under the constitution provide for exclusive and concurrent rights between the three levels of government.

The implications for the SNG are quite clear:

- new institutional structures and systems of governance have to be established and strengthened;
- capabilities of the institutions and functionaries have to be substantially enhanced and reoriented;
- the planning process has to be reassessed and redesigned to make it more participatory and citizen-friendly;
- service delivery systems and mechanisms have to be made more efficient, effective and responsive especially for the marginalized, deprived and under privileged; and
- the accountability of the elected governments to the citizens has to be improved and reinforced.

In other words a new and functional provincial and local governance system has to be strengthened, capacitated and inter-woven together in the spirit of cooperative federalism which is capable of allowing people (especially the poor and vulnerable women, men, children, youth from various castes, ethnic and sexual minority groups and differently-abled persons who lack access to public good and services) to exercise, enjoy and fulfil the rights and obligations provided for in the constitution.

The absence of a functional transition management plan with sequenced timings for the devolution of functions and assignment of funds and functionaries has meant that the transition to SNG has been far from smooth. The local level governments that have come into being after the local elections in 2017 are at different stages of institutional growth and adjustment to the federal transition. There is a risk that old institutional inertia and dysfunctional structures and systems of governance may prevail again and become entrenched if new interventions in the structures and systems of governance, attitude of functionaries, and the style of functioning and new accountability mechanisms are not introduced and strengthened in time. The rationale for the provincial and local governance support programme is to facilitate and lead a process of policy support and build institutions and CD at sub-national levels through being pro-active in inducing and responding to demand from SNGs and addressing the needs and gaps in making devolution under federalism functional.

3.2. Goal and Objectives

3.2.1. Goal:

The attainment of functional, sustainable, inclusive and accountable provincial and local governance.

3.2.2. Objectives:

1. Strengthen provincial and local governance systems and procedures and IG relationships to maximize benefits of cooperative federalism for Nepali citizenry.
2. Enhance the capacity of provincial and local governments to deliver services and development outcomes effectively to citizens.

3.3. Theory of Change

3.3.1. Context

As discussed in Chapters 1 and 2 of this Programme Document (ProgDoc) – Background and Situation Analysis, the creation of ‘functional, sustainable, inclusive and accountable’ provincial and local governments depends on both external and internal contexts. The larger picture external context includes:

- the politico/legal/administrative environments created by the constitutional changes after the promulgation of the constitution of Nepal elections for three levels of governments in 2017;
- formation of the majority government and stable political environment;
- federal restructuring to date;
- restructuring and adjustments in civil service; and
- the promulgation of NNRFC Act, IG Fiscal Arrangement Act and other sectoral Acts, LGOA, Provincial Acts, Fundamental Rights Acts, Nepal Law Amendment Acts, processing of amendments in LDTA Act, preparations on SNG level Sustainable Development Goals (SDGs), preparations on new federal, provincial and local plans, works on PFM reforms like use of SUTRA and IPFMRP, ongoing works on Local Government Institutional Systems Assessment (LISA) and capacity need assessments.

The internal contexts emerge from the learning of the former LGCDP programme and its transitional successor programme the TSNGP. The review reports of the LGCDP I & II and the preparatory works leading to transitional programme including the yearlong deliberations on the concepts of a new support programme for the provincial and local governance make the internal context of the programme. This includes the reflections from the interactions with the stakeholders at the local, provincial and the federal government levels about their needs and expectations. The willingness of the DPs to support MOFAGA in its endeavours to strengthen the provincial and local governance and thus institutionalize the federal devolution as per the constitution for better accountability towards all citizens is also an important internal context influencing the PLGSP design. The five major issues as discussed in the previous chapter (intergovernmental coordination and implementation, PLG systems and procedures, PLG’s institutional capacity, capacity of individual officials at the PLGs and local participation and accountability) are the issues that need to be tackled within the programme’s context to make the PLGs functional, sustainable, inclusive and accountable.

3.3.2. Stakeholders

All citizens of Nepal and people living in Nepal are stakeholders in this programme as the governance reforms at provincial and local levels will result in quality services for them. As programme proceeds they will also enjoy better local infrastructure and economic prosperity. The closer programme stakeholders with whom the programme will work are the federal ministries and other federal agencies; provincial ministries and their agencies; and local governments. Some important ministries and agencies are: MOFAGA, Office of the Prime Minister and Council of Ministers (OPMCM), Ministry of Finance (MOF), NNRFC, FCGO, National Planning Commission (NPC), Line Ministries, Steering Committees and other management committees, the Office of the Chief Minister and Council Of Ministers (OCMCM), provincial line ministries, PCGG and branches at local governments. The key officials at the provincial and local levels as stakeholders of this programme are provincial ministers and members of assemblies; bureaucrats and civil servants at provincial level; mayors; deputy mayors; chairpersons and vice-chairpersons and civil servants at the local governments.

3.3.3. Inputs

The PLGSP as a whole is an input to achieve the programme impacts and programme which are final outcomes as envisaged in this ProgDoc. The inputs from the programme flows as financial support, technical assistance, knowledge support to the various programme stakeholders. These programme stakeholders include the federal ministries and agencies, provincial ministries and agencies, local government and its agencies and the individuals who receive CD inputs. The inputs result in activities, sub-outputs and outputs in the outcome areas of policy support and IG mechanisms, institutional building (IB) support and individuals' CD support. Many of these inputs will flow through demand-based mechanisms of programme support including that through the IPF.

3.3.4. Final Impact

All Citizen Receive Quality Services at the Provincial and Local Level and Enjoy Better Local Infrastructure and Economic Prosperity.

ToC: Sub-national good governance will bring peace and stability. Peace and stability are a necessary condition to bring large investments and prosperity. Accountable, sustainable and inclusive SNGs will provide quality services to all citizens and will create better socio and physical infrastructure. Federalism and devolution if implemented to the true spirit and letter of the constitution will bring more opportunities and choices to the local people. Their voices will be heard by provincial and local government leaders. This will reinforce citizens' faith in provincial and local governance. Good governance at the PLG levels will create a climate for faster and higher investments in local infrastructure and economic growth. This will reinforce peace and stability and prosperity for all.

3.3.5. Programme Impact (Programme Goal)

PROVINCIAL AND LOCAL GOVERNMENTS ARE FULLY FUNCTIONAL, SUSTAINABLE, INCLUSIVE AND ACCOUNTABLE TO THEIR CITIZENS.

Programme ToC: Supportive federal ministries and agencies with proper and functional IG mechanisms can help institutionalize federal governance and

devolution in Nepal and make PLGs functional, sustainable, inclusive and accountable. Efficient, effective, inclusive and accountable institutions will make provincial and local governments fully functional, sustainable, inclusive and accountable. Supportive federal organization, IG mechanisms and empowered and capacitated officials at PLGs will help develop such SNG institutions. Motivated, informed and capacitated elected officials and staff build and develop efficient, effective, sustainable and accountable PLGs. Effective institutions and supportive federal agencies go hand in hand to achieve the goals and enrich each other.

Preconditions: There are certain pre-conditions that need to be met for the above programme ToC to work. If these pre-conditions are not met, they will add risks to the success of the programme. The three levels of governments should not work at each other's cross purposes. Adequate federal legal arrangements will be needed to support the federal governance as per the constitution and for the smooth operations of the provincial and local governments. Federal and provincial leaderships need to be committed to federal governance and work in tandem. The individual officials need to optimally use their newly acquired skills and capacities. The CD instruments need to be useful and of required quality. Adequate number of elected officials and civil servants need to be provided with required CD inputs.

Assumptions (Enablers): There are certain assumptions of the Programme at impact level in order to optimize the programme impact which can also be taken as Programme enablers. Sectoral programmes are assumed to support the functioning of federal governance and IG mechanisms national ICT/planning/ public finance management, sectoral governance systems/standards and operational rules/civil service are assumed to be restructured within a year (2019) to improve federal governance and IG mechanisms. Three levels of governments are assumed to have synergy in organization and development and institution building exercises. Financial and other sources (including legal and human resources) need to be adequately made available for institution building. Newly acquired capacities need to be best used for institution building. Elected officials need to have enough motivation to serve their citizens. Adequate number of staff needs to be deputed/recruited at PLGs and their roles need to be made clear. Elected officials are supposed to optimize use of their staff and civil servants to their fullest capacity. Other resources are assumed to compliment the officials in discharging their duties.

3.3.6. Programme Outcomes

Following three are the programme outcomes and their 'outcome level ToC'.

Outcome One: Government institutions and IG mechanisms at all levels are fully functioning in support of federal governance as per the Constitution.

ToC: Support to provincial and local governments by federal ministries and agencies in policy areas and functional IG mechanisms will strengthen federal governance as per the constitution. The constitutional arrangements support the cooperative federalism. The federal ministries have initial responsibilities to design the national policies as per the federal principles and furnish the PLGs with adequate legislations, directives and frameworks for their initial smooth functioning. The federal organizations need support for that. The PLGSP will provide such support to them to facilitate the federalization process in a smooth way. The IG mechanisms need to be strengthened both at federal – provincial/local levels and provincial – local levels. The Programme support through its 'Outcome One – outputs and sub-outputs' will result in achieving this outcome.

Assumptions: The assumptions which will make this outcome possible to achieve because of activities and the outputs related to this outcome are: other programmes compliment the IG policy support from this governance reform programme and adopt harmonious administrative mechanisms .Horizontal and vertical communications need to be based upon federal governance principles. The PLGS are assumed to cooperate with federal agencies. The IG mechanisms can only function if adequate legal frameworks exist for that. Hence, it is assumed that adequate legal framework will be developed for IG cooperation well in time. A pre-condition assumed for this outcome is: MOFAGA, OPMCM, Line Ministries at federal level must work together at initial stage (for the period of 2019) for IG cooperation and must avoid any organizational competitions and workings at cross-purposes.

Outcome two: Provincial and local governments have efficient, effective, inclusive and accountable institutions.

ToC: Functional and accountable institutions are needed at provincial and local levels. Only such institutions can be supportive and collaborative to each other. The programme outputs and sub-outputs – activities under this outcome area two – will result into making the PLG institutions strong and efficient. The programme activities will also transform them into inclusive and accountable institutions. The activities will deepen institutional reforms for better provincial and local governance. The IPF will introduce innovation in institutional and governance reforms at PLG levels. This will generate future innovations. This will make provincial and local governments' institutions more efficient, effective and sustainable.

Assumptions: To achieve outcome two results the above *ToC* can only work if these assumptions hold true: The sectoral support programmes at PLG levels strengthen the PLG institutions; other supports to the PLGs are conducive to their institution building exercise and the PLGs themselves optimize their efforts to sustain and deepen the ongoing institutional restructuring process and commit adequate internal resources to the reform process. The pre-conditions for the achievement of this outcome are that adequate human resources are provided to PLGs; adequate legal and policy frameworks are extended to the PLGs by the federal government and PLGs focus on the legal and policy frameworks required for institution building.

Outcome three: Elected representatives and civil servants at provincial and local governments have the capacity and serve citizens to their satisfaction.

ToC: Capacities of elected officials and PLG civil servants are important for better service delivery, better infrastructure and good governance at provincial and local levels. Capacitated officials can serve citizens to their satisfaction. The programme outputs and sub-outputs/activities resulting in these outputs will build the capacities of the individual officials (both elected officials and the civil servants working with them) with a purpose to incentivize, empower and train them to provide better service delivery and discharge their duties towards the citizens. The programme outputs will equip the individuals at PLG leadership and officials with better organizational tools, leadership skills and professional knowledge to deliver the results at PLGs.

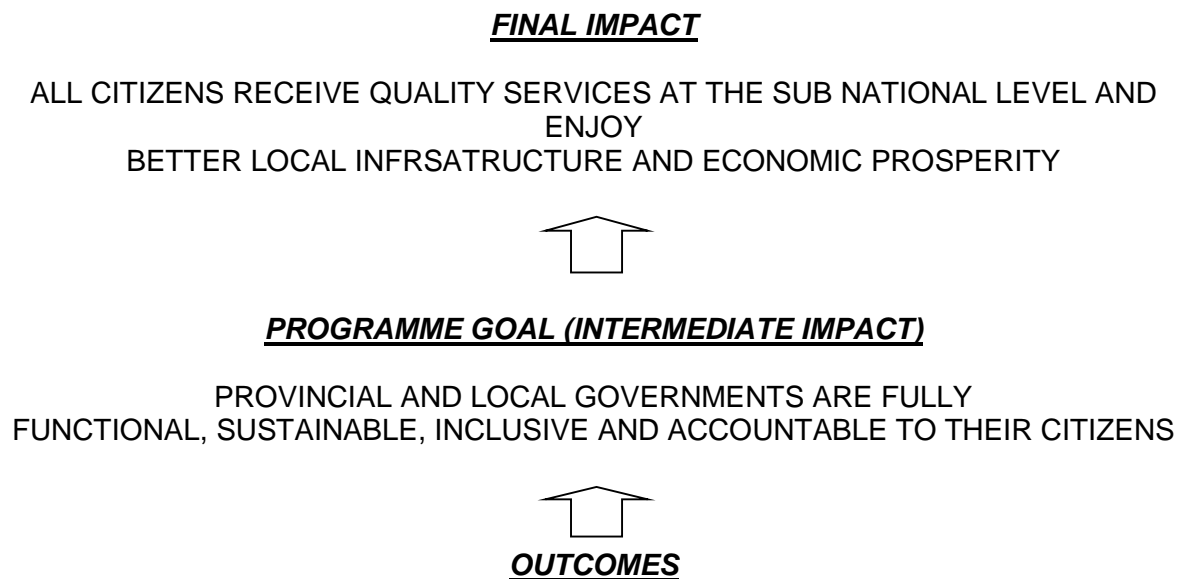
Assumptions: The assumptions behind the outcome three are capacities of elected officials and civil servants at PLG levels are important for better service delivery, better infrastructure and good governance at PLG levels. Capacitated officials can serve citizens to their satisfaction. The trained provincial and local leaders and their personnel are assumed to utilize their acquired knowledge to their optimum with full

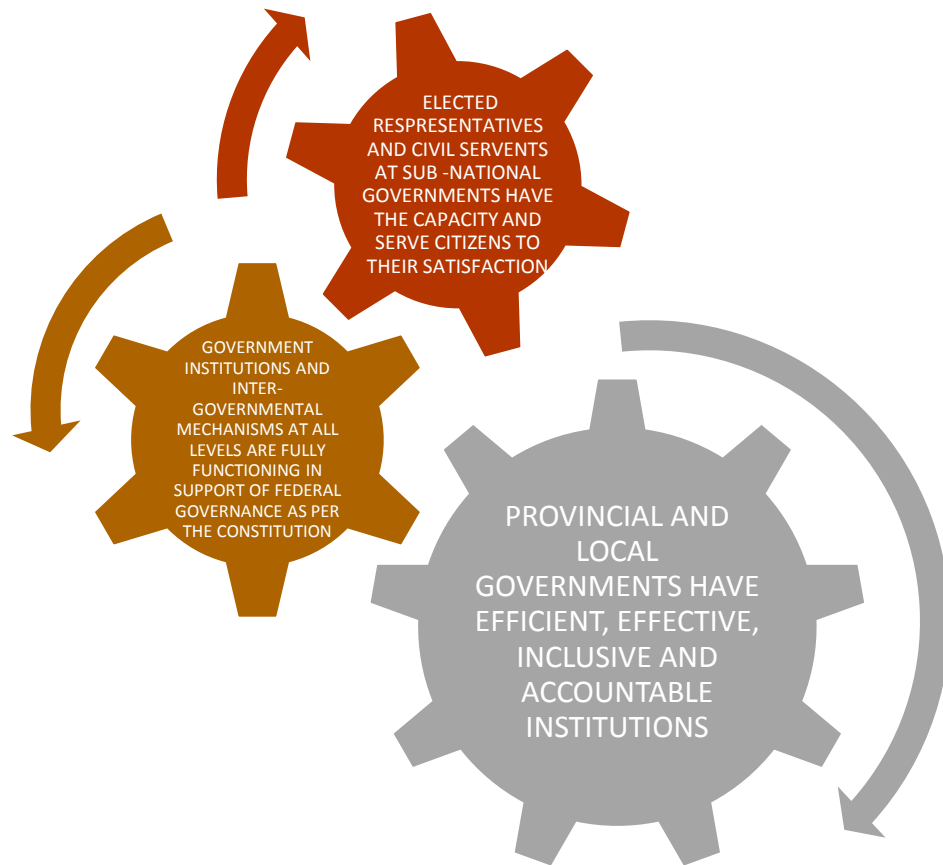
commitment to serve the citizens. The other motivational factors are assumed to be present at PLGs for best use of available human resources. The precondition is that adequate number of officials receives these CD inputs and the quality of delivery of CD inputs is of high standards as required to serve the citizens efficiently and effectively.

The Synergy of the three outcomes:

The three outcome areas are all inter-related to each other and can make an impact only when work with synergy to each other and at simultaneity. The following Figure 1 on 'Inter-related Gear Diagram' reflects this synergy and the need of such simultaneous efforts to get the Programme impact:

Figure 1: Impact and the Three Outcomes of the PLGSP Programme






The detailed sub-outputs (activity groups), outputs leading to different seven intermediate outcomes (sub-outcomes) and the three outcomes resulting in the programme impact and the overall final impact along with their underlying 'theory of change' and assumptions, pre-conditions, indicative (generic) indicators and the timeline to achieve such outcomes and impact is furnished in annex 1. The summary of the ToC in diagrammatic presentation is presented in the following Figure 2.

Figure 2: PLGSP Summary Theory of Change

Outputs	ToC	Intermediate Outcomes	Outcomes	ToC	Intermediate Impact/ Programme Goal	Final Impact
1. Federal Level institutions develop legislation and policies to support provincial and local governments.	Capabilities for federal governance have critical gaps at federal level.	1A. Federal ministries and agencies are supporting the PLGs in policy and institutional spheres for implementing federal governance.	1. Government institutions and IG mechanisms at all levels are fully functioning in support of federal governance as per the constitution	Supportive federal ministries and agencies with proper and functional IG mechanism can help institutionalize federal governance and devolution in Nepal and make PLGs functional, sustainable, inclusive and accountable	PROVINCIAL AND LOCAL GOVERNMENTS ARE FULLY FUNCTIONAL, SUSTAINABLE, INCLUSIVE AND ACCOUNTABLE TO THEIR CITIZEN	ALL CITIZEN RECEIVE QUALITY SERVICES AT THE PROVINCIAL AND LOCAL LEVEL AND ENJOY BETTER LOCAL
2. Federal level institutions develop tools and systems to support provincial and local governments in a consultative process.	Capacitated federal agencies can bring change and will support SNGs and federal governance.		⇒			
3. IG administrative mechanisms are strengthened and functional	Administrative mechanisms are critical for effective IG Strengthening these mechanisms will enhance IG corporation and implementation of federal governance.	1B. IG administrative mechanisms are fully functional	⇕			

Outputs	ToC	Intermediate Outcomes	Outcomes	ToC	Intermediate Impact/ Programme Goal	Final Impact
4. PGs drafted legislation.	IB support to PG will head to functional inclusive and accountable institutions at a provincial level.	2A. PGs have functional, inclusive and accountable institutions.	2. Provincial and local governments have efficient, effective, inclusive and accountable institutions.	Efficient, effective, inclusive and accountable institutions will make PLGs fully functional, sustainable, inclusive and accountable. Supportive federal organisation, I-G mechanisms and empowered and capacitated official at PLGs will help developing such institutions.		INFRASTRUCTURE AND ECONOMIC PROSPERITY
5. Modernized PG systems enable horizontal and vertical accountability to all citizens and mainstream GESI.						
6. Provincial Governments Manage core public Administration functions.						
7. PCGGs made operational to deliver CD services.						
8. Modernized Local Governments have strong administrative system, accountable and public financial management system.	IB support along with GESI and community governance supports to LGs will lead them to have functional and accountable institutions.	2B. Local governments have functional, sustainable, inclusive and accountable institutions.				
9. Local Government systems enabled horizontal and vertical						

Outputs	ToC	Intermediate Outcomes	Outcomes	ToC	Intermediate Impact/ Programme Goal	Final Impact
Accountability to all citizens.						
10. Local Governments systems mainstream GESI in their service delivery.						
11. Local Governments systems enable citizen engagement and inclusive participation.						
12. Innovation and Partnership fund is operational and transparently supporting local governments innovative practices.	IPF can enhance and facilitate innovations for Governance and better infrastructure.	2C. Provincial and local governments promote innovations and partnership for inclusive governance and local development.				
13. Elected Representative and Civil servants at the province level are incentivized and trained for delivering	Trained and motivated Provincial Governance political leaders and staff can be	3A. Elected representatives and civil servants of PGs are capacitated to				
			3. Elected representatives and civil servants at provincial and local governments have the capacity and	Empowered, incentivized and capacitated elected officials and civil servants build and develop efficient,		

Outputs	ToC	Intermediate Outcomes	Outcomes	ToC	Intermediate Impact/ Programme Goal	Final Impact
high quality services.	more effective. They will discharge their duties in a better	serve citizens to their satisfaction.	serve citizens to their satisfaction.	effective, sustainable and accountable Provincial and Local governments.		
14. Local Governments' elected representative and civil servants are empowered and trained for delivering high quality services.	Trained and informed LG leadership will be more effective and efficient in serving citizens.	3B. Citizens are satisfied from the services of the capacitated elected representatives and civil servants of local governments.				
Time Line: 2019 - 2022		2019 – 2022	2020 - 2022		2021 - 2022	

3.4. Basic Principles and Approaches

PLGSP is primarily about putting in place a functional, effective and democratic system of governance at provincial and local levels in the spirit of the constitution. The policy context, both existing and emerging, are comprehensively accounted in the design and implementation of the programme. These include on-going and planned reforms in governance and the public sector, reforms in public finance management and the overall legal environment that is being shaped in the process of the move towards a federal system. PLGSP will need to be broadly aligned with GoN policies as they get fine-tuned in the implementation of the federal constitution.

PLGSP is an umbrella framework programme. This means that the programme will provide an overarching framework to all Sub-National Governance Programme (SNGP) in Nepal. It will provide a common framework for binding together governance programmes at the provincial and local levels and accommodating donor funded programme within a Joint Funding Arrangement thus providing coherence to a common approach to SNG under a federal system. It is a nationwide programme with access for all provincial and local governments.

PLGSP is the sole national programme of GoN to implement governance reforms at sub-national levels. The programme will support the implementation of governance reform strategy at provincial and local levels as envisaged in the National Plan of Nepal.

The broad principles and approaches that underpin the PLGSP formulation are as follows:

- (a) **Focus on federal devolution:** Commitment to the federal devolution of state powers as provided in the schedules of the constitution and the legislations enacted for the purpose by Parliament (including Local Government Operation Act, Inter-governmental Fiscal Management Act, National Natural Resources and Fiscal Commission Act) is the basis for the design of the PLGSP. Facilitating SNGs in the exercise of devolution will remain the hallmark of PLGSP.
- (b) **Transparency and accountability in provincial and local governance:** Transparency and accountability will be built in the design and implementation of the PLGSP. This means transparency in the governance process including aspects such as decision-making, formulation and implementation of plans, programme and budget, coordination between all agencies and benefit sharing in the concerned areas and communities. Accountability to the citizens will be systematically built into governance process as well as the entire programme planned and implemented through the PLGSP.
- (c) **Mainstreaming GESI:** GESI mainstreaming is a means and not an end to itself in eliminating inequality and discrimination against women and DAGs. Such an approach recognizes GESI as an objective that cuts across all aspects of governance. Therefore, mainstreaming GESI right from the start in all governance systems, procedures and processes and at every stage of development from policy/law and plan development to programme/project conceptualization implementation, monitoring/evaluation and reporting is critical. Accordingly, all policies, programme and service delivery strategies will be both GESI sensitive and responsive in spirit as well as in practice thus facilitating and contributing to the transformation in social norms and behaviour. GESI will be mainstreamed in all approaches and programme under PLGSP. GESI is essentially about addressing unequal power relations.

- (d) **Rights based and Participatory approach:** The constitution is committed to a rights-based approach to capacity building and service delivery. PLGSP will pursue a rights-based, demand responsive and participatory approach to SNGs, institutional strengthening and capacity building with the potential to reduce poverty and empower weaker segments of the community. A participatory approach will be used to strengthen the relation of civil society to SNG.
- (e) **Devolved, contextual and flexible programme design:** The programme will follow the principles of federalism, devolution, and flexibility. While the core concepts of the programme will remain intact, enough space will be provided to allow for context-specific adaptations and a devolved mode of operations. Major parts of the programme will be demand-driven to allow for provincial and local level discretions in prioritization and service delivery. Self-assessment will also be a key component of the programme which will facilitate an in-built monitoring, feed-back and research system.
- (f) **Adaptive Programming:** The PLGSP is designed as an adaptive programme based upon the ToC which allows room for innovation, structural governance reforms, continued changes in the programme based upon monitoring, evaluation and learning and changes in activities, sub-outputs and outputs after a mid-term review (MTR) of the programme and review of ToC of the Programme. The Programme will also learn from innovative practices and resultant governance reforms emerging from investments through IPF.

3.5. Results Framework - Overview of Main Themes and Activities

The goal of the programme will be attained through the achievement of three outcomes which will directly address the five major constraints existing at the present, namely, IG coordination and implementation, provincial and local government system and procedures, provincial and local government institutional capacity, empowerment of elected officials and capacity building of the civil servants at the PLG levels and meaningful participation and downward accountability.

PLGSP will be a national programme with activities for: policy support on federalization and IG cooperative and coordinated relationships, institution building at provincial and local levels and CD of individuals in political leadership or in the civil service at the provincial and local levels. These activities will support governance and devolution at the local and provincial levels. There will also be demand driven activities which will be co-funded by the programme and the local and PGs.

As has been presented in the Section 3.3 ToC, the programme impact is the programme goal of this programme. The three programme outcomes, seven sub-outcomes and the fourteen outputs along with their major activities and groups or the sub-outputs under each output is described below. The summarized version of these activities and outputs and outcomes along with the result indicators and the responsible authorities has been furnished in the results matrix in Table 1.

3.5.1. Outcome 1: Government institutions and IG mechanisms at all levels are fully functioning in support of federal governance as per the constitution.

The constitution has mandated the federal and PGs to formulate laws necessary to facilitate IG coordination. There are constitutional bodies, such as the NNRFC, whose role in the IG transfer of resources is important. To ensure that the federal ministries and constitutional bodies such as the National Women Commission, Muslim Commission, Tharu Commission, National Dalit Commission, Madhesi

Commission, Adhibasi Janjati Commission and NNRFC work for the effective functioning of provincial and local government in the spirit of the constitution, it is necessary to support the concerned agencies in carrying out their roles and responsibilities. The PLGSP aims to achieve effective communication, coordination and cooperation among the various levels of governments by providing policy, knowledge and technical supports to the federal ministries (especially the MOFAGA), the constitutional bodies responsible for fiscal federalism and strengthening of IG communication and coordination and other federal agencies as LDTA. Similarly, the programme aims to achieve effective cooperation and coordination between the provincial and local governments by providing needed policy, knowledge and technical support to the PGs and their agencies.

Sub-Outcome 1A: Federal ministries and agencies are supporting the PLGs in policy and institutional spheres for implementing federal governance

This sub-outcome is the intermediate outcome of the first pillar of the support – i.e. policy support and support for IG mechanisms. The two sub-outcomes (1A and 1B) are interrelated and interdependent. The policy support is intended to focus on supports for the making of legislations and policies as well as for development of tools, systems, procedures, formats and other working instruments to facilitate the implementation of the constitution for federal governance.

3.5.1.1. Output 1: Federal level institutions develop legislations and policies to support Provincial and Local Governments in a consultative manner

As local governments are assigned the responsibility of front-line service provision and the PGs have been assigned with the regional level development administration functions in almost all sectors, the role of most federal ministries have changed considerably from national implementing agencies to policy level coordinators of locally and provincially provided services. However, to make this happen and smoothen the transition, the implementation of a federal scheme of governance needs much policy and legislative support from the federal ministries and agencies. The federal organizations not only need restructuring and reorientation for their internal functioning, but they also need to facilitate and furnish policy supports to the provincial and local governments to make them fully functional and efficient. The federal agencies need technical and financial support for gearing up their support process to the PLGs. This output area envisages the following major activities, groups or sub-outputs:

- MOFAGA and line ministries need to build capacity to furnish legislative and policy support to the provincial and local governments as per their federal role.
- NNRFC, FCGO, Constitutional Commissions need to furnish policy guidelines to the PLGs and for this they need to be capacitated.
- Federal ministries and agencies need to develop efficient and effective strategic communications with the PLGs for which they need the programme support.
- PGs need to extend policy support to the local governments within their territory and establish strong strategic communication both with the federal and local governments for the implementation of the

provisions of the constitution. This will be supported under this output area of the programme.

3.5.1.2. Output 2: Federal level institutions develop tools and systems to support PLGs in a consultative process.

Federal level ministries and agencies need to develop guidelines, manuals, procedures, processes, systems, frameworks, standards and norms which can be used by the provincial and local governments. Mere policy and legislative support will not be enough for new SNGs of federalizing Nepal. The provincial and local governments will need the technical support from the federal government in their system development. This support goes hand in hand with policy and legislative support mentioned in the Output One activities and they will complement each other in order to achieve the outcome results.

The major sub-outputs and activity areas for this output are:

- The MOFAGA and federal line ministries need to provide guidelines both for general governance and sector governance to the provincial and local governments. They need to ensure the flow of information (data, reports, studies) and strategic communication between the different levels including innovative practices (for example, integrated service delivery, local revenue generation, local economic development) of relevance in different contexts.
- The federal ministries need to periodically assess and analyse devolution and local development policies and provide guidelines for policy and programme development at PLG levels.
- The federal ministries need to develop and periodically monitor and update the framework for assessing provincial and local government performance with respect to key devolution and development indicators and publish performance tables which could be linked to incentives.
- The MOFAGA needs to orientate sector federal ministries in support of the constitutional mandates of the PLGs.
- The MOFAGA needs to support federal sector ministries on a demand-driven basis in providing guidance to PLG on sector planning and operations.
- The federal ministries and agencies need to develop the standardized templates, formats, standards, norms and other tools to strengthen the administrative functions of the PLGs.
- The federal ministries need to support PLGs for effective fiscal and financial coordination among the three levels of governments.
- The MOFAGA needs to support the local governments in developing planning procedures and tools and revenue administration tools.

- The MOFAGA, in coordination with MOF/FCGO, needs to develop effective oversight and coordination of provincial and local expenditure management.
- The federal ministries need to support the development of Open Local Government Accounts for budget transparency at LG levels.
- The MOFAGA, line ministries and other federal agencies, needs to be capacitated and reoriented to perform the above roles for effective implementation of the federal Constitution.

Sub-Outcome 1B: IG administrative mechanisms are fully functional

As mentioned above, the legislative, policy and systems support extended from the federal ministries to the PLGs will not be adequate unless matched by development of new IG administrative mechanisms and ensuring their functionality. This sub-outcome focuses on the IG mechanisms. Only strong IG mechanisms can lead to effective IG cooperation and thus help with the implementation of the constitutional provisions on cooperative federalism. Proper and effective administrative mechanisms will facilitate IG horizontal and vertical communications.

3.5.1.3. Output 3: IG administrative mechanisms strengthened and functional

The coordination among the federal, province and local level is essential for the proper functioning of the federal system. There is a provision for the federal government to create laws that ensure coordination among the three levels of government. Under the direction of these laws, the province has the authority to create laws that define the process of settling any political disputes that may arise from exercising such coordination. Similarly, coordination will be necessary among federal, provincial and local development plans. The constitution provides for federal Coordination Council and Provincial Coordination Councils for IG cooperation and coordination. The legislation, policies and systems need to be developed for effective IG coordination and cooperation among the three levels of governments and between any two of them. The following are major activity areas and sub-outputs under this output:

- MOFAGA and OPMCM have effective IG cooperation mechanisms. The Constitutional Councils and Committees need to be supported to make them effective and functional.
- Horizontal communication among the federal organizations needs to be made functional on PLG issues.
- The Inter-Provincial Council Secretariat needs to be strengthened. OPMCM and MOFAGA need to work jointly for federal coordination among the three levels of Government. MOFAGA needs to be supported for its strong coordination function both at horizontal and vertical levels.
- The PGs need to be supported for their part of the responsibilities in coordination with the local governments within their territory and for developing IG administrative mechanisms between the local governments and the PG.

- The sector ministries and agencies need to develop various IG mechanisms for effective sector governance and monitoring of the activities at the PLG levels. These may be the development of sector IG mechanisms – laws, policies, standards & norms and systems including that related to communication and sector coordination.

3.5.2. Outcome 2: Provincial and local governments have efficient, effective, inclusive and accountable institutions

Provincial and local governments are well into the process of creating administrative and organizational structures with defined functions and responsibilities to undertake the regular services and development functions. Institutions matter for good governance. This is even more relevant for provincial and local governments if they want better service delivery for all. The institutions need to be effective and efficient. They also need to be made inclusive and accountable towards the general citizens to earn their trust, especially of the citizens from disadvantaged groups. The second pillar of the programme which is also a central pillar is hence the IB of the provincial and local governments.

The three sub-outcomes of this central pillar as have been envisaged by the ToCare related to IB of PGs, IB of local governments and institutionalization of the IPF. The three level of governments need synergy in organization and development (O&D) and the available financial or other resources need to be best used for synergic effects of institution building at the three levels of government in order to maximize benefits of the new federal Constitution. High level political and bureaucratic commitments will be needed for institution building at PLG levels without which the PLGSP programme cannot achieve impact level results. The institution building exercise in Nepal has always been full of challenges and PLGSP will not be exception. Hence, along with the commitments for deeper governance reforms which percolate into better and inclusive PLG institutions, the other two pillars (IG and CD) of the programme also need to be synergic and support needs to be sequenced and put together to produce results as described in the ToC diagram.

Setting up administrative structures and enhancing government institutional capacity and operations requires the enactment of enabling legislations, the adaptation of guidelines provided by the federal government to the provincial and local context, the development of clear organograms for effective and accountable service delivery, clarity in the functions and procedures of functionaries and an improvement of the staff capabilities of effectively performing defined functions.

The extent to which delivery of quality services at the local levels is accessible, improved and reformed is the yardstick against which the functioning of the local governments is judged by people. The systems and procedures established at the local levels will therefore need to be directly tied to the delivery of services of all kinds including administrative services, basic day-to-day services such as education, health, social security as well as services related to agriculture extension or quality and use of infrastructure created.

The PG is assigned a number of exclusive and concurrent functions in the constitution, and as such has to fulfil its executive and legislative roles. In addition, the province has a significant role in ensuring coordination between federal and local government and among local governments.

While the programme will support both the provincial as well as the local government levels in pursuing their constitutional mandates, the support of these respective

levels will be somewhat different in nature. The programme will provide hands-on operational support in key areas to each of the seven provinces, whereas this will not be possible at the local level. Furthermore, the programme focuses disproportionately on strengthening the local level because, in addition to their much greater number: (a) their service delivery responsibilities are more important to achieving an inclusive public sector, and (b) the opportunity for participation and accountability are greater at the local level. The programme will also focus on the areas that strengthen the PG with respect to its linkages with the local governments.

Outcome Two will also be financed through the 'Innovation Partnership Fund' for institutional strengthening and better results in service delivery area of the SNGs, especially that of the local governments. This fund has been treated as a separate sub-outcome under the outcome two in order to make it institutionalized for effective support to innovations and innovative governance practices.

Sub-Outcome 2A: Provincial governments have functional, inclusive and accountable institutions.

This sub-outcome is related to the institutional strengthening of the PGs and its agencies, including the PCGG in order to make them functional, inclusive and accountable towards their citizens. The institution building support to the PGs will result in the overall enhancement of effectiveness of the PGs which will help to achieve the programme impacts not only at provincial levels but also for local and federal levels. The outputs covered under this sub-outcome are provincial legislative strengthening, the modernization of provincial systems to enable horizontal and vertical accountability and the mainstreaming of GESI, the strengthening of core public administration functions and the operationalization of PCGG for better CD services.

3.5.2.1. Output 4: Provincial governments drafted legislation in a consultative manner

The province needs to formulate the laws required for effective public administration at a provincial level. The provincial assembly also needs to legislate for effective sector services, IG mechanisms and facilitation for the effective functioning of the local governments. These have been mandated to them by the provisions of the constitution. This is important for the local governments as well because they facilitate in determining the governance system of the local levels. Providing technical support in these areas to the provinces on a needs basis is the purpose of this output. The following are the major activity groups and the sub-outputs for this output:

- PGs need technical resources to draft required legislation, rules and manuals for which the programme will furnish support.
- The programme will support the agencies of the PGs like the OCMCM and the line ministries including the Ministry for Internal Affairs and Law for consultations with the local governments on key legislation.
- The provincial governments need to support the local governments for their legislative drafting. The programme will extend support for this to the PGs.

3.5.2.2. Output 5: Modernized PG systems enable horizontal and vertical accountability to all citizens and mainstream GESI

To make the provincial administrations more effective and functional, the organizational structure needs to be strengthened and modernized. The PGs need to adopt and adapt the administrative systems, procedures and policies which make them accountable to the citizens, enable effective vertical and longitudinal communications systems and mainstream GESI principles in their administrative structures. The PGs need to adopt best practices for good governance, transparency and accountability. They need to come forward with strong 'anti-corruption' policies and action plans to operationalize them. They will need to develop and implement accountability frameworks which not only make them responsible to their electorates but also to the other two levels of governments and to general citizens by institutionalizing effective guarantee of 'rule of law', 'fairness and equity' and adherence to general good governance practices of modern administration. The major activity areas and the sub-outputs under this output are:

- The provincial coordination council will be strengthened.
- Support will be provided for strengthening provincial institutions and organizational structures.
- Vertical protocols for sector specific development administration will be developed such as inclusive economic growth, poverty alleviation and SDG localization.
- Horizontal protocols for specific sectors will be developed such as energy and power, inclusive economic growth and SDGs.
- Provincial public hearings will be supported.
- Participatory budgeting at provincial level will be supported.
- GESI audits at provincial levels will be initiated.
- Anti-corruption policies and action plans will be adopted, implemented and monitored. Programme will furnish support for such activities.

3.5.2.3. Output 6: PGs manage provincial public administration functions more effectively

PGs need to manage provincial public administration functions well for the success of federal restructuring of the country. The PGs are new governments and the organizational structures along with various core public administrations systems are not fully established yet. However, the new systems and organizations in formative stages are also good opportunities for institutionalizing best practices and systems of contemporary public administration at provincial levels. This will also give positive signals to the general public about the quality services that the PGs can render to them because of use of modern systems in their administration. The major areas where the PGs need to concentrate with support of federal government and this programme are public finance

management, planning process, data management and its use, civil service management, sector administrations, management of interface with public including through the use of ICT, public policy making process and linkages with the local governments for better service delivery. Public finance management systems need to be well established and strengthened for economic efficiency, data integration, public accountability and fiscal transparency in order to minimize fiduciary risks at the provincial levels. The major activity areas and the sub-outputs under this output are:

- PFM systems at a PG level need to be strengthened in coordination with concerned ministries and agencies – like MOF, FCGO, NNRFC, and provincial ministries.
- The programme will capacitate PGs to establish and strengthen provincial planning and budgeting systems and procedures.
- The programme will capacitate PGs in strengthening their revenue administration systems and procedures.
- The programme will furnish support to capacitate PGs in strengthening their budget execution and expenditure management systems and procedures; setting up audit systems and procedures. The programme will also furnish support to establish e-governance and modernization of the governance system by establishing an Electronic Resource Planning eco-system at the provincial level.
- The PGs will be supported in the management of their civil service including the support to the provincial public service commissions.
- The programme will support the creation and development of a proper and effective ICT infrastructure at provincial levels. Overall data management and integration for optimization of data-use will be the focus area in IT support.
- The programme will extend support to the PGs on demand basis for strengthening of sector administrations at the provincial levels and their linkages to the other levels of the federal governments.
- The programme will support the public policy making process at a provincial level with a focus on capacitating the PG institutions for better accountability, inclusiveness and transparency in the policy decision making process.

3.5.2.4. Output 7: PCGGs made operational to deliver CD service

The PCGG will be established by a provincial charter in each province to serve as a service provider of the CD inputs to the individuals at both provincial and local levels. The individuals who will receive such CD inputs include elected leaders of the provincial and local governments and civil servants serving in these governments. The civil servants include not only the regular personnel and the bureaucrats under PLGs but also the part-timers, staff recruited on contractual basis and community organization leaders (or staff) who work with the PLGs (especially with the LGs) under their mandate. The PCGG will also serve

as a resource centre for providing knowledge inputs needed to strengthen PLGs' organization and administration. The PCGGs are envisaged to be the key institutions under this programme for delivery of CD services. Hence the success of this programme will depend upon the timely establishment and institutionalization of the PCGGs. Quality CD services need to be delivered from very early stage of the programme. Specific triggers have been conceived in this ProDoc related to the establishment and effective management of the PCGGs. The key elements that need to be included in the charter (the provincial Act) for establishing the PCGGs have been furnished in Annex 15. The major activity areas and sub-outputs under this output are:

- A concept paper for the establishment of the PCGGs will be prepared and adopted by the PGs with the support and guidelines from MOFAGA.
- The PGs will establish PCGG under their provincial charter with facilitation from the MoFAGA.
- The recruitments for key positions of the PCGG will be done through a transparent and competitive process.
- The PCGG will be furnished with timely and adequate resources for their operationalization and institutional development. PCGG must get functional in delivering supply and demand driven trainings and other CD inputs to their stakeholders.
- An effective monitoring system will be developed and executed to monitor the delivery of PCGGs and to recommend any policy measures to make them more effective during the Programme period.

Sub-Outcome 2B: Local governments have functional, sustainable, inclusive and accountable institutions.

This sub-outcome is related to the institutional strengthening of the local governments and their functionaries including the sector delivery units in order to make them functional, sustainable, inclusive and accountable towards their citizens. The institution building support to the local governments will result in the overall enhancement of effectiveness of the local governments which will help to achieve the programme impacts not only at local levels but also for provincial and federal levels. The outputs covered under this sub-outcome are the modernization of LG systems including the administrative systems and PFM systems to make them accountable to citizens, enabling the LG systems for horizontal and vertical accountability, the mainstreaming of GESI in LGs' service delivery and the enabling of LG systems for citizen engagement and inclusive participation.

3.5.2.5. Output 8: Modernized LGs have strong administrative systems and accountable PFM system

The activities under this output will support the development of effective and consolidated local government administrations through the contextual adaptation by local governments of the organization and management guidelines provided by the responsible federal agency. This output covers the areas of modernization of organizational structures of

the LGs, civil service reforms at the local levels, strengthening of sector administrations and the sector delivery units, strengthening of PFM systems, planning process, and institutionalizing good practices of public administration at local levels including those focused upon transparency, accountability, anti-corruption, inclusion and participatory decision making process. The administrative reform support to the LGs includes the support to the ward levels (as part of the LG structures) and support to the District Coordination Committees (DCCs) for effectiveness in their roles.

This output will mostly be financed by demand driven financing and the use of financing from the IPF to be availed at the provincial level for the benefit of the local governments within the province. The funds will be used not only for the institutional capacity building and organizational reforms (in structures, practices and processes), but also for improving the capacity to deliver services to the citizens in efficient, effective and inclusive ways.

This output mainly includes the following indicative activity areas and sub-outputs:

- Strengthening of local PFM systems;
- Strengthening of local planning process and the institutionalization of good M&E practices including the adoption of LISA;
- Development of fiscal policies on both revenue and expenditure areas;
- Development and strengthening of ICT infrastructure;
- Development and effective use of best practices for local public administration;
- Support to establish and strengthen sector services such as agriculture, education, health and local infrastructure; and
- Strengthening of vital registration and strengthening of linkages with provincial and federal administration.

A Brief Note on LISA:

Following their constitutional mandates, the primary entity responsible for ensuring that a local government is an effective organization or institution is the local government itself. As such, local governments will have to take the initiative in assessing their organizational/institutional strengths and weaknesses and use information from regular self-assessments to strengthen their institutional capacities. Baseline information will be collected for each local government. A guided LISA tool will provide local governments with a checklist (see Annex 4) to evaluate ten thematic sectors of local governments functioning. These include Governance Process, Administration and Organization, Annual Budget and Plan Formulation, Fiscal and Financial Management, Service Delivery, Judiciary, Physical Infrastructure, Social Inclusion, Environment Conservation and Disaster Management, Cooperation and Coordination.

The PPIU will provide support and guidance to LG staff to implement and use the LISA. LISA will be fine-tuned with time with the availability of more reliable data, but the purpose is to initiate a system of self-assessment, which can be tied to the identification of areas of priority attention and CD support for LGs. LISA will be one of the bases for providing competitive fund to LGs.

As LISA gets fine-tuned and a system is created for vetting LISA outcomes to compare across rural and urban municipalities in the provinces, it may eventually be possible for the LISA process to be linked to an incentive structure for better performing LGs (as the Minimum Conditions and Performance Measures in the old system) in the form of top-up grants or special grants from the federal government or the PGs.

LISA outcomes can be discussed and debated in the local assembly and disseminated through local media. This will help strengthen local assembly oversight and accountability.

Based on the outcomes of LISA, priority areas for mentoring and backstopping in the functioning of the LGs can be identified for demand driven support for the LGs by the respective PPIU.

3.5.2.6. Output 9: LG systems enable horizontal and vertical accountability to all citizens

To make the local governments more accountable and effective, the local governments need to adopt and adapt the administrative systems, procedures and policies which make them accountable to the citizens, enable effective vertical and longitudinal communications systems and, strengthen institutional practices which enhance cooperation and coordination with provincial and federal governments. The local governments need to adopt best practices for good governance, transparency and accountability. They need to come forward with strong 'anti-corruption' policy and action plans to operationalize them. They will need to develop and implement accountability frameworks which not only makes them responsible to their electorates but also to the other two levels of governments and to general citizens by institutionalizing effective guarantee of 'rule of law', 'fairness and equity' and adherence to general good governance practices of modern administration. The indicative activity areas and the sub-outputs under this output are:

- Support will be provided for strengthening the LGs' organizational structures;
- Vertical protocols for sector specific development administration will be developed for areas such as inclusive economic growth, poverty alleviation and SDG localization;
- Local horizontal protocols on specific areas will be developed for areas such as water management, water sharing, education, health, agriculture, local infrastructure, local economic development and local SDGs;
- Public hearing at local level will be supported. Citizens' monitoring will be encouraged;

- Participatory budgeting at local level will be supported;
- GESI audits at local level will be supported; and
- Anti-corruption policies and action plans will be adopted, implemented and monitored. The programme will furnish support for such activities.

3.5.2.7. Output 10: LG systems mainstream GESI in their service delivery

The constitution as well as the provisions of the Local Government Operation Act (Section 24(3 and 5)) makes it mandatory to ensure the participation of women, *dalits* and disadvantaged groups in the planning and implementation of development programmes. Accordingly, all policies, programmes and service delivery strategies should be both GESI sensitive and responsive in spirit as well as in practice thus facilitating and contributing to transformations in social norms and behaviour. GESI sensitivity needs to be reflected in the organizational system of local governments, in building the leadership of elected representatives, in the policies, plans and performance measures of local governments and in the planning, budgeting, monitoring and decision-making of local governments. This requires a comprehensive GESI strategy for governance at all levels including GESI friendly policies and guidelines at the federal level, GESI sensitive programme and development strategies at the provincial level and similar contextual programme development, implementation and service delivery at the local level. There is a need for the whole of government approach to internalize GESI friendly approaches.

The activities under this output will prioritize strategic entry points for integrating GESI in the programme framework by utilizing avenues that are available and which can be expanded. Other than the areas where GESI related issues are directly referred to there are a number of areas in the Local Government Operation Act where the implications for orientation, training and GESI auditing in policies, laws, regulations and in the formulation, implementation and in the assessment and benefit sharing from programmes are called for. The thrust of GESI related activities is to make strategic interventions to mainstream GESI so that it provides and expands the space for addressing GESI concerns in all aspects of local governance.

The indicative activity areas and the sub-outputs for this output are:

- GESI plans need to be mainstreamed at LG levels;
- GESI focal persons need to be supported in coordination with the Ministry for Women, Children and Social Welfare;
- GESI tools need to be developed and implemented at LG levels;
- Support to institutionalize GESI in local government system and structure through facilitating GESI sensitive decision-making including laws and policies:

- Each LG will be encouraged to appoint a GESI focal person who will be facilitated to perform their functions through generic capacity building and training. The GESI focal point which will be a support to screen LGs programmes from a GESI perspective and make recommendations for action. The GESI focal persons will be supported by training in GESI tools and/or training in the use of such tools. The LGs will be encouraged to internalize GESI sensitive tools (such as GRB) in the planning and prioritization of activities. Finally, the LGs will be supported to prepare an annual GESI status report for discussion and action by the LG executive and the assembly. The initial GESI status of all LGs will be established as a benchmark to measure achievements through time;
- Develop/adapt/contextualize standard training manuals on mainstreaming GESI issues in local governance for targeted capacity building of mayors/chairpersons and elected representatives:
 - Without enhancing the capacity of elected representatives and staff GESI issues cannot be brought to the centre stage of local governments and enable concrete action. The training will focus on leadership and advocacy skills for GESI mainstreaming and elucidation through contextual examples including technical knowledge for mainstreaming GESI in all aspects of local governance (See Annex 2 on guidelines for mainstreaming GESI in local governance);
- Support LGs to adapt federal GESI human resource policies:
 - The activity includes promoting gender parity, diversity of staff in terms of representation of excluded groups and code of conduct including abuse of authority and sexual harassment. This activity will also emphasize the creation of mechanisms to ensure child, senior citizen and differently able person friendly governance, and address cases of GBV and social discrimination etc. on a prioritized basis.

3.5.2.8. Output 11: LG systems enable citizen engagement and inclusive participation

Activities under this output will be geared towards enhanced and effective articulation of the voices of citizens, with emphasis on the marginalized and underprivileged in the local governance process. This may consist of restructuring (in the changed context) grassroots organizations to facilitate the articulation of citizen's voices and institutionalize social accountability tools.

The creation of grassroots organizations such as the WCF, CAC and Tole Lane Organizations (TLO) and their mobilization in the identification of priority needs, their planning and implementation and the institutionalization of social accountability tools to ensure downward accountability were some of the milestone achievements of the LGCDP. The restructuring of local bodies and the devolution of powers to local governments under the new constitution has created a completely new context for social mobilization, grassroots organizations and downward

accountability in terms of form, function and sustainability. The major task is to persuade the local governments to own downward accountability and citizen engagement processes as essential elements of good governance. These can be included in the procedural legislations affecting local governments.

Social Mobilization is substantially the function of local governments. LG ward which is the lowest unit of representation has five elected representatives, two of which represent women, *dalit* and the other disadvantaged communities. In this new context LGs have to encourage and facilitate ward members, particularly women and the DAG, to play significant role in social mobilization. LGs can facilitate third parties to induce the formation of non-partisan grassroots groups as channels to voice grassroots concerns, participate in decision making debates and discussions and in the institutionalization of social accountability tools appropriate for the particular context. LGs can also secure outside services for specific, thematic social mobilization that might be needed to deal with specific issues of relevance.

The indicative and major activity areas and the sub-outputs under this output are:

- The MOFAGA needs to develop policy for citizen engagement and inclusive participation in the changed context. The will extend support to MOFAGA for this activity;
- Local governments need to be incentivized to hear the voices of citizens groups and community organizations;
- Public audits, social audits and public hearings need to be encouraged and institutionalized within the local governance systems;
- The local governments need to encourage communities to participate in their decision-making process;
- The local governments need to adopt citizens' grievances responding mechanisms; and
- Establishing informal institutional platforms to facilitate communities at the grassroots level need to be encouraged and supported. The programme will encourage the LGs to take appropriate initiatives for this.
 - To facilitate communities at the grassroots level to participate in context-specific local planning, implementation and oversight process, LGs should facilitate, through third party engagement, the creation or restructuring of grassroots organizations that can involve citizen groups in inclusive planning of local development activities and also in the articulation of citizen's voices. Whatever their form, such institutionalized platforms should provide the basis and mechanism for two-way engagement with the citizens. An incentive structure in the form of top-up fund or special grants can be considered as part of the effort to promote good governance and accountability practices.

- A guidance book will be developed for LGs to adapt for good governance, downward accountability and citizen engagement.
 - The guidance book can build on past experiences and achievements and provide a standard template that can be contextually adapted by local governments as part of their good governance practice. Institutionalization and use of context-relevant social accountability tools (such as social auditing, public hearing, citizen report cards and other relevant tools from national and global experience) to measure the communities, including women, *dalits* and disadvantaged groups response to specific programme/development initiatives undertaken by local governments. Grievance redress systems that allow the citizens to register dissatisfaction or inadequacies in the delivery of public services can also be part of social accountability. LG executive committee and the local assembly should consider the results of the social accountability measures in the development and assessment of respective programmes and initiatives and facilitate local media and civil society organizations to access the results of social accountability measures so these can be broadly disseminated and discussed. For an objective application of social accountability, the engagement of third-party civil society groups will be needed.
- Design and implementation of multi-media awareness campaigns will be encouraged.
 - Given the number of people that need to be reached, it is imperative to use tools of mass communication (radio, including local radio stations, television and social media) to reach out to people to raise their awareness on the functioning of local governments. Under the programme suitable mechanisms will be explored and appropriate material prepared.
- Establishment of public, user friendly Integrated Service Centre and mobile service will be encouraged at LG levels.
 - It is dedicated to the efficient provision of specified services with designate costs and transparent minimum service standards. This can also include e-government services that can be provided online. This should be tied to supervision of compliance monitoring by specific agency of local or PG.
- Institutional capacity of LGs will be developed to manage communication at the local level.
 - Concerned staff as well as civil society groups will need orientation and training in the management of communication, in the creation and dissemination of communication content and in monitoring the accuracy and effectiveness of information provided. Communication management should involve dissemination of decisions made and laws enacted by the local government, open dissemination of policy drafts, dissemination of judicial committee decisions, outcomes of joint (local

government and citizen groups) monitoring of project implementation, monitoring and tracking of key public services. In the context of federalization, the content of communication would be both political (securing and holding on to the rights of local governments) as well as those related to development services (better access to quality services). Ensuring that the constituents are correctly informed becomes extremely vital for local governments to retain local support. This would also help local governments to communicate effectively vertically with the provincial and federal governments and horizontally with their constituents.

Sub-Outcome 2C: Provincial and local governments promote innovations and partnership for inclusive governance and local development.

The third sub-outcome of the second area on institution building is about encouraging innovations and institutionalizing innovative practices for the continued governance reforms at provincial and local levels. Institutional reform is the central theme of this programme for achieving programme goals and showing impact. However, institution building is a continued exercise and not some discrete events. The deepening of governance reforms can materialize only when risks are taken for introducing innovations in processes, systems and structures. Similarly SNGs also need to experiment with new practices in executing infrastructure projects or social sectors (like those in health or education sectors) to learn the innovative ways to best perform these jobs and propagate same at a larger scale in the future. This sub-outcome on IPF will aim to support innovations at provincial and local levels. But to do so, the fund needs to be established, operationalized and institutionalized to deliver best results through extending demand-based support to the PLGs on partnership financing basis.

3.5.2.9. Output 12: IPF is operational and transparently supporting LGs

The PGs are new and their roles need to be established in a manner that will further strengthen the federal spirit of the constitution. Along this line, PLGSP proposes to establish IPF that will support innovations in service delivery at the sub-national level. The core objective of this Fund will be three-prong: 1) to promote innovative approaches to governance with the focus on strengthening downward accountability, transparency, participation, gender and social inclusion; 2) to establish relationships between the local governments and the PGs in the spirit of cooperative federalism; and 3) to bring in innovations in service delivery particular on local economic development.

The rationale for including IPF within the PLGS programme is to ensure that space for innovation with regards to delivering public goods along with strengthening good governance principles are promoted. The IPF emphasises innovative solutions to service delivery problems at the local level. For PLGSP the term 'innovative' implies new approaches to identify and address problems that can be scaled up. It is anticipated that the IPF will benefit from a high level of government ownership so that the evidence from this initiative will inform future approaches to service delivery. A point scoring system will be established where few core criteria will be established along with scores against which each of the proposals will be evaluated. As a broad principle objective 1 and 2 mentioned above will have higher scores points compare to objective 3

which is focused on local economic development. As the overall objective of PLGSP is to strengthen governance and systems for effective service delivery, only 30 percent of the total IPF will be earmarked for innovation in local economic development.

The activities under service delivery reforms to be financed from the IPF can be financed with a partnership approach for sub-projects like: use of ICT, innovations in sectors like education, health, agriculture, livestock or development of good governance mechanisms through cooperation among the neighbouring local governments in order to make them viable agencies for bigger projects. The modality of IPF and mechanism to use its funds for the activities under this Output area has been furnished in Annex 15.

Governance Mechanism of IPF

The PCU will provide IPF to the PPIU on annual basis. All local governments within the particular province will be entitled to compete for funding from IPF. The local governments shall submit proposals to the PPIU to initiate innovative activity on: good governance such as innovative use of ICT, participatory decision making processes, citizens' monitoring, GESI, gender –responsive budgeting, use of environment friendly technologies, e-governance, result oriented management practices, etc. – and, - social sector such as primary education, primary health, livestock development, agriculture extension, local economic development, one stop service delivery, social inclusion, hygiene and sanitation, etc. The funds from the IPF will not be provided for infrastructure development.

The IPF will be a special purpose vehicle for financing innovations at SNG levels setup at MOFAGA especially for the local governments executed through the PGs. The IPF will be executed with a gradual approach beginning from FY 2021/22. To use the resources from the IPF, the aspiring local governments will need to share the costs on a pre-determined basis. This fund will be administered by the PGs though the PPIU under the overall guidance of the Provincial Programme Directors. The PCC will also serve as the provincial IPF board, which will be established under the chairpersonship of Chief Minister/minister designated by the Chief Minister. The Committee will review the recommendations made by the technical team to make the final awards. The detailed modality of operationalization of the IPF will be approved by the NSC based upon recommendations of the NEC. A template to help the decision making on operationalization of the IPF has been furnished in the Annex –15 to this ProgDoc.

The major activity areas and sub-outputs under this output are:

- IPF policy and its implementation strategic plan will be developed, agreed and approved.
- The IPF will be established.
- The IPF will be operational and institutionalized to incentivize innovations at PLGs.

3.5.3. Outcome 3: Elected representatives and civil servants at PLG have the capacity and serve citizens to their satisfaction.

The elected officials of the local governments like mayors and deputy mayors of the municipalities, chairpersons and deputy chairpersons of the rural municipalities, ward committee chairpersons and members of the executive committees or the councils need to be empowered, oriented and trained for the effective discharge of their responsibilities and duties so that the local governments can deliver the services and local development results in an effective, efficient and inclusive way to the satisfaction of the local citizenry. Similarly, the chief executive officers, departmental heads, mid-level managers and professional staff along with other technical and non-technical staff need training and CD inputs in order to make them knowledgeable about their roles and tasks in order to efficiently and effectively deliver their services. The elected representatives, senior officials and other professional staff of the PGs may also need induction trainings and orientations about the new provincial organizations where they have to work and the duties they have to discharge in PGs.

Moreover, the provincial staffs need frequent training on various good governance practices and contemporary administrative reforms especially in federal settings. This outcome three aims to achieve results in these areas. The PLGSP can produce results only if there is effective policy support from the federal ministries and agencies and strong IG mechanisms for effective cooperation exists if the PLGs have strengthened institutions capable to respond to their citizens' demands and if the officials at PLGs are empowered, incentivized and trained adequately to discharge their duties. This third pillar or the outcome area deals with the individuals' CD for getting optimum results from the PLGSP programme. The outcome is divided into two separate sub-outcomes for provincial and local officials respectively.

Sub-Outcome 3A: Elected representatives and civil servants of PGs are capacitated to serve citizens to their satisfaction.

The sub-outcome deals with CD for individuals in the PGs. The assumptions for the success of this outcome area is that the PCGG will be established, operationalized, and institutionalized well in time for delivering CD inputs to the officials at PGs as per their requirement. The officials at PG also need to be motivated and incentivized to serve at their optimum levels. The PGs will need an adequate number of staff posted to them for a continued reasonable period in order to be able to demonstrate their abilities. They also need to be trained in good numbers to show their collective performance. Trained and incentivized provincial officials can deliver services to the satisfaction of the citizens.

3.5.3.1. Output 13: Elected representatives and civil servants at the provincial level are trained for delivering high quality services

The administrative leadership in the PGs and the technical and non-technical staff at their disposal need proper motivational orientations and induction training in order to match with the needs of new dispensations of the PGs. The office of the Chief Minister has a division on good governance and federal affairs including the local government affairs. This division needs to be strengthened in order to plan, manage and execute CD plans for the PGs in relation to the needs of cooperation and coordination with local governments and the federal government.

The following major activity areas and the sub-outputs define this output:

- The PGs adopt a CD plan.
- Training/coaching courses are developed by the PCGG for provincial council members and the officials of the PGs.
- Training, mentoring, knowledge seminars and motivational workshops are conducted by the PCGG in coordination with the OCMCM and the Provincial Assembly Secretariat as per the demand/need of the Provincial Assembly and the line agencies of the PGs.
- The senior bureaucratic leadership and the professional staff of the PGs are furnished with induction training, orientation and short courses including through knowledge sharing workshops, experience sharing events and mentoring exercises to prepare them for their deputations in the PGs, motivate them and make them effective in their roles in the PG.
- The good governance divisions in the OCMCMs are supported for preparing, managing and executing the CD plans for the PGs.
- Capacity building inputs provided to PGs also focus on building capacity for coordination and cooperation activities in order to support the PGs in managing their IG relationships with special focus to coordination with local governments.

Sub-Outcome 3B: Citizens are satisfied from the services of the capacitated elected representatives and civil servants of local governments.

This sub-outcome deals with CD for individuals at the local governments. The assumptions for the success of this outcome area is that the PCGG will be established, operationalized, and institutionalized well in time for delivering CD inputs to the officials in the local governments as per their requirement. The officials at LGs need to be empowered and trained to be able to serve their clients and citizens in effective ways. The local governments need adequate staff posted to them and retained for a reasonable period in order to be able to demonstrate their abilities. They also need to be trained in good numbers to show their collective performance. Trained and incentivized LG officials can deliver services to the satisfaction of their citizens.

3.5.3.2. Output 14: LGs' elected representatives and civil servants are empowered and trained for delivering high quality services

The activities under this output will aim to raise awareness of the functions, roles and responsibilities of key political and administrative leadership of the local governments and build their capacity, train and empower them so as they can effectively and in a coordinated and collaborative manner perform the functions expected of them.

The major activity areas and sub-outputs under this output are:

- Local governments prepare their CD plans.

- The PCGG prepares and develops training and CD manuals, curriculum, CD modules, courses and training materials.
- The PCGG prepares a roster of experts who can be used as resource persons for delivering the CD inputs.
- The PCGG provides training courses, on-the-job trainings, mentoring programmes, peer learning activities, knowledge seminars and workshops for the LG elected leaders and civil servants of the LGs. The PCGG provides both supply-driven and demand-driven inputs on CD.
- The PCGG also conducts research on local governance and furnishes feedback to the LGs.
- The capacity of LG elected leaders and civil servants are enhanced. The LG officials are empowered and capacitated to discharge their responsibilities in effective ways.
- Orientation/training for elected leaders and administrative officials are conducted.
 - Orientation/training on roles and responsibilities of key leaders and administrative officials of the local governments has been or is being provided in a selective manner. The curricula for such training must be based on a standard template approved by competent government authorities and the quality of training has to be assured by the providers of such trainings so that the message conveyed remains essentially the same. Orientation/training may need to be followed up at the field level to compare experience in the work environment and relevance and add on to initial orientation/trainings. While some aspects of training for elected officials and key administrative officers might be conducted jointly, in other cases there will be a need to conduct these separately.
- Human resource capacities of local government staff need to be assessed, their CD requirements need to be determined and support for CD need to be extended through various means.
 - Local level human resource capacity needs to be assessed in terms of skills, experience and knowledge to function effectively in their positions and determine the nature and type of CD needs both for the organization and the individual. Based on these needs, CD support (training/mentoring/coaching etc) will be provided to the local level administration. This activity should lead to a smoother integration of staff into the local government administration and enhance the focus on service delivery for ensuring access to essential services especially by women, children, youths and DAGs. This activity will also have to focus on areas that facilitate e-governance and the development of a competent, effective, multi-tasking and lean bureaucracy.
- Training and legal support to the Deputy Mayor/Vice Chair and members of the Judicial Committee needs to be extended.

- Under this activity deputy mayors/vice chairs of LGs who chair the Judicial Committee of the LG and members will be provided intensive training on the judicial and mediation functions expected of them. Since over 95 percent of the Judicial Committees is chaired by women this will substantially add to their agency and also complement efforts at GESI mainstreaming in local government activities. The decisions of the Judicial Committee can be challenged in the district courts and therefore it is necessary that trained legal support is provided to aid decision making.
- Specialized demand driven CD support to LG officials will be extended. For the purpose of developing demand driven CD inputs to the requesting LGs, the PCGG will help them to design/select training material and facilitating/coaching strategies for thematic functional or technical areas for professional enhancement of relevant local government staff.

Table 1 provides the result matrix along with the outcome and output indicators:

Table 1: Result Matrix of the Programme					
	Indicators	Baseline	Targets	Means of Verification	Responsible Agency
Outcome 1: Government institutions and IG mechanisms at all levels are fully functioning in support of federal governance as per the constitution					
	IG issues discussed in IG mechanisms.	xxx number of IG agenda identified and discussed in IG mechanisms in FY 2017/18.	15 IG issues identified and discussed in IG mechanism by FY 2022/23.	End evaluation 2023/24.	OPMCM and OCMCM.
	Citizens who strongly agree that they have equal access to basic services (social security, health, education, water, electricity and protection from disaster).	Social security: 56%. Health: 40%. Education: 44%. Water and electricity: 30%. Protection from disaster: 14% (NMGS 2018). SDG 1.3.1 Proportion of population covered by social protection: 8.1 (SDG Status and Road Map 2016 - NPC). SDG 1.3.1.1 Social protection expenditure in total budget: 11%. SDG 1.5.1.2 Missing persons, persons affected by disaster per 100 000 = 450.	Social security: 70%. Health: 60%. Education: 60%. Water and electricity: 50%. Protection from disaster: 50% (NMGS 2018). SDG 1.3.1 for social protection = 41.7. SDG 1.3.1.1 Social Protection expenditure in total budget: 12.9 %. SDG 1.5.1.2 on persons affected by disaster per 100000 = 392.	End evaluation 2023/24. SDG Status Report by NPC. SDG Status Report by NPC. SDG Status Report by NPC.	FG,PGs and LGs. FG,PGs and LGs. FG,PGs and LGs. FG,PGs and LGs.

Output 1: Federal level institutions develop legislation and policies to support provincial and local governments in a consultative manner.

	Federal Ministries develop framework legislation on all the matters under schedule 9 (concurrent list) of the constitution.	A certain number of framework legislation enacted by federal parliament on matters related to schedule -9 of the constitution 2017/18.	Related federal Ministries enacted framework legislation for local and PGs by 2020/21 in coordination with MOFAGA.	Nepal Gazette.	Federal Ministries.
	Federal agencies developed policy guidelines for provincial and local governments in facilitation with MOFAGA (GESI guidelines, disaster management and social security, CD template, communication strategy related guidelines).	<p>A certain number of federal agencies (MOE, MOH, MOA, MCWEC, MOUD) developed policy guidelines for local and PGs in FY 2017/18.</p> <p>SDG 1.5.4 Proportion of local governments that adopt and implement local disaster risk reduction strategies in line with national disaster risk reduction strategies: none.</p> <p>SDG 13.3.2.2 Number of trained persons (Local Partners) in climate change adaption: 791.</p>	<p>Related federal agencies developed policy guidelines for local and PGs by 2020/21 in coordination with MoFAGA.</p> <p>SDG 1.5.4 Proportion of LGs adopting and implementing Disaster Risk reduction strategies: 30%.</p> <p>SDG 13.3.2.2 number of trained persons in climate change adaptation: 1822.</p>	<p>Sectoral policies and guidelines.</p> <p>SDG Status Report by NPC.</p> <p>SDG Status Report by NPC.</p>	<p>Federal ministries.</p> <p>FG, PGs and LGs.</p> <p>FG,PGs and LGs.</p>
	MoFAGA prepared model Operational Guidelines of Provincial Coordination Council.	Certain number of PGs that have adopted Operational Guidelines of Provincial Coordination Council in FY 2017/18.	All PGs adopted Operational Guidelines of Provincial Coordination Council in FY 2020/21.	Guideline published by MoFAGA.	MoFAGA and PG.

Output 2: Federal level institutions develop tools and systems to support provincial and local governments in a consultative process.

	PG and LG developed revenue improvement strategy and harmonized.	<p>Certain percentage of PGs and LGs adopted revenue improvement policies/guideline in 2017/18.</p> <p><i>(Baseline will be determined based on official record of MoFAGA)</i></p> <p>SDG 17.1.2 Proportion of domestic budget funded by domestic taxes: 76%.</p>	<p>At least 75% LGs and all PGs adopted revenue improvement policies and guidelines in 2023/24.</p> <p>SDG 17.1.2 Proportion of domestic budget funded by domestic taxes: 77.9%.</p>	<p>Revenue mobilization strategic documents of PGs and LGs.</p> <p>Annual Plans of PGs and LGs.</p> <p>SDG Status Report by NPC.</p>	MoFAGA, NNFRFC, PGs and LGs.
	PG and LG annual participatory planning and budgeting	Certain percentage of PGs and LGs that prepared annual plan and budget in FY	All LGs prepared annual plan and budget of FY 2023/24 by adopting participatory planning &	Annual Budget and Plan documents of	NPC/MOFAGA/ PGs (Ministry of Economic Affairs and

	procedures policies developed.	2017/18 by adopting planning & budgeting procedure and tools prepared by MoFAGA/NPC/LGs. <i>(Baseline will be determined based on LG capacity needs assessment study)</i> SDG 16.6.1 Primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar): 76%	budgeting procedure and tools prepared by MoFAGA/NPC/LGs. SDG 16.6.1 Primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar): 84.9%.	PGs and LGs. SDG Status Report by NPC.	Panning) and LGs.
	IT based management policy, system and guideline harmonized.	Certain percentage of PGs and LGs adopting IT based management system in FY 2017/18. <i>(Baseline will be determined based on LG capacity needs assessment study)</i>	All PGs and LGs adopted IT based management system in FY 2023/24.	LISA Report.	MOFAGA and LGs.
	Open Local/PG Account (OLPGA) policy and guidelines developed.	OLPGA is a new concept.	OLPGA concept policy and guidelines approved by PGs.	MOFAGA annual progress report.	MOFAGA and FCGO.
Output 3: IG administrative mechanisms strengthened and functional					
	IG policy briefs and position papers to set the IG agenda for the Inter Provincial Coordination Council developed.	Inter Provincial Council meeting not convened in 2017/18.	Inter Provincial Council meeting convened at least once in a year regularly from 2019/20 onward.	OCMCM annual progress report	OCMCM.
	Data Integration and Management between all levels of government developed.	Data integration system between all levels of government is new concept.	Data Integration and Management system between all levels of government adopted from FY 2019/20.	FG, PGs and LGs progress report.	MOFAGA, PGs and LGs.
	Preparatory and technical level meeting organized between Provincial Coordination Division of OPMCM, federal ministries and provincial focal persons of OCMCM.	Coordination meeting between OPMCM, federal ministries and PGs' focal persons not organized as of FY 2017/18.	Coordination meeting between OPMCM, federal ministries and PGs' focal persons organized on trimester basis from FY 2019/20 onward.	MOFAGA progress report.	OPMCM and MOFAGA.
Outcome 2: Provincial and local governments have efficient, effective, inclusive and accountable institutions					
	Proportion of population who believe decision making is inclusive and responsive by sex, age and	Certain percentage of population who believe decision making is inclusive and responsive by sex, age and disability.	Compare to baseline at least 30% more population believe decision making is inclusive and responsive by sex, age and disability.	End evaluation 2023/24.	PG and LG.

	disability (SDG ref 16.7.2).	<i>(Baseline will be determined based on LG capacity needs assessment study).</i>			
	Citizens received efficient and timely public services from local governments.	<p>Certain percentage of citizens received efficient and timely public services from LGs in FY 2018/19.</p> <p><i>(Baseline will be determined based on LG capacity needs assessment study).</i></p> <p>SDG 16.5.1.1 People's perception on corruption (percentage of people with at least one instance in the past 12 months that require to give a bribe/present).</p> <p>(Corruption index score).</p>	<p>Compared to baseline at least 20% more citizens received efficient and timely services from LGs in FY 2023/24.</p> <p>At least 10% decrease in people's perception on corruption as compare to baseline.</p>	<p>LISA Report.</p> <p>End evaluation report 2024/25.</p>	LG.
	Mechanism to hold public office accountable (social audit, public hearing and users committee NNGS 2018) adopted.	<p>Percentage of population who have not heard about social audit: 44%.</p> <p>Public hearing: 37%.</p> <p>Users committee: 22%.</p>	<p>Percentage of population who have not heard about social audit: 20%.</p> <p>Public hearing: 20%.</p> <p>Users committee: 10%.</p>	End evaluation 2023/24.	PG/LG.
	OLPGA system developed.	OLPGA is a new concept.	All LGs/PGs posted expenditure statement online on trimester basis from FY 2021/22.	MOFAGA annual progress report.	MOFAGA and FCGO.
Output 4: PGs drafted legislation in a consultative manner					
	PGs have necessary Acts and Regulations to operate and deliver service on their exclusive and concurrent rights assigned by the constitution.	A certain number of Acts and Regulations passed by the Provincial Assembly and published in provincial gazette in FY 2018/19.	A certain number of Acts and Regulations approved by the Provincial Assembly and published in provincial gazette in FY 2019/20; 2020/21; 2021/22.	Provincial Gazette and PG Progress Reports.	OCMCM/PG.
	Federal institution at provincial level fully functional in cooperation with PGs.	A certain number of federal institution providing support services to PG.	Related federal institution and agencies fully operational and providing support services to provincial.	PLGSP annual progress reports.	OCMCM/PG.
	Provincial and local governments jointly hold consultations on legislative drafting.	Legislative drafting by PGs in consultation with LGs is not practiced in FY 2018/19.	A certain number of legislative drafted by PGs in consultation with LGs in 2019/20 -2020/21.	PG/ PCGG progress report.	OCMCM/PGs.
Output 5: Modernized PG systems enable horizontal and vertical accountability to all citizens and mainstream GESI					

	Provincial Coordination Council strengthened.	Provincial Coordination Council meeting not organized in FY 2017/18.	Provincial Coordination Council meeting took at least once in a year from 2019/20 onward.	PG reports.	PG.
	PGs developed vertical and horizontal accountability system.	Vertical and horizontal accountability system is not in place in PGs in 2017/18.	Vertical protocol on specific sector (economic growth, poverty alleviation, SDG localization) adopted by PGs from FY 2019/20 onward. Horizontal protocol on specific area (energy & power, economic growth) adopted by PGs from FY 2019/20 onward.	PG report.	PG.
	PGs introduced GESI audit.	GESI audit not practiced by PGs in FY 2017/18.	PGs conducted GESI audit from FY 2019/20 onward.	PG report.	PG.
	PGs use technology for data integration and information sharing.	No such Data integration technology available.	PGs use digital platform for data integration and information sharing.	PG Report.	PG.
Output 6: PGs manage provincial public administration functions more effectively					
	Digital database system established in provincial governments.	A certain number of PGs that adopted digital database system in FY 2018/19.	All PGs adopted digital database system in FY 2019/20.	PG annual progress report.	OCMCM/PG.
	Provincial Public Service Commissions established and functional.	Not applicable.	Legislation to establish Provincial Public Service Commission passed in FY 2019/20. Provincial Public Service Commissions formed in all provinces in FY 2019/20 and recruited staff as required for PGs and LGs from FY 2020/21 onwards.	PGs progress reports.	OPMCM/PG. OPMCM.
	Organizational Performance assessment of system established.	Not Applicable.	PGs ministries and departments and institutions organizational performance system fully functional FY 2021/22.	PGs Annual Report.	OPMCM and Provincial Planning Commission.
Output 7: PCGGs made operational to deliver CD services					
	Prepared concept paper of PCGG.	Not applicable in FY 2018/19.	PCGG concept paper approved by MOFAGA/ PGs in FY 2018/19 Operational Guidelines of PCGG prepared in FY 2019/20. Certain number of staff PCGGs are in place in 2019/20 Certain number of PCGGs staff trained in various thematic areas in FY	PCGG annual progress report. PLGSP annual progress report PCGG progress report.	MOFAGA. PCGG. PCGG. MOFAGA. OCMCM/PG. PCGG.

			<p>2019/20 and refresher training for xxx number staff organized annually from 2020/21 onwards.</p> <p>Master Plan / Strategic Plan of PCGG developed in FY 2019/20.</p> <p>PCGG made fully functional from FY 2020/21.</p> <p>PCGG developed Roster Management system in FY 2020/21.</p> <p>PCGGs developed training package on various thematic areas in FY 2019/20.</p>		
	Provincial Centre for Good Governance (PCGG) established and functional in all provinces.	Not applicable in FY 2018/19.	PCGG established in all provinces through provincial legislation in FY 2019/20.	MOFAGA official record/PGs official record.	MOFAGA and OCMCM.
	Concept paper for National Academy for Good Governance.	Not applicable in FY 2018/19.	<p>NAGG concept paper approved by MOFAGA in FY 2018/19.</p> <p>Operational Guidelines of NAGG prepared in FY 2019/20.</p> <p>A certain number of staff NAGG are in place in 2019/20.</p> <p>Certain number of NAGG staff trained in various thematic areas in FY 2019/20 and refresher training for xxx number staff organized annually from 2020/21 onwards.</p> <p>Master Plan / Strategic Plan of NAGG developed in FY 2019/20.</p> <p>NAGG made fully functional from FY 2020/21.</p> <p>NAGG developed Roster Management system in FY 2020/21.</p> <p>NAGG developed master level training package on various thematic areas in FY 2019/20.</p>	<p>NAGG annual progress report.</p> <p>PLGSP annual progress report /NAGG progress report.</p>	<p>MOFAGA.</p> <p>NAGG.</p> <p>NAGG.</p> <p>MOFAGA.</p> <p>MOFAGA.</p> <p>NAGG.</p>

Output 8: Modernized local governments have strong administrative system, accountable and public financial management system					
	LGs adopted IT based system to collect and analyse socio-economic data.	Digital database system adopted by LGs is not uniform and standard in FY 2018/19. SDG 16.9.1 proportion of children under 5 years of age whose births have been registered with a civil authority, by age: 58.1%.	MOFAGA developed IT based socio-economic data collection and analysis system in FY 2019/20. All LGs adopted IT based data collection and analysis system in FY 2020/21. SDG 16.9.1 proportion of children under 5 years of age whose births have been registered with a civil authority, by age: 79%.	MOFAGA annual progress report. SDG Status Report by NPC.	MOFAGA and LGs. LGs.
	LGs able to demand for capacity building support based on LISA report.	LGs are newly established.	100% LGs have Capacity Response plan by 2019/20. 20% LGs demanded CD support from PCGGs in 2020/21 and by 40% LGs in 2021/22 and by 60% LGs in 2022/23.	PCGG report. CD plans.	PCGG and LG.
	LGs adopted transparent financial management system.	XX percentage of LG adopted Sub National Treasury Regulation Application (SUTRA) and made public the income and expenditure statement on monthly basis in FY 2018/19. <i>(Baseline will be determined on the basis of LG capacity needs assessment study).</i>	753 LG adopted SUTRA and made public the income and expenditure statement on monthly basis	LGs Financial Management Report.	FCGO/LG.
	LGs adopted LISA tool.	LISA is a new concept planned to introduce in LGs from FY 2019/20.	MOFAGA developed LISA tool for LGs in FY 2018/19. 75% LGs adopted LISA tool and disseminated results through their website in FY 2019/20 and by 100% from FY 2020/21 onwards.	LGs website. LGs Progress Reports.	MOFAGA PCGG and LG.
Output 9: Local Government systems enable horizontal and vertical accountability to all citizens					
	LGs developed vertical and horizontal accountability system.	Vertical and horizontal accountability system is not in place in PGs in 2017/18.	Vertical protocol on specific sector (economic growth, poverty alleviation, SDG localization) adopted by PGs from FY 2019/20 onward. Horizontal protocol on specific area (energy & power, economic growth) adopted by PGs from FY 2019/20 onward.	PG report.	PG.

	Horizontal cooperation agreement between LGs on common issues (waste management, water management, environment, fire brigade).	Baseline will be determined on the basis of CNA of LGs.	At least 20% LGs have horizontal cooperation agreement by FY 2022/23.	LG report.	LG.
	Vertical cooperation agreement between PG and LGs on local economic development.	Baseline will be determined on the basis of CNA of LGs.	At least 20% LGs have vertical cooperation agreement by FY 2022/23.	PG and LG reports.	PG and LG.
Output 10: Local Governments systems mainstream GESI in their service delivery					
	PGs and LGs develop GESI strategy, oversight committee and GRB.	GESI strategy is not available in federal context.	100% of PGs and LGs have fully endorsed GESI strategy.	GESI strategy Published.	PG and LG.
	LGs adopted code of conduct to control exploitation and including sexual harassment.	LGs do not have code of conduct to control sexual harassment in FY 2018/19. SDG 16.7.2.1 Proportion of decision-making positions held by women in public institutions: 15%.	MOFAGA developed model code of conduct. All LGs adopted code of conduct to control sexual harassment from FY 2019/20. SDG 16.7.2.1 Proportion of decision-making positions held by women in public institutions: 24.3%.	LGs annual progress report. SDG Status Report by NPC.	MOFAGA. LG.
	LGs adopted child, senior citizen and differently abled person friendly governance policy.	LGs do not have child, senior and differently abled person friendly governance policy in FY 2018/19.	MOFAGA developed model child, senior and differently abled person friendly governance policy for LGs in FY 2019/20. All LGs adopted child, senior citizen and differently abled person friendly governance policy from 2019/20.	LGs annual progress report.	MOFAGA. PCGG and LG.
Output 11: Local Government systems enable citizen engagement and inclusive participation					
	LGs encouraged communities to participate in decision making process.	LGs' policy to encourage citizens/communities engagement in decision making process is not available in FY 2018/19.	MOFAGA/PGs with the involvement of LGs developed a policy to encourage participation of citizens/ communities in decision making process in FY 2019/20. 50% LGs adopted a policy to encourage citizens/communities engagement in decision making process in FY	LGs annual progress report. PCGG progress report.	MOFAGA/ PGs and LGs. PCGG and LG.

			2019/20 and by 100% LGs from 2020/21 onwards.		
	LGs adopted citizens grievances responding mechanism.	Grievances responding mechanism do not exist in LGs in FY 2018/19.	At least 50% LGs responded on citizens grievances in FY 2019/20, by 75% in FY 2020/21 and by 100% in FY 2021/22 onwards.	PCGG progress report. LGs annual progress report.	LG.
	Proportion of decision-making positions held by women in public institutions (SDG 16.7).	15% decision making positions held by women in public institutions 2015/2016.	24.3% decision making positions held by women in public institutions in 2022/23.	End evaluation 2023/24.	FG/PG/LG.
Output 12: Innovation and Partnership Fund is operational and transparently supporting local governments innovative practices					
	IPF established under OCMCMs.	IPF is a new concept.	IPF Operational Guidelines prepared and approved by GoN in FY 2019/20. IPF Board established in 7 provinces in FY 2020/21.	PGs annual progress report.	MOFAGA/OCM CM/PG.
	IPF operationalized to incentivize innovation.	IPF is a new concept.	IPFs delivered \$28 million to LGs in FY 2021/22 and \$35 million in FY 2022/23 A certain number of innovative schemes implemented by LGs in FY 2021/22 benefitting a certain number of people. A certain number of innovative schemes implemented in FY 2022/23 benefitting a certain number of people	PGs annual progress report.	MOFAGA/OCM CM/PG.
	Innovation and partnership Fund establish vertical cooperation between PGs and LGs.	IPF is new concept.	Certain percentage of PG contribution to IPF.	PG Annual Report.	OCMCM.
Outcome 3: Elected representatives and civil servants at provincial and local governments are capacitated to serve citizens to their satisfaction					
	Proportion of population satisfied with their last experience of public services (Ref SDG, 16.6.2).	15% population fully satisfied with public services (NNGS 2018).	30% population fully satisfied by FY 2023/24.	End evaluation.	PG and LG.
	Women and the Citizens from disadvantaged group empowered to participate in decision making process of local government.	Certain percentage of budget allocated by LGs in annual plan in FY 2018/19 in response to demand of citizens from discriminatory group.	At least 25% more compare to baseline LGs' allocated budget. in annual plan in FY 2023/24 in response to demand of citizens from disadvantaged group.	End evaluation. LISA Report.	PCGG and LG.

		(Baseline will be determined based on LG capacity needs assessment study or secondary source).			
Output 13: Elected representative and civil servants at the province level are trained for delivering high quality services.					
	PGs develop comprehensive CD plan.	PGs do not have CD plan in FY 2018/19.	PGs prepared and adopted CD plan in FY 2019/20 PGs allocated at least 1% of total annual budget for CD from FY 2020/21 onward	Annual Budget and Progress report of PGs.	PG.
	Enhanced capacity of PGs staff.	PGs are newly established and CD activities are not carried out in FY 2018/19.	PCGGs organized induction training and on-the-job short courses for a certain number of PGs' staff in FY 2021/22 and continued in FY 2022/23	PCGG progress report.	PCGG and PG.
	Provincial Assembly members knowledge enhanced.	A certain percentage of assembly members aware of their mandated roles and functions in FY 2017/18	PCGGs organized workshop/orientation for 50% of Provincial Assembly members on federalism and relevant topics including GESI in FY 2020/21 and for 100% members in FY 2021/22	PCGG progress report.	PCGG.
Output 14: Local Governments elected representative and civil servants are empowered and trained for delivering high quality services					
	Elected official (Mayor, Deputy Mayors, Ward Chair, Chiefs and Deputy Chiefs) fully satisfied with their performance.	A certain percentage of elected officials fully satisfied with their overall performance (Baseline will be determined on the basis of LG capacity needs assessment study)	80% of the official fully satisfied with their performance.	Perception survey.	PPIU/ PCGG.
	LGs prepared CD plan.	CD needs of LGs' staff not available in FY 2018/19.	50% LGs prepared CD plan in FY 2019/20 and 100% in FY 2020/21. LGs assessed CD needs of staff in every three year.	LGs CD plans and annual progress report.	LG, PCGG, and PCU.
	Enhanced capacity of elected representatives of local government.	A certain number of elected representatives of LGs' oriented on different aspects of federalism in FY 2018/19. (Baseline will be determined on the basis of LG capacity needs assessment study).	PCGGs organized short term training for 30% elected representatives of LGs on federalism and related subjects in FY 2020/21 and continued in FY 2021/22 and 2022/23. PCGGs trained annually at least 21,000 officials of PGs and LGs 2020/21 onwards.	PCGG progress report.	PCU, PCGG and LG.

			PCGGs deployed at least 10,000 man-days annually of expert resource to LGs for coaching and mentoring.		
	Enhanced capacity of local governments staff.	<p>A certain number of LGs' staff participated in training programme in FY 2018/19.</p> <p><i>(Baseline will be determined on the basis of LG capacity needs assessment study).</i></p>	PCGG organized induction training and on- the- job short courses on demand for 700 LGs' staff in FY 2021/22 and onward.	PCGG progress report.	PCGG and LG.

3.6. Implementation Strategy

PLGSP, a flagship programme of the GoN and DPs will be executed by the MOFAGA. MOFAGA will take full responsibility for delivery and achieving the results. The steering committee will be the supreme governance body of the programme. It will act as a supervisory board that provides guidance on the type and nature of activities to be undertaken, amongst others by discussing and approving (annual) work-plans and by overseeing the quality of the actual implementation.

3.6.1. Framework Programme

PLGSP is a framework programme to support the establishment of functional, sustainable, inclusive and accountable SNGs. The DPs expressing interest in alignment would need commitment to joint funding and joint decision – making on the totality of the activities. The programme offers full support for those DPs that are willing to go main-stream through the structures of the PPIU.

3.6.2. Primary Focus on Local and PGs

The primary focus of the programme is firstly, on local government because the local governments are closest to the citizens, secondly, because, the service delivery mechanisms (including important social services) that impact most peoples' lives on a daily basis lies with the local governments and thirdly, because, elected local governments are in dire need of institutional and capacity support to get their basic systems, procedures and structures strengthened in order to serve the citizens efficiently and effectively to their satisfaction.

The extent to which all the 753 local governments in the country can be covered by the programme will depend on the capability of the PPIUs and the PCGGs in terms of manpower, staffing and the outreach they can have. In the initial stages the PPIUs will need to develop a profile and assessment (as well as small data base with contact details) of all the LGs in each province. These will be profiles and assessments developed by the LGs themselves with the support of PLGSP. This will allow an appraisal of the kind of governance issues faced by the LGs and their prioritization. The PPIUs in the meantime will, in consultation with the PCU, develop manuals of the essentials of a governance system in the provincial and local level contexts for adaptation by municipalities. The PPIUs and PCGGs will also have to develop a detailed menu of institutional and CD support services that can be provided by them on demand as well as a roster of experts available within the province.

Along with the local governments, the PGs will have significant influence in the federal governance system and as intermediate regional governments linking both the federal and local governments. Although formally the functional links between the provinces and the local governments are limited, practices of good 'cooperation, coordination and coexistence' without any hierarchical relationship can prove to be very crucial for the effective functioning of three levels of governments.

As per the LGOA, a Provincial Coordination Council has been envisaged under the stewardship of the Chief Minister of the provinces. The chairperson of rural municipalities and mayors of municipalities from all local levels within the province are its members. The PCC has to maintain coordination between the province and local levels on issues of policy coherence in areas of provincial and local level; strategic partnerships; guidelines in planning; assignment of concurrent functions among the province and local levels; and utilization and sharing of natural resources.

The PLGSP's support for PGs will focus on three main components:

- (i) institutionalizing and strengthening PG structures and devolution related activities, processes and legal instruments in the provincial assemblies, including those having bearings on the municipalities;
- (ii) establishing and strengthening linkages both with the federal and local governments; and
- (iii) building capacity of the personnel of the PGs for effective discharge of their duties and responsibilities including those related with linkages with local governments and institutional and capacity building of the local governments.

3.6.3. Targeted Support for Federal Level

The federal government has an important role to play in maximizing benefits for the Nepali people from federal restructuring of the State and bringing stability and prosperity through devolved governance. The SNGs' scope of affairs and functional responsibilities emancipating from the concurrent list of functions (provisioned in the annexes of the constitution) are defined by the federal laws. The provincial and local governments can exercise their exclusive rights in an effective way only if the federal executive creates a conducive and enabling environment for them. The constitutional spirit of cooperation, coordination and co-existence need to be fully owned and integrated into the governance systems and operations of all three levels of governments. The ministries, constitutional bodies and other federal agencies also need policy and knowledge support from the PLGSP in order to build cooperative IG relationships among the three levels of governments. Moreover, the federal ministries and agencies which are directly related with the responsibilities of coordinating, supporting and facilitating the federalization process need the technical and programmatic support from the PLGSP programme in order to become effective steering agencies for extending support to the provincial and local governments in terms of their institution building and CD. In addition, the restructured LDTA will also need initial institution building support and programmatic support in order to become a national agency for supporting strategic thinking on devolution and IG relationships. MOFAGA will also need support for policy development and strategic communication regarding federal matters as well as support to implement the national level activities of the programme.

3.6.4. Approach to CD

The transition to federalism fundamentally changes the way public service delivery management is organized. As such, it impacts on CD needs and the ways in which they are addressed. CD is a generic term often used as a panacea for all ailments. Yet local government capacity (or lack thereof) is an extremely broad term that includes many different aspects. As far as CD at the provincial and local levels is concerned, the focus is on organizational and functional capacities to make the PLGs fully functional and effective. It is largely about management and leadership skills.

3.6.4.1. Demand Driven CD—Local Government in the lead

The local governments are expected to be both the beneficiary and the driver of the demand led CD support. They will have to indicate their

needs (even if needs assessments can be facilitated) and they will have to request for it. PPIUs and the PCGGs will prepare a draft CD menu of what they can offer (see Annex 3 for initial tentative CD menu). For services that are basic, generic and/or are demanded by many LGs, the PCGGs may develop/adapt the curricula and outsource it to service providers by ensuring the quality of training/mentoring.

3.6.4.2. Horizontal Learning

Next to skill transfer through interactive workshops, mentoring, coaching and backstopping, and in addition to the demand and supply training events, peer-to-peer learning could be an important mechanism to impart skills and ideas. The PCGGs will pay particular attention to facilitating peer-to-peer learning, which can take the shape of inter municipal visits (for which they may not have large budget and which may have to be funded on cost-sharing basis), but could also be done whilst making use of social media and other means of electronic communication.

3.6.4.3. Use of Mass and Electronic Media

Innovative use of mass and electronic media can be most effective not only in driving home the message but also in elucidating the innovative uses to which it can be put in the day-to-day work environment context. Many of the concerns of service delivery at the local level such as reporting, monitoring, feed-back, networking and dissemination, can be effectively addressed through the use of smart communication. Awareness raising amongst the public in general as well as for the 36,000 plus elected municipal assembly members through channels of modern mass communication (radio, television and social media), may need to be used, given the logistic challenges and the costs of training huge number of people in a classroom setting.

3.6.4.4. Beneficiaries to Co-fund CD

In order to avoid both the dependency syndrome and 'free rides', whilst making sure the benefiting SNGs appreciate the value of CD they will, for classroom based training session, be requested to fund at least 50 percent of the direct costs of the participants (lodging, food and transport). Other CD provided under the programme will be subsidized. A tentative brief on Programme's subsidy policy has been annexed in Annex -13. The NSC and the PCCs will have to agree on such subsidy policy.

3.7. Programme Period

The programme will have duration of four years (July 2019 – July 2022).

4. CHAPTER 4: PROGRAMME MANAGEMENT

4.1. Considerations Underlying the Management Structure

The PLGSP is to be implemented at a time of transition. The old institutional arrangements are giving way to new federal and provincial structures in line with the provision of constitution.

In such a context it is important for PLGSP to reflect the importance of the paradigm shift that federal restructuring of the State represents. In that context, there are three considerations underlying the proposed management structure.

First, in the federal system, the management structure for local governance support has to be decentralized with built in contextual flexibility to the content of that support whilst allowing ample space for the discretion of local governments for them to decide, collectively and individually, what type of support they want.

Second, a major purpose of the PLGSP is to support institutional development of provincial and local governments which should be the primary stakeholders. Local governments should therefore be the primary stakeholders of the institutions designed to support and capacitate them. The ownership of the relevant federal ministry has to be ensured through the role it plays in coordinating federal support, providing monitoring and supervision guidance, undertaking relevant policy analysis and reform initiatives, and facilitating the overall implementation of the programme at the national level.

Given the above, the third consideration is that provincial institutions and resource centres for CD have to be created. There is a need to restructure existing regional training centres of LDTA as autonomous provincial training institutes and PCGGs.

The transition from the centrally planned, centrally designed, bureaucracy led reform mode to the locally planned, locally designed and elected local leader led mode is in itself not easy. Leaving behind the legacy and moving on can be difficult in some situations but this is the constitutional way of moving on.

4.2. Governance Structure

There are six governing bodies for PLGSP, being:

- The National Steering Committee at federal level;
- The National Executive Committee at federal level
- The National Advisory Fiduciary Risk Management Sub Committee at federal level
- The Technical Assistance Sub-Committee (TASC) at federal level
- The Programme Coordination Committee in each province;
- The Programme Coordination Unit at federal level in MoFAGA;
- The Provincial Programme Implementation Unit in each province in OCMCMs.

4.2.1. Steering Committees

The steering committee is the supreme governance body of the programme at a federal level. It acts as a supervisory board that provides guidance on the type and nature of activities to be undertaken, amongst others, by discussing and approving (annual) work-plans and by overseeing the quality of the actual implementation (amongst others by reviewing and discussing activity reports). The steering committee would deal with overall programme objectives and also oversee the functioning of the PPIUs, with the acknowledgement that each PPIU has the liberty to develop its own action plan within the PLGSP framework.

4.2.1.1. National Steering Committee

The NSC at the federal level will provide guidance and oversee PLGSP implementation. The Hon'ble Minister of the Ministry of Federal Affairs and General Administration will chair the NSC, whilst the National Programme Director/Joint Secretary will serve as member secretary. The Hon'ble Member of the National Planning Commission, Secretaries of MOFAGA, OPMCM, MOF, FCGO, representatives of the PCCs as designated by the Hon'ble Chief Minister (7), Mayor (2) Deputy Mayor (2), Chair (2) and Deputy Chair (2) of Rural Municipality with at least four women members as designated by Hon'ble Minister of MOFAGA in consultation with local government representative organizations will serve as members. The steering committee may invite other officials and focal points of DPs as and when required. The committee will meet twice a year.

Table 2: Composition and Functions of the National Steering Committee	
Composition	Function
Chair: Hon'ble Minister of MOFAGA Members: Hon'ble Member of NPC, Secretaries of MOFAGA, OPMCM, MoF, MWCSC Representatives of the Provincial Coordination Committees as designated by Hon'ble Chief Minister(7)Mayor (2) Deputy Mayor (2), Chair (2) and Deputy Chair (2) of Rural Municipality with at least 4 women members as designated by Hon'ble Minister of MOFAGA in consultation with local government representative organizations Member Secretary: NPD/Joint Secretary, MOFAGA	<ul style="list-style-type: none">• Provide strategic direction to PCU• Provide policy guidelines• Promote IG coordination• Create enabling environment in SNGs• Approve Annual Strategic Implementation Plan(ASIP), directives and programme guidelines

4.2.2. Executing Agencies

The Ministry of Federal Affairs and General Administration will be the executive agency of the programme. The ministry will coordinate and facilitate in the overall implementation of the programme as well as in undertaking relevant policy and reform initiatives.

4.2.2.1. National Executive Committee

1. The NEC will be formed under the chair of Secretary of MoFAGA with representatives from OPMCM, NPC, MOF, FCGO, MOUD, MOEST, MOHP, MOALD, MWCSC and

NNRFC at Joint Secretary level and the Chair/Convener of the participating Development Partners Group as its members. The NEC will agree upon the PLGSP annual plan/ASIP and recommend it to the NSC for approval. NEC will review progress status, issues and challenges observed during the implementation of PLGSP and will provide overall guidance to the PCU for implementation of PLGSP.

It will provide overall guidance to the PCU for implementation of PLGSP.

Table 4: Composition and Functions of the National Executive Committee	
Composition	Function
Chair: Secretary MOFAGA	Agree upon PLGSP annual strategic plan and recommend it to NSC for approval
Member: Joint Secretaries of OPMCM, NPC, MoF, FCGO, MOUD, NNRFC, MOEST, MOHP, MOALD, MWCSC	Oversee overall programme implementation
Chair/Convener of the participating DPs' group, all participating DPs and LG Associations	Appointment of TA Service Provider
Member Secretary: NPD/Joint Secretary, MoFAGA	

4.2.2.1.1. Technical Assistance Sub-Committee

The Technical Assistance Sub-Committee (TASC) will be formed to steer, facilitate and decide over the matters pertaining to planning, execution and monitoring the services under the technical assistance (TA) of the Programme. Though the Technical Assistance will be executed under 'Direct Execution' method by the TASP, the recruitment and procurements under the TA will be reported and supervised by the TASC. The demands for any experts, consultants or equipment will be channelized by this Sub-Committee and PCU will work as the secretariat of the Sub-Committee. The Sub-Committee will be chaired by the National Programme Manager. It will have relevant Under Secretaries of MoFAGA, DPs' group chair and TA, participating DP representatives as its members. The PCCs may form such TASCs as well under the chair of Provincial Programme Manager (under Good Governance Division, OCMCM) with representation from national TASC, relevant DP representatives and other relevant officials for the purpose of TA utilization at the provincial levels. PPIUs will serve as their secretariat.

4.2.2.2. Provincial Coordination Committee

The Provincial Coordination Committee (PCC) will be formed under the chair of Hon'ble Chief Minister or minister designated by the Chief Minister and it will have Principal Secretary, Secretaries of Provincial Ministries for Economic Affairs and Planning, Internal Affairs, Social Development, Infrastructure Development (MEAP, MIA, MSD, MID), Provincial Financial Comptroller General and National Programme Director/National Programme Manager of PLGSP. The PCC will also have Mayor (2), Chair (2), Deputy Mayor (2 women), Deputy Chair (2 women) of local government as designated by the OCMCM in consultation with local government representative organizations at province level as members. The PCC will also have representatives of

provincial chapters of the LGAs (including Municipal Association of Nepal (MuAN) and National Association of Rural Municipalities of Nepal (NARMIN)) as its members. The Secretary in the Governance Reform Division of the OCMCM will be member secretary. It will be responsible for establishing and strengthening coordination between provincial and local governments' agencies. It will approve provincial annual strategic plan, oversee overall programme implementation and provide necessary support to the PPIU and PCGG.

Table 5: Composition and Functions of the PCC	
Composition	Function
Chair: Hon'ble Chief Minister or minister designated by the Chief Minister	Provide strategic guidance to the PPIU and PCGG in terms of policy, contents and activities
Member: Principal Secretary, Secretaries of MEAP, MIA, MSD, MID, Provincial Financial Comptroller General, National Programme Director/National Programme Manager of PLGSP	Endorse PLGSP provincial plans & budgets Provide oversight on quality and scope of CD activities
Mayor (2), Chair (2), Deputy Mayor (2 women), Deputy Chair (2 women) of local government as designated by OCMCM in consultation with local government representatives organization at province level	Approve provincial guidelines and frameworks under the overall guidance of the NSC
Representatives from provincial chapters of local government representatives	Coordinate among the PG and LG agencies
Member Secretary: PPD/ Secretary, Governance Reform Division, OCMCM	

4.2.3. Programme Coordination Unit

The Programme Coordination Unit (PCU) will be headed by Joint Secretary, Capacity Development Division of MOFAGA. The PCU will have dual tasks to (i) provide TA, on demand basis, to federal agencies like MoF, FCGO, NNRFC, and (ii) to serve as federal anchor point to guide, backstop and mentor the PPIUs. The Joint Secretary of MoFAGA will serve as the National Programme Director (NPD). The National Programme Manager/Under Secretary will coordinate the day to day management of programme under the guidance of NPD. The National Programme Director/ National Programme Manager will be responsible for overall results of the programme. The PCU would have lean but highly qualified professionals who will work under the direction of NPD/NPM. The GoN will assign the National Programme Director and National Programme Manager at least for a period 3 years and any change in the post of NPD and NPM will take place only in consultation with the NSC. The PCU will have following specialist and support staff:

- Federal Governance Expert cum Development Partner Coordinator (stationed at DP- Cell)
- Coordination and Monitoring Specialist (stationed at DP- Cell)
- Public Financial Management Specialist (1, s/he will support PCU and FCGO)
- GESI Specialist (1)
- Information Technology Specialist (1)
- Programme Associate (1)

- Admin and Finance Associate (1)
- Driver (3)

4.2.3.1. Government - DP Interface (GDPI)

Modelled after the DP-Cell under LGCDP- II, the establishment of a Government - DP Interface is foreseen for technical guidance to PPIUs' professionals and to facilitate communication and coordination. The DP – Cell will have Federal Governance Expert cum Development Partner Coordinator (1 international) and Coordination and Monitoring Specialist (1) office secretary (1) and driver (1) and will be stationed at PCU as an integral part of PCU. The Federal Governance Expert cum Development Partner Coordinator and Coordination and Monitoring Specialist will coordinate and liaise between GoN and DPs.

4.2.4. Implementing Agency: Office of the Chief Minister and Council of Ministers

The Office of Chief Minister and Council of Minister will be responsible for implementation of PLGSP at province level. The Provincial Programme Director (PPD) / Provincial Programme Manager (PPM) will be responsible for overall implementation of PLGSP at province level. The policy, institution and system support will be provided through PPIU to concerned agencies.

4.2.4.1. *Provincial Programme Implementation Unit*

The PPIU will be established in the Office of Chief Minister and Council of Ministers. It will operate under the guidance and direction of the PCC. The Provincial Programme Director/ Provincial Programme Manager will report on the status of the programme to the PCC as well as to the PCU. The PPIUs will develop their annual work plan, execute and deliver results according to their identified needs and gaps within the PLGSP framework and guidance from PCU. PPIUs will provide technical support to PG and local governments within the respective province. Each PPIU will consist of a core staff of highly qualified and energetic professionals that will provide CD support to local governments in a demand driven manner. All the experts of PPIU will work under the guidance of Provincial Programme Director/Manager who will be posted at least for a period of 3 year. The PPIU will provide guidance support to PCGG for institutional development and training delivery to the staff and elected representatives of local and PGs. The PPIU will be responsible for proper execution of the IPF at the provincial levels.

The annual work plan of the PPIU will be approved by the PCC. It will be the responsibility of the Provincial Programme Director to provide a copy of the approved annual work plan to the MOFAGA/PCU. The MOFAGA/PCU will provide annual plan and budget formulation directives to the PPIUs.

A Memorandum of Understanding (MoU) will be signed between MOFAGA and Office of Chief Minister and Council of Minister (OCMCM) to implement the programme through the PPIU. The terms and conditions including report, fund delivery and audit requirement will be mentioned in the MoU. A note on main elements to be covered under such MoU has been furnished in Annex 16.

Each PPIU will have following expert and support staff:

- Governance cum Legal Expert (1)
- Innovative Partnership Fund Expert (1)
- Monitoring and Reporting Expert (1)
- Public Financial Management Expert (1)
- Information Technology Expert (1)
- Admin and Finance Assistant (1)
- Driver (1)

Given the number of units they have to serve, each PPIU is expected to explore innovative ways of communicating with local governments, while making use of modern ways of electronic communication. They could, for example, create closed facebook groups for different categories of LG officials (e.g. one for mayors and deputy mayors, one for assembly members, one for planning and budgeting, one for PFM etc.), which can be used for communicating and discussing between staff of local governments, but also for dissemination of technical messages or reminders ('Has the annual reporting been submitted to the assembly? Next week is the deadline for scoring points in LISA).

It is considered important for the programme to make flexible provision for support to the provinces. The PPIUs will work closely with the provincial administration. Working with both local governments and the province will allow the PPIUs, to facilitate collaboration between the province and local governments.

The success of the PPIU will depend on their capability, on one hand, to get away from a top down approach and to position themselves as serving the local governments on the one hand, and their creativity to find ways to reach a large number of local governments in a manner that serves an overall agenda of putting place systems and procedures that are fundamentally uniform, on the other hand. The group of experts, working in the seven PPIUs, should have a very good knowledge of the meaning and rational of federal systems and believe in its virtues.

A Terms of Reference (ToR) and description of tasks and qualifications of staff for the PPIU is provided in Annex 9.

4.2.5. Capacity Development Committee / Capacity Development Unit at Local Governments

The local governments may create their own 'Capacity Development Committees (CDC)' or 'Capacity Development Unit (CDU)' to deal with all CD issues of the concerned municipalities or rural municipalities. These Committees or the Units may be given responsibilities to find gaps, do need assessments, make plans and execute them for institution building or CD purposes. There may not be financial resources available with the Programme to support the activities of these Committees or the Units, they may be financed from the internal resources of the LGs. These Committees or the Units may become very useful instrument for the programme as a supplementary management structure located at the LG levels in making need assessments, LISA operationalization at the LG level, demand analysis and preparation of proposals for the demand driven projects or for the

projects to be funded from the IPF of the programme. This structure will provide an interface at the municipal level for the programme.

Following table 6 presents the three outcomes, levels of governments benefitting from the Programme and the management structure of the programme as have been discussed in above paragraphs:

Table - 6: Operationalizing PLGSP Outcomes, Management Structure and Level of governments benefitting from the Programme		
<u>Levels of Government</u>	<u>Management Structure</u>	<u>Outcome</u>
Federal Government	<ul style="list-style-type: none"> - NSC - NEC - TASC - PCU 	<u>Outcome 1:</u> Policy harmonization and IG relations strengthened
Seven PGs	PCC PPIU PCGG	<u>Outcome 1:</u> Policy harmonization and IG relations strengthened <u>Outcome 2:</u> PG institutions strengthened <u>Outcome 3:</u> Elected PG and LG officials empowered and their staff are capacitated
753 Local Governments	Local governments may have their own CD units or committees	<u>Outcome 2:</u> LG institutions strengthened <u>Outcome 3:</u> Elected LG officials empowered and their staff are capacitated

4.3. Service Providers

The Provincial Center for Good Governance (PCGG) will be established, developed and institutionalized by the PGs in each province with the support available under the PLGSP and the federal government, especially MOFAGA as the CD service provider in provinces. A 'TASP' will be appointed under this programme to avail experts and other technical assistances required to achieve results of the PLGSP.

4.3.1. CD Service Provider: Provincial Centre for Good Governance

The GoN has realized the need to restructure the existing Regional Training Centres of the LDTA to develop as centres of good governance at provincial levels and to act as a service provider for CD to the provincial agencies and the local governments within the province. This Centre can also work as a coordinator for all training providers in the public sector within the province to avoid duplication and overlap in the changed context. The national restructured LDTA will ensure quality control and

standardization of all the CD efforts across the country. Accordingly, a committee has been formed under the chair of Secretary of MOFAGA to restructure Regional Training Centres of LDTA as PCGG. The PCGG will be established as semi-autonomous institutions under the PGs through a charter (Act) passed by the Provincial Assembly. A note on major elements that need to be included in such Charter has been furnished in Annex 16. The PCGG will also serve as back stopper and resource pool, whilst offering coaching and mentoring services to provincial agencies and local governments, along with the provision of both demand-driven as well as supply driven trainings.

The proposed PCGG will have four sections being (i) Curriculum and Materials Development Section, (ii) Institutional Capacity Assessment Section, (iii) Training, Research, Coaching and Mentoring Section and iv) Administration and Finance Section. Each section will be headed by highly qualified Director who will be recruited through open competition as specified by law and PLGSP will provide the salary of Directors for two year. The PCGG will be headed by Executive Director, who will be recruited through open competition for a period of three year. A performance contract will be signed between PPIU and the Executive Director.

The PCGG will be responsible for delivering training, orientation and CD activities to provincial and local government representatives as well as staff.

All the professional staff of PCGG will be provided with an opportunity to develop their carrier by working closely with specialists of PPIU as well as through higher study and short-term courses in their respective areas. Specialists working in PPIUs will help to transfer knowledge to PCGG professionals so that they will be able to operate CD activities independently within two year.

The programme will support the PCGG to enhance its capacity to organize high quality training on different aspects of local governance. The programme will support to develop standard training manuals, resource books, handouts and course contents/syllabus as common templates for all institutions including I/NGOs and consulting firms engaged in CD of SNGs, so that the message conveyed remains essentially the same throughout the country. Any public entities working on sub-national CD will collaborate and coordinate through PCGG. This will assist in streamlining a coherent CD support at the provincial level. Additionally, PCGG will help to develop and maintain a roster of certified trainers on different thematic areas. The roster of certified trainers as well as coaching and mentoring resource persons will be prepared in coordination and collaboration with I/NGOs and consulting firms engaged in CD of SNGs as well as through public calls.

PCGG is envisaged to be the centre of excellence with a strong presence in the field of management training right from its inception. One of its thrust activities being management training for corporate, co-operative, government, developmental and other agencies in areas like organizational behaviour, personality development, managerial effectiveness, project management, apart from programmes in functional management.

Each PCGG will consist of a core staff of highly qualified and energetic professionals that will provide CD support to local governments in a demand driven manner. All the experts will be posted at least for a period of three years.

Each PCGG will have following expert and support staff:

- Local Governance Expert(1),

- Capacity Development Expert(1)
- Curriculum Development Expert (1)
- Infrastructure Development Expert (1, s/he will also support OCMCM)
- GESI Expert (1)
- Programme Assistant (1)
- Driver (1)

Next to the full-time technical staff, each PCGG will have a roster of certified consultants specialising in the core areas and specific technical topics. All LGs within the province can request the PCGG for specific support. Each province will get a budget for such consultancy services pro rata the number of LGs.

It is considered important for the programme to make flexible provision for support to the provinces.

The group of experts, working in the seven PCGGs, should have a very good knowledge of the meaning and rational of federal systems and believe in its virtues. Ideally, they will become a group of knowledgeable ambassadors of federalism at the local level, which are capable of helping local governments to make the expectations of the new constitution a reality for people on the ground.

Given the importance of this group of people, PLGSP will invest in their technical capabilities by engaging a service provider (university and/or specialized firm) to regularly backstop and/or train the teams on issues of devolution and federalism and decentralized and integrated service delivery.

PCGG will be involved in designing and providing high quality training programmes in the areas of general management, functional management, strategic management, entrepreneurship development, corporate governance, ISO certification and micro enterprise development. It is envisaged that all these programmes will be jointly co-sponsored by international/national agencies, federal/state government departments and LGIs.

4.3.2. Technical Assistance Service Provider (TASP)

The Ministry of Federal Affairs and General Administration in consultation with the Ministry of Finance will recommend the name of TASP for the consideration of DPs. Accordingly, the NSC will appoint TASP for technical support especially for recruiting experts/consultants/advisors and support staff for PCU, PPIUs and the PCGGs. The TASP, under the supervision of the NSC, will be responsible for recruitment of experts (national and international) and support staff as well as for managing the operational budgets for the PCU and PPIUs. The ToR of Technical Assistance Provider is attached in annex 11.

As the quality of the staff in the PCU and PPIUs will be crucial to the success of PLGSP, they should be a creative, innovative and hard-working group with the right mindset that can help push the transition from below. For that reason, the programme will also invest in improving the quality of the professional staff and budget provision is made to have the professional staff periodically backstopped and trained by a renown academic institution or consultancy firm with a long track record in the field of decentralization, local government strengthening and institutional change.

The total cost of the TA will not exceed the maximum of 10 percent of the DPs' contribution and this will be part of the same basket fund. The GoN will do a direct cost-sharing agreement with the TA service provider based on a joint agreement between parties. The regular reimbursable modality for donor financing under JFA will not be applicable to the TA Fund. The participating donors (of TA) will deposit required funds for the first year in advance into a separate 'TA Fund Foreign Current Account (FCA)' with the Government. The donors will replenish every six months the required amount into the FCA from second year of the Programme. The TA Fund will be 'on budget – off treasury' and will be treated in the Red Book as expenses under direct payment system. Funds from this FCA will be advanced to the TA service provider on a half-yearly basis. The subsequent release will be subjected to submitting both financial and progress report by the TA service provider to the NSC.

The TA service provider will enter into a MOU with MOFAGA to provide the required TA that are planned in the Annual Strategic Implementation Plan, which is approved by the respective Provincial Coordination Committee (PCC) and by the NSC. The TA service provider will directly execute the technical assistance on behalf of the Government of Nepal based on the approved ASIP. The TA service provider will report directly to National Programme Director on trimester basis.

The TASC will be formed under the chairpersonship of National Programme Manager. Under Secretaries of the Federal Affairs Section, Planning Section and Administration Section of MOFAGA, as well as the concern Under Secretaries of the Office of the Chief Minister and Council of Ministers will be represented in the TASC. Participating donors may be invited in the TASC meetings. The TA service provider will not be member of this committee but will report to this committee on the progress related to the TA implementation.

The technical assistance part of PLGSP will follow the relevant guidelines approved by the NSC for its execution. It shall follow the internal audit guidelines as per the agreed provisions in the agreement between GoN and TA Service Provider. The disbursements from the TA Fund and its use will be audited by the Office of the Auditor General (OAG) of Nepal.

4.4. Monitoring and Evaluation

4.4.1. Monitoring

Programme monitoring will be guided by reference to the performance indicators in the programme's result matrix and in its monitoring and evaluation framework. The following monitoring arrangements will be used to support the management of PLGSP.

M&E Framework will provide the foundation for programme monitoring and a system of online reporting will be developed.

The M&E framework will be developed and reviewed on a regular basis to determine its utility as a tool for decision making processes.

A baseline survey will be undertaken at the start of PLGSP. After completion of the programme, an end-of-programme evaluation will be undertaken against the baseline indicators in order to evaluate the achievement of programme results.

An independent MTE of PLGSP will be undertaken during the first quarter of the third year of the programme.

Annual Monitoring and Evaluation Plan will be the basis for regular monitoring.

Internal and third-party monitoring, peer review, independent evaluation, joint field visits and external quality assurance teams will be used to provide robust monitoring and evaluation for the programme.

4.4.2. Programme Reporting

The progress being made against ASIP targets will be reported on at least every trimester. The activities to be implemented to achieve PLGSP's results will be detailed in a Strategic Action Plan.

Financial reports and updates against annual work plan must be prepared and submitted on trimester basis to the NSC and the DPs. A comprehensive annual report will be prepared which will include a detailed financial report and a line-by-line report on expenditure against line budget items.

Detailed reporting requirements outlining tables of content, preparation responsibilities, reporting frequencies and roll-up modalities will be prepared.

MOFAGA and DPs will jointly review the progress on regular basis. At provincial level PPIUs will be responsible for collecting, analysing, monitoring and reporting the progress of PLGSP on trimester basis. The PPIUs will have to submit the financial reports, result monitoring reports and any other M&E reports to the NEC and federal PCU as designated to them. The MOU between the MOFAGA and the PGs will specifically mention the M&E requirements from the PPIUs, the CD service provider - the PCGG, and other sub-national agency using funds from the Programme. Failure to report may result in suspension of fund release to the PG from the federal budget.

4.4.3. Independent Monitoring and Quality Assurance

The quality assurance of tasks performed under the programme will be undertaken by a third-party independent service provider who will also get task for independent monitoring of the programme. The National Planning Commission may do its own exercise of quality assurance and monitoring of the programme. The NEC will appoint service provider for quality assurance and independent monitoring. The service provider will submit the quality assurance report to the NEC which will take necessary policy measures based on the recommendations.

4.4.4. Mid Term Review

A MTR of the Programme will be done at the end of Programme Year 2 (late 2020) to take stock of the progress of the Programme implementation and achievement of results as per the Result Matrix of this ProgDoc. The MTR will cover the following areas:

1. Review of ToC – specially the ToC for intermediate outcomes, programme outcomes and intermediate impacts,
2. Review of activities, sub-outputs and outputs with evaluation of their likeliness to contribute towards meeting the programme results,
3. Effectiveness of IPF,
4. Effectiveness of the demand-based activities,
5. Need in change of ToC and programme activities, sub-outputs and outputs,

6. Recommend the needful for changes in programme – funding levels, implementation modalities, or, any other programme structure and
7. Review and recommend a revised 'Monitoring, Evaluation and Learning' framework for the remaining period of the Programme.

The NSC will hire a team of reviewers for conducting the MTR in late 2020. The budget for this activity will be covered from the dedicated funds for MTR from the M&E budget.

4.5. Risks Assessment

Nepal's transition towards federalism is resulting in a complete restructuring of the structures of governance. PLGSP presumes that the political, institutional, administrative and fiduciary pre-conditions necessary for anchoring and implementation of the programme at the federal, provincial and local levels are in place. Indeed, the purpose of many elements of the programme is essentially to build on conditions that are already present and create conditions where these might not exist. Unlike any other nation-wide programme PLGSP has to build on assumptions that will be contingent on the evolving political economy. Namely, that,

- there would be unhesitating commitment on the part of political actors towards the devolution of powers to the provincial and local levels;
- there would be adequate in-built motivation and incentive for the federal bureaucracy to support the devolution process;
- that a large proportion of the staff adjusted to the provincial and local levels would be motivated and incentivized to own and operate under the new administrative and development leadership framework;
- that the elected leadership and executives at the provincial and local levels would be allies and champions of devolution, to own the programme and find the incentive to prioritize strengthening governance at sub-national levels; and
- that the PLGSP creates enough passion and excitement towards a demand driven approach to governance with considerable discretionary space for SNGs.

There are many risks attached to these assumptions. The primary risk is that PLGSP is not a prescriptive programme. Agencies, political and administrative actors used to instructions and guidelines from 'above' will need time to take advantage of their discretion and autonomy. The awareness of roles and responsibilities that the programme is able to create and the synergy it will be able to build will determine the extent to which the risks can be mitigated.

At the outset five major bottlenecks to devolution were identified. Each of these bottlenecks (IG coordination, SNG systems, institutional capacity, empowerment of leadership, and systems for local participation and accountability) are also potential risks in the implementation of the PLGSP.

PLGSP is a completely new programme in its conceptualization. But as a successor to LGCDP the programme comes with certain expectations. MOFAGA may expect to play the central role as it was tasked to play for the LGCDP. PLGSP is a programme that allows space to grow and learn which the essence of federal dispensation is. On the other hand, the limited ownership with the federal ministry may deprive the programme of the much needed drive and leadership to steer it to the right directions.

PLGSP expects spontaneous moves from local governments in terms of social mobilization and enthusiasm for quality service delivery and intends to create a system to facilitate the development in general but does not offer the infrastructure development grants other than

granting some social infrastructures with IPF that were part of the LGCDP. It instead encourages a partnership in capacity building on a cost-sharing basis. This means that the delivery of governance systems and procedures must be their own reward for incentivizing the local government and the citizens, particularly the women and disadvantaged groups, in their support for PLGSP.

Other major risks associated with PLGSP are:

- PLGSP outputs focus on the organizational and technical aspects of programme delivery. Very often in the context of transition it is not the technical but the environment of the political economy that determines whether the outputs can be realized. This environment can change from one local unit or the province to the other. The political actors and leadership at the local, provincial level need to be enthused with programme outcomes. This may not always be under the control of the PPIUs that implement the programme.
- The assumption of the PLGSP is that the programme will by and large be implemented under a JFA (basket fund) with few or no aligned programmes. DPs might be reluctant to align themselves under such a framework. GoN's ability to bring the DPs under JFA can therefore be a significant determining factor.
- Fiduciary risks associated with weak financial management of the programme itself may be there but can be brought under control with timely technical assistance. The larger fiduciary risk might be the inability of the PLGs to institutionalize a robust public finance management system (with adequately trained human resources, procurement system and internal audit) in place.
- The spine of the PLGSP is the PPIU, located in the provincial OCMCM office and the management and staff that make it functional, pro-active and innovative. PLGSP provides a framework, directions and process for programme delivery. Because of the flexibility built into the programme many of the contextual programme implementation issues will have to be addressed at the level of the PPIU. This requires a level of organizational, management and innovative competency that might be difficult to attract at the provincial level. Attracting high calibre human resources with required expertise may become a major challenge of the programme.
- The ToC description has dealt with some pre-conditions for the success of the Programme at impact, outcome or output levels (please see the Annex 1 for detailed matrix on ToC including the description of the pre-conditions). If these pre-conditions are not met, the programme cannot achieve intended outcome results or impacts. These pre-conditions are also a statement of risks associated with this programme which need to be taken care of. Similarly, the assumptions of the ToC are enablers for the success of the programme. If these assumptions will not hold true or the ToC itself will not hold true, the programme results will not be achieved. During the MTR and during ASIP preparation exercise, a review of the ToC also need to be carried out in light of available data or information on evidences which may be relevant to review the ToC.

The risks, summarized in the Table 7 below, are at the threshold of a historic process of change and progress in governance. Not taking the risks is not an option because the federalism enterprise is built on the aspirations of millions willing to overcome the risks, and the risks are well worth taking. The unique historic opportunity that the country has today has to be consciously seized.

Table 7: Risk assessment and mitigation measures				
Item	Risk	Probability	Impact	Mitigation strategy
1.	Variable political environment not conducive to achievement of outputs.	Low to Medium.	High.	<ul style="list-style-type: none"> Increased awareness and motivation on the role of political leadership at all levels to make devolution a success.
2.	Cultural norms and political, bureaucratic mind-sets/habits may not change.	Medium to high.	Medium to High.	<ul style="list-style-type: none"> Increased awareness on roles and responsibilities of key stakeholders. Strengthening and institutionalization of mechanisms for accountability to the grassroots and DAGs.
3.	DPs reluctant to align within the PLGSP for Joint Funding Arrangements.	Medium.	Medium.	<ul style="list-style-type: none"> Better coordination of MOF and MOFAGA with DPs through a regular dialogue process. Flexible programme approach to allow DPs to operate within the PLGSP framework.
4.	Weak financial management in PLGs.	Medium to High.	Medium to High.	<ul style="list-style-type: none"> Strengthened PFM system at all levels. Increased awareness of the importance of robust PFM amongst leadership at sub-national levels. Increased support for strengthening OAG, FCGO capacity (software, training/mentoring, human resource).
5.	Weak local participation particularly of the excluded groups and poor grass-roots accountability.	Low to Medium.	High.	<ul style="list-style-type: none"> Motivate local governments to institutionalize local participation and grass-roots accountability through civil society organizations. Provision of discretionary incentives to pursue good governance practices.
6.	Weak voice of local governments (lack of the recognition of local government associations -LGAs).	Low.	Low to medium.	<ul style="list-style-type: none"> Recognize the LGAs as fora for local governments for collective consultations and representation at provincial and federal levels.
7.	Programme activities cannot be sustained when the programme ends.	Medium.	High.	<ul style="list-style-type: none"> Institutionalize cost sharing mode of capacity building in SNGs. Team up with provincial universities and private research establishments/firms so they build the capacity to undertake substantive programme functions. Encourage PGs to set up observatories for local development in partnership with other agencies. Develop and institutionalize PCGG as centres of excellence at provincial levels in a self-sustained way.

Additional Measures for Fiduciary Risk control: Following additional measures will be taken to further control the fiduciary risks. The detailed mapping of risks and further measures will be worked out separately under a M&E framework exercise for the Programme in its initial period (early 2019).

1. Funding for the Programme will be on the reimbursable basis. The DPs will reimburse GoN following receipt of financial reports and approved progress reports by NEC. The third trimester payment will be made upon receiving signed T3-FMR along with approved annual progress report by NSC.
2. Fund reimbursement will be based upon the expenditure in the project and not based upon advances given to the Provincial Consolidated Funds.
3. Any expenditure which is 'ineligible' and any advances which have not been settled/accounted for, will not be considered as reimbursable by the DPs.
4. No funds from the Programme will be transferred to local governments or DCCs except under IPF or demand-based activities co-funded by the LGs. All expenses under IPF or demand-based activities (sub-projects) will be the responsibility of PCU, PPIU and PCGG.
5. A separate set of risk mitigation measures will be designed specifically for the disbursements from the IPF and demand based co-funded activities – which will involve funding/fund transfers to the local governments.

5. CHAPTER 5: PROGRAMME FINANCING

5.1. Programme Budget

The estimated total budget of PLGSP is \$130 million. Of the total fund (\$130 million), the GoN will contribute \$30 million and DPs will contribute \$100 million. A significant portion of the fund amounting to \$ 104.5 million (80.3%) will be used for strengthening sub-national institutions (outcome 2). Of the total fund 48.3 % and 39% will be spent for provincial and local governments while 12.7% will be spent for federal government.

A portion of the demand based institution building and capacity development amounting to \$25 million will be used as IPF from the second year of the programme to support innovative good governance practices along with innovative projects like: participatory planning, use of ICT, citizens' monitoring, GESI, PFM and accountability mechanisms or on innovative practices to bring qualitative reforms in service delivery in the social sectors. The provincial and local governments will need to co-fund the demand-based projects.

The IPF size is expected to increase significantly in late years of the programme through additional financing by the DPs and the GoN once the IPF is institutionalized at provincial levels and start delivering results on innovative practices as expected from it.

About 7.7 percent of the total budget will be used for technical assistance. The rest of the funds will be used for policy support, grants for institution building, general grants for CD (supply driven), initial infrastructure investments in the PCGGs and administrative and other programme costs including the M&E expenses. The following tables 8, 9, 10 depict the proposed contributions from PLGSP partners, modalities of funding and recipients (beneficiaries) of PLGSP funding:

Table 8: Proposed contribution of fund from PLGSP partners	
Agency	\$ in million
GoN	30,00
DPs:	
DFID	28,00
SDC	10,00
Norway	20,00
EU	40,00
UN agency	2,00
Sub – Total of DPs:	100,00
Total	130,00

Table 9: Allocation of Budget by Levels of Government

Levels of Gov.	Major Areas/Activities	Budget (US\$) Million		Implementing Agency	Remarks
		Programme Budget	Technical Assistance		
Federal	Policy , strategy, guidelines and framework development	2		MoFAGA	
	Public Financial Management (PFM) : Implementation of SUTRA and Local PFM	9		MoFAGA/FCGO	
	Support to restructured LDТА	0.5		MoFAGA	
	Strengthening intergovernmental administrative mechanism	1.2		MoFAGA	
	IPF system development	0.3	3.5	MoFAGA	
	PCU operation cost	-		MoFAGA	
	Sub total	13	3.5		
Province	Provincial policy, strategy, guidelines and framework development	5		OCMCM/ Sectoral ministries	
	Capacity Dev. Program Province & Local level	17		PCGG	
	Capacity Dev. of PPIU staff.	1		PPIU	
	Modernized systems for PG: GRB,GESI, MTEF, IT, database &reporting system	1.3		PPIU	
	Renovation of LDТА (Provincial Center for Good Governance)	7		PCGG	
	Innovative Partnership Fund (To be mobilized at local level)	25	6.5	PPIU and PCGG	
	PPIU and PCGG operation cost	-			
	Sub total	56.3	6.5		
Local	Local policy , strategy, guidelines, framework &institutional development.	37			
	Local Government Institutional Self Assessment (LISA)	3		Local level	
	Strengthening Planning, MTEF& IT based adm. system	8			
	GESI, GRB and Accountability tools	2.7			
	Sub total	50.7			
	Grand total	120	10		

Following Table 10 furnishes the estimates of the budget according to the outcome areas including the TA. As can be seen in the table, Outcome One on policy support and IG mechanisms has 9.5 percent of the funds, Outcome Two on institution building - IB (this includes the institution building of PCGG and the IPF) has 52.3 percent of the funds while the Outcome Three on capacity CD of individuals has 33.9 percent of the estimated funds.

Table – 10: PLGSP Allocations in the Three Outcome Areas		
Outcome Area	Funds allocated including TA (in \$ million)	Percentage of total resources
Outcome Area One: Policy Support and IG mechanisms	8.5	6.5
Outcome Area Two: Institution Building (IB) Support (includes the IPF)	104.5	80.4
Outcome Area Three: CD (including demand driven)	17.0	13.1
Total	130	100

5.2. Funding Arrangement

PLGSP is a government owned and centrally executed programme. It will adopt a 'on budget on treasury' model of funding. The DPs will provide funds for PLGSP as programme grants on a reimbursable mechanism as followed in LGCDP. The GoN and funding DPs will sign a JFA on the basis of this agreed ProgDoc. The individual DP may have bilateral agreements with the GoN for executing the JFA and the ProgDoc on their part. The accounting, reporting and auditing procedures of the GoN will be followed. It is envisaged that 92.3 percent (\$120 million) of the overall budget will flow as cash (including reimbursable) through 'on budget on treasury system' and 7.7 percent (\$10 million) will be spent through on budget off treasury for payments under the Technical Assistance. Of the \$120 million cash financing part of the programme budget, 89.2 percent (\$107 million) will be spent at the provincial and local levels for outputs and activities benefitting the provincial and local level governments and 10.8 percent (\$13 million) will be spent at the federal (central) level. The Technical Assistance (TA) support will also serve the federal and provincial levels as 65 percent (\$6.5 million) will be diverted to provincial levels (benefitting both provincial and local governments) to support PPIUs, PCGGs and other agencies of provincial/local governments. The Programme outputs and their activities aimed at supporting exclusively local governments are estimated to receive 42.3 percent (\$50.7 million) of the budget (excluding TA).

The PGs will be highly encouraged to allocate funds from their own sources to this programme, especially for the operation of the PCGGs. The local governments will also be encouraged to set aside some funds from their own sources for the activities affiliated to this programme, especially for the purposes of their institution building and CD. The local governments will be encouraged to set aside adequate funds for the units or committees that they will establish for capacity need assessment and formulating/executing CD Plans (such as CDUs or Capacity/Institution Building Committee). Both the provincial and local governments will have to partially finance their demand-based projects and IPF projects under the PLGSP. The level of contribution of the PGs for meeting the objectives of the PLGSP will be dealt in the MoUs between the MOFAGA and the PGs for the purpose of executing the PLGSP programme in the provinces and subsequently in the proceedings of the NSC and PCCs.

5.3. Fund Flow

The following fund flow mechanisms will be established and operationalized:

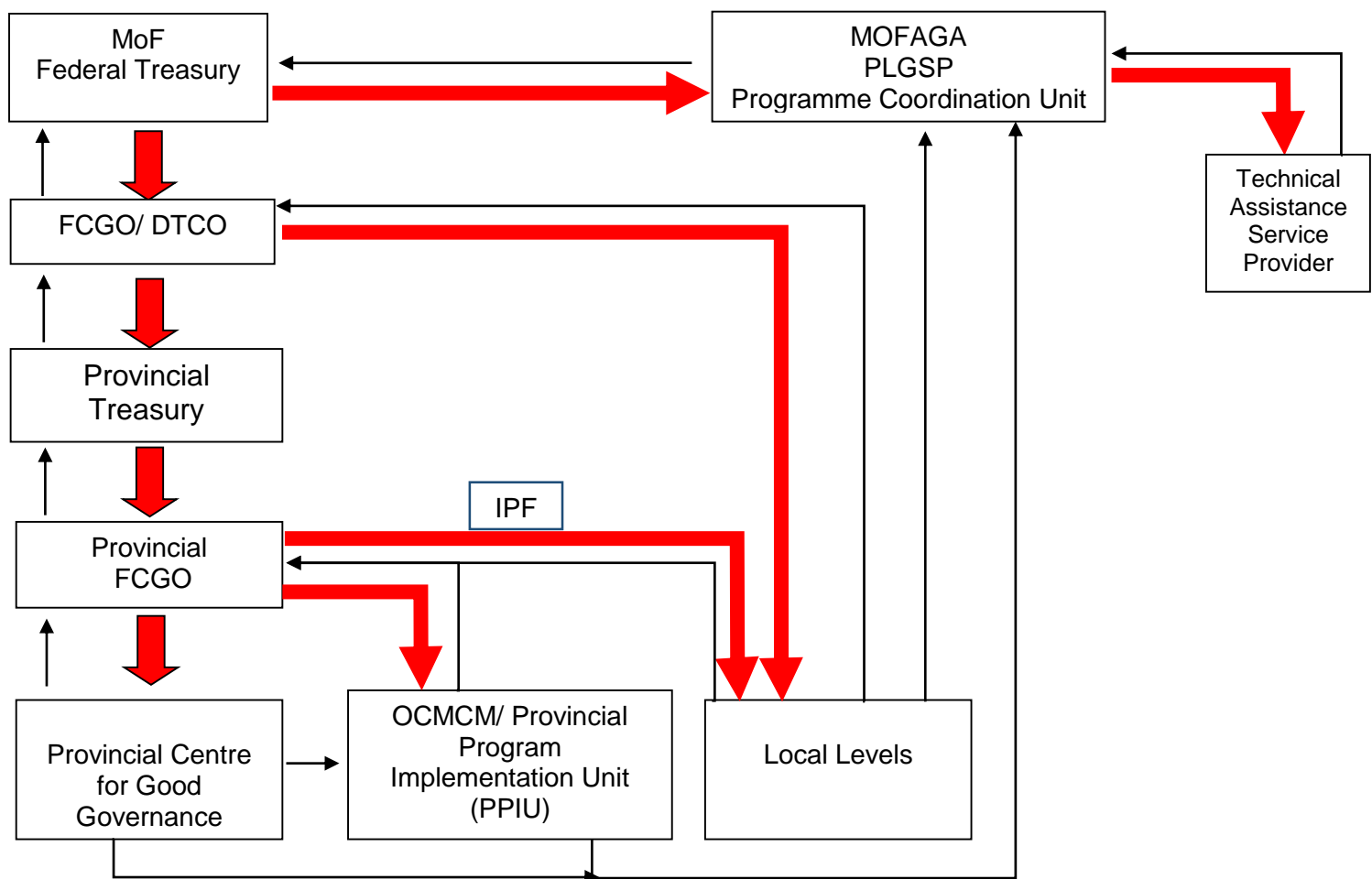
- JFA partners will channel their funds to the GoN's FCA and the funds will be accounted for in the Red Book of the MOF. JFA funding will use FCGO's regular fund flow mechanisms.
- The PLGSP funds will be shown in the MOF – Red Book in three parts: (a) funds to be spent at the federal level '*in cash*' will be presented as the line-item budget in the federal budget; (b) funds that will be spent for '*technical assistance*' (benefitting either federal agencies or the sub-national agencies) will be presented as '*direct payment*' in the source book of federal government ; and, (c) funds that will be spent at the Provincial levels (either through the PPIU or through the PCGG) will be presented as '*block conditional grants*' to the PGs in the sub-national budget of the federal government. The PGs will show the PLGSP budget in their Red Books as the line item budget which will include the conditional grant received from the federal budget along with their own contributions to the programme in provincial budgets.
- The PCU will make deliberations on the provincial annual programme and budget under the PLGSP in consultations with the PPIUs on their funding requirements. For this

purpose, the PPIU will need to present their approved annual work plan to the PCU at the MOFAGA in the federal government. Annual Work Plan of the PPIUs should be approved by the respective PCCs chaired by the Hon'ble Chief Minister or minister designated by Hon'ble Chief Minister. PPIUs will forward the approved annual work plan to the PCU on time.

- The PCU will submit the national annual work plan and budget to the NEC which shall be chaired by the MOFAGA Secretary after integrating the seven provincial annual work plans and budgets along with the 'federal only' annual work plan and budget into one annual plan and budget to meet the objectives of the programme. The NEC will approve the annual work plan and budget upon the basis of policy and strategic guidelines given to it by the NSC and issues raised or policy decisions made in the deliberations of the PCCs. The approved annual program and budget of the PLGSP will be submitted to the MOF and NPC for inclusion in the annual federal and sub-national budget and programme.
- The annual budgeting cycle will follow the regular process of MTEF of the GoN.
- The IPF will be provided on annual basis to the PGs, after its operationalization as an integrated programmatic part of the provincial PLGSP budgets. The proceeds from the IPF will be utilized to co-finance the approved projects of the provincial and local governments as per the mandates of the operationalization of the IPF. The local governments receiving funds from the IPF will receive it as a conditional grant from the respective PG after the approval of the PCC and the deliberations in the respective PPIU on the proposals submitted by them. Similarly, the aspiring provincial agencies will have to submit their proposals for co-financing from the IPF to the PPIU. The PCC will approve the proposal for IPF. The concerned local governments or the provincial agencies will bear the responsibility for audits of the finances received from the IPF. The PCU will prepare guidelines on the use of competitive fund. These guidelines will be approved by the NSC on the recommendation of the NEC. The PPIUs and the PCCs will follow these national guidelines and they can add more value to the use of funds from the IPF by also following supplementary guidelines developed and approved by the PCCs.

The following Figure 3 on 'Fund Flow Diagram' presents the fund flow mechanisms, decision making mechanisms, reporting mechanisms, TA flow mechanisms and the result flow mechanisms of the PLGSP:

Figure 3: PLGSP Fund Flow Diagram



Legends

Fund Flow:



Reporting:



5.4. Financial Management

The following mechanisms will be adopted for the financial management of PLGSP.

- Local and PGs receiving funds from the PLGSP will follow GoN planning, budgeting, procurement, accounting, auditing and reporting procedures. The PPIU will need to report to the PCU (central level) for the financial reports without which the funds for next trimester will not be released to the provincial treasury from the federal budget.
- Central level GoN agencies including MOFAGA and the line ministries receiving funds from PLGSP will follow the GoN procurement act and rules, GoN financial reporting and audit mechanisms for their financial management of the programme.
- The procurements made under the TA component of the programme will follow the procurement rules of the 'TASP' and all such financial proceedings will be reported to the PCU. The budget for the TA will be shown as direct payment in the Red Book and will be audited by the AGO also along with the audits done by the agencies responsible to audit the financial transactions made by the Service Provider.

The following Table 12 presents the PLGSP tentative budget with annual breakdowns and up to the output level.

[illegible]

ANNEX 2: GUIDELINES ON MAINSTREAMING GESI IN GOVERNANCE

AREA	THEMATIC ISSUE	HOW TO MAINSTREAM
SYSTEMS	Institutions	Establishment of GESI architecture for ensuring focus on GESI issues
	Administration & Management	GESI friendly PSC exams
		HR policies for ensuring gender parity and diversity for GESI responsive change management of LGs
	Public Finance Management	Gender disaggregated analysis of incidence of revenue-raising and public expenditures, impact of budget on time-use, gender-aware budget statements and gender-aware medium term frameworks of economic policy
	Delivery of Services	Preparation of a menu of essential services that priorities women and DAGs
	GESI Data Management	Collection and analysis of GESI disaggregated data for planning, budgeting, monitoring and reporting
LEGAL FRAMEWORKS	Laws & Policies	GESI analysis of laws and policies for reforms and legislations that impact women and DAGs
	Rules & Regulations	Development of GESI sensitive rules and regulations, standard operating procedures and guidelines for a uniform approach to addressing GESI issues
CAPACITY BUILDING	Generic	Development/adaptation of GESI and governance training manual and pedagogic materials for building capacity of all Municipal staff, elected representatives and communities
	Targeted Capacity Building For Staff and Elected Representatives	Development/adaptation of GESI and governance training manual and pedagogic materials on GRB, GESI analysis and data, GESI mainstreaming, GBV/VAW and Sexual Harassment, Gender and Justice for relevant Municipal staff and elected representatives (men and women)
PARTICIPATION & PARTNERSHIPS	Citizens (Esp. Women & DAGs)	Development of guidelines/orientation for ensuring effective participation of citizens especially women and DAGs in planning and budgeting processes
	Civil Society Groups	Identification and mobilization of civil society groups for advancing GESI issues in governance
	Interest Groups	Entering into a memorandum of understanding with organization of women, <i>dalits</i> , ethnic, indigenous differently-abled, LGBTQI working on GESI and development issues
	Media	Inviting media to meetings and field visits to encourage wide coverage and reporting on GESI issues
	DPs/INGOs/NGOs	Partnering with multi-lateral and bi-lateral agencies to implement
PLANNING & PROGRAMMING	Designing/ Formulation Programmes	GESI analysis for identifying gaps and challenges through use of GESI disaggregated data and qualitative information
	GRB	Use of GRB methodology for adequate budget allocation in programmes
	Indicators	Development of quantitative and qualitative GESI indicators to measure progress towards gender responsive SDGs

AREA	THEMATIC ISSUE	HOW TO MAINSTREAM
IMPLEMENTATION	Tracking Results and Expenditures	Use of qualitative GESI indicators and OECD-DAC gender coding to measure progress to track progress towards identified results and expenditures
	Monitoring	Periodic monitoring visits to examine challenges and success of implementation of plans and programmes
	Reporting	Development of reporting format for regular reporting
	Reviews	Internal and mid-term reviews for providing empirical evidence and effecting changes in plans and programmes as per recommendations
INFORMATION & COMMUNICATION	Timely and Relevant Information	Information on essential services, rules and regulations to be disseminated in local languages
	QQTBP (Quantity, Quality, Timely, Beneficiaries, Place)	Information on decisions that impact local populace especially women and DAGs to be communicated promptly on the principle of right to information and not on a need to know basis
FEEDBACK	Public Audits and Hearings	Organize public audits and hearings critical issues related to good governance so that the public are made aware and can claim their rights as rights-holders
	Citizen Scorecard	Development of a Citizen-Scorecard for collecting feedback on LG service delivery for improving LG performance
	Social Accountability Tools	Use of Gender Safety Audits for ensuring gender based violence free municipalities
ACCOUNTABILITY & TRANSPARENCY	Council Meetings and Reporting	Ensuring inclusion of the GESI agenda in meetings and reporting
	MCPM/MISA	Incorporating GESI dimensions in all aspects of LG self-assessments to locate GESI high on the governance agenda
	Compliance to International Commitments	Periodic GESI status reports to examine progress on the implementation of CEDAW, CRC, ICPD, Eliminating All Forms of Racial Discrimination, various ILO Conventions, UN Convention on the Rights of Persons with Disabilities, Declaration on Rights of Indigenous Peoples including UPR recommendations
	Complaint Handling Mechanisms	Development of a user-friendly and easily accessible grievance redress mechanism and training Municipal staff to respond to grievance and documentation of responses
KNOWLEDGE MANAGEMENT	Evaluation and Learning	Development of GESI evaluation tools and documentation of best practices and lessons learnt
	Research	Commission research/assessment on topical issues for revealing the extent and nature of gender inequality and social exclusion for policy advocacy and programming

ANNEX 3: INDICATIVE MENU OF SERVICES FROM PROVINCIAL CENTRE FOR GOOD GOVERNANCE (PCGG)

Key Themes	Support areas
Leadership and Vision	<ul style="list-style-type: none"> • Leadership enhancement <ul style="list-style-type: none"> • LG vision and mission / facilitating Joint visioning exercises • Define municipal functions (sector focus) for local situation • The functioning of a local government - Relationship and roles assembly and administration • Managing a change process <ul style="list-style-type: none"> • Understanding of shifting contexts and relevant trends (external factors) • Confidence to change, whilst leaving space for diversity, flexibility and creativity • Use of opportunities and incentives, the acknowledgment of mistakes and stimulation of discipline for learning • Have systems in place for evaluation & learning also for senior management • Municipal governments as part of a society <ul style="list-style-type: none"> • The municipality and other actors - Alliances with external stakeholders • How to organise and use citizen feedback • Effective resource mobilisation (non-financial) • Municipal institutional self-assessment <ul style="list-style-type: none"> • Special assistance with organising MISA • Preparing a CD action plan on the basis of MISA results • The Municipality and its role in sector service delivery <ul style="list-style-type: none"> • Responsibilities • Planning at municipal level • Local implementation • Citizen charters
Staff and Staff management	<ul style="list-style-type: none"> • Streamlining/rationalising of Municipal staff • A properly functioning HR department/Support the Municipal HR function • Staff performance assessments / discussions around staff performance • Course on Human resource management for Heads of departments, including the following topics: <ul style="list-style-type: none"> • Action oriented leadership • Credibility and reliability • Leadership's integrity and acceptance by staff • Operating principles • Motivation/incentivising of LG staff (not financial) • Multi-tasking, IT savvy admin management • Preparation and effective monitoring of work-plans • Developing realistic performance improvement plans • Conducting meetings effectively / making and using minutes
Participatory Planning and budgeting	<ul style="list-style-type: none"> • Management of the annual planning and budget cycle • Training on planning cycle and approaches to inclusive planning • Facilitation of municipal level planning sessions (administration, assembly, joint) • Effective and efficient data collection and data use (including data base

Key Themes	Support areas
	management)
Budget execution	<ul style="list-style-type: none"> • Transparent budgeting and budget presentation • Supplementary / tailor made assistance with setting up the Open Local Government Accounts platform • Effective reporting to the assembly • Reporting formats and use of various communication channels (including social media)
Financial management	<ul style="list-style-type: none"> • Procurement rules and regulations /Roll out SuTRA and Local level PFM • Asset management • Financial reporting and financial statements • Assistance with addressing audit queries
IT	<ul style="list-style-type: none"> • Innovative experiences in municipal service delivery; use of smart technology in delivery of services, monitoring; innovative experiences in local economic development etc
Attitudes and Ethics	<ul style="list-style-type: none"> • Strategies to enhance inclusive planning • Conducting a GESI analysis • Preparation of the GESI status report • Integrity and Anti-corruption strategies
Specific technical topics related to municipal mandates	<ul style="list-style-type: none"> • Local resource mapping and resource assessment • Methods, experiences and strategies for local revenue generation and resource mobilization • Localization of SDGs • Methods and process of Local and Regional Economic Development (LED/RLED) • Land use, Zoning, Urban planning • Inter municipal cooperation • Shared infrastructure (solid waste management, energy systems, higher order services/facilities) planning among local governments to take advantage of scale economies • Disaster Management
Participation and Accountability	<ul style="list-style-type: none"> • Assistance with preparation of a local action plan to enhance participation and accountability - Making a choice between various mechanisms and prepare an action plan <ul style="list-style-type: none"> • Voice mechanisms <ul style="list-style-type: none"> - Open budget meetings - Meet and greet the assembly members • Stakeholder feedback mechanisms <ul style="list-style-type: none"> - Scorecards - Town hall meetings

Note: The above services (which will all require few days up to few weeks) will mainly be provided through roster consultants after a municipality makes a specific request. PCGG will develop a mechanism to make demands for consultancy support. A request for support could very well be the result of initial contact with the core staff of the PCGG that is always available for advice, coaching and mentoring on any of the above topics as well as others falling within the purview of PLGSP.

ANNEX 4: LOCAL GOVERNMENT INSTITUTIONAL SELF ASSESSMENT (LISA)

1. Background

The Constitution of Nepal has given legislative, executive and judicial rights to local government. In this context, it is necessary to understand the existing institutional capacity of local governments to carry out judicial, executive and legislative responsibilities in line with constitutional provisions. Moreover, it is necessary for local governments to understand their institutional strengths and weaknesses regularly to ensure that they have the capacity to carry out constitutional responsibilities effectively. As local governments are autonomous, it would be relevant for them to do institutional assessment by themselves. The LISA technique is developed to introduce and institutionalize self-assessment technique at local level. The LISA will help local governments to identify areas where they have to improve their institutional capacity. This guideline will be refined based on findings from pilot testing in some local governments.

2. Justification

Following are justification of self -assessment:

- As local governments are at different stages of institutional development, there is a need to understand their strengths and weaknesses to deliver basic services to citizens effectively.
- As there is no basis with local government to formulate CD plan and policies there is a need of assessment system that provides basic information to identify areas where there is a need to improve.
- Local Government needs information to take necessary actions to improve service delivery.
- Self-assessment helps local governments for healthy competition in service delivery.

3. Objective

Following are the main objectives of LISA:

- To help the local governments to assess their strengths and weakness to carry out responsibilities in an accountable manner as per the provision in the constitution.
- To help local governments to develop the strategic work plan and its implementation to use resources in effective and efficient way.
- To identify the areas of investment for local governments in institutional development.
- To help in establishing the competitive local governments and promote good practices.

4. Process

Following are the process of LISA:

- Orientate elected representatives and local governments' staff on LISA.
- Engage elected representatives and heads of departments, units and sections as well as staff of LG to conduct LISA.
- Adopt a participatory approach and assign a focal person for each of the topics of LISA.
- Discuss the findings of LISA in the EC meeting and get approval from the EC.
- Disseminate LISA results through various media.

5. Self-Assessment Sectors and Indicators

LISA will be carried out on the basis of overall situation, process situation and quantitative situation of governance related sectors. Each sector consists of number of indicators. For making self- assessment simple and users' friendly, indicators have been made specific, measurable, attainable and relevant as far as possible. Indicators are given in Annex 1.

LISA is based on local governance related ten thematic sectors which are as follows:

1. Governance Process
2. Administration and Organization
3. Annual Budget and Plan Formulation
4. Fiscal and Financial Management
5. Service Delivery
6. Judiciary
7. Physical Infrastructure
8. Social Inclusion
9. Environment Conservation and Disaster Management
10. Cooperation and Coordination.

Each sector will be assessed in terms of overall situation, process situation, and quantitative situation.

- Overall Situation: Overall situation indicated general scenario of specific subject.
- Process Situation: Process situation gives how the Act, regulations, and guidelines adopted by LG.
- Quantitative Situation: Quantitative situation indicates achievement in specific subject.

6. Indicators and Weightage

A total of 100 indicators has been identified for 10 thematic sectors. As the indicators have been identified on the basis of responsibilities of local government, the number of indicators for each thematic sector differs. Each indicator has been assigned score with maximum of one point. Weightage of indicators is given in Annex 2.

Weightage for overall situation, process situation, and quantitative situation are shown below:

Overall situation is classified into four conditions: Condition 1, Condition 2, Condition 2, Condition 3 and Condition 4. The condition 1 is assigned 0.25 weightage, Condition 2 is assigned 0.50 weightage, Condition 3 is assigned 0.75 weightage and Condition 4 is assigned 1 weightage. Evaluator needs to select either of the four condition which describes best situation of LG.

Process situation and quantitative situation are classified into three conditions viz. poor, satisfactory and good. Evaluator needs to select either of the three conditions which describes best situation of LG. The poor condition is assigned 0.30 weightage, satisfactory is assigned 0.60 weightage and good is assigned 1 weightage.

7. Quality Assurance

Evaluators can use their discretion to assess the situation and condition of the thematic sectors but, it should be supported by report, document, meeting minutes, publication and official circulars.

8. LISA Apps

In line with the policy towards adoption of new technology at the local level, an IT based application has been developed based on the above methodology. LISA is developed on a web-based platform.

ANNEX 5: TERMS OF REFERENCE NATIONAL STEERING COMMITTEE

1. Background

The GoN is committed to improving people's standard of living through citizen-centric governance and effective service delivery based on democratic values and rights-based development. The promulgation of the constitution of Nepal on 20th September 2015 is a paradigm shift on system, structure and processes of sub national governance in federal set up. The constitution recognizes federal, provincial and local level as a main state structure and governments at all level shall exercise state power as provided by the Constitution and law.

The Constitution stipulates various reform initiatives to be undertaken by federal, provincial and local level. The rural municipalities and municipalities in total will have 36,639 elected representatives of which 13,360 will be women representatives and 1,751 *Dalit* and marginalized representatives. A policy and legislative framework in the form of Local Government Operation and Management Act 2017 has been enacted by the Legislative Parliament. A Functional Unbundling Report has been prepared which sets out responsibilities allocated to Provincial and Local Governments, as per the constitution.

Federalism requires all the devolved sectors to work in coordination, which is very different to a unitary system of governance. Implementing the constitution of Nepal means that all the key agencies or arms of governments work together in a coherent manner to support the provincial and local governments to carry out their executive and concurrent responsibilities. This requires an integrated approach which is in line with "whole of government concept".

The 'whole of government' and state restructuring approaches have not been properly internalized by all central agencies, not least because there is no clear policy statement agreed by all relevant stakeholders. This leads to the massive need for reorientation, training, re-role setting, motivating and CD of the staff of federal and sub-national agencies. Similarly, the freshly elected 36,369 office bearers of the new LGs and future PGs will also need orientation courses and capacity building trainings in a massive way. This draws the attention of this transition programme towards channelling adequate resources for capacity building and institutionalization of the new structures. This not only creates the basis but also shows the future path for any support programme (PLGSP) which will be formulated to support the SNGs and state restructuring.

The PLGSP is a national flagship programme of the GoN and DPs. The PLGSP is intended to be a programmatic framework and common platform for CD of all the SNG structures in Nepal. The key objective of the programme is to have a functional SNG structure and systems that will ensure effective service delivery to citizens. The purpose of the programme is to improve sub national governance for effective service delivery and citizen empowerment. It provides an overall framework for strengthening decentralization, devolution and improved sub national governance systems for the effective delivery of basic services and the empowerment of citizens, especially women, children and DAGs and their institutions. It has been designed as a framework programme with three outcomes and 14 output areas.

The programme is being jointly financed by the GoN and DPs under a JFA². The GoN and DPs, collectively referred to as the JFA DPs (JFADPs), are signatories to the JFA. There are two decision making mechanisms for this programme: one at the national level and the other at the provincial level. The National level decision making body is called NSC and is the highest decision-making body of this programme. The other decision-making body is the PCC. NSC is tasked to provide strategic policy guidance to the overall programme as well as analytical support, quality assurance and programme monitoring, reviews and evaluations of PLGSP, including a MTR, thematic evaluations and an independent evaluation towards the end of the programme period.

The ToR set out the principles, aims, tasks and responsibilities of the NSC.

2. Structure and Organization

The NSC at the federal level will provide guidance and oversee PLGSP implementation. The Hon'ble Minister of the Ministry of Federal Affairs and General Administration will chair the NSC, whilst the National Programme Director/Joint Secretary will serve as member secretary. The Hon'ble Member of the National Planning Commission, Secretaries of MOFAGA, OPMCM, MOF, FCGO, representatives of the PCCs as designated by the Hon'ble Chief Minister (7), Mayor (2) Deputy Mayor (2), Chair (2) and Deputy Chair (2) of Rural Municipality with at least four women members as designated by Hon'ble Minister of MOFAGA in consultation with local government representative organizations will serve as members. The steering committee may invite other officials and focal points of DPs as and when required. This Steering Committee will steer overall policy agenda and support activities for institutionalization of federalization/devolution process and plans of the government and provide guidelines to the PLGSP management on overall policy coordination between various agencies of the government. The National Programme Director/Joint Secretary of MOFAGA will be member secretary of this Steering Committee.

²Joint Financing Arrangement for Provincial and Local Governance Support Programme (PLGSP) is an agreement, between the GoN and the UK Department for International Development, the Swiss Federal Department of Foreign Affairs, the Norwegian Ministry of Foreign Affairs, the European Delegation, and the UN agencies.

The Steering Committee will meet once every six months and at other occasions as and when required.

3. **Name**

The name of the Committee will be 'NSC' and will be the apex decision making entity of the PLGSP.

4. **Membership**

- Chair: Hon'ble Minister of MOFAGA;
- Members: Hon'ble Member of NPC, Secretaries of MOFAGA, OPMCM, MoF;
- Representatives of the Provincial Coordination;
- Committees (7) as designated by the Chief Minister;
- Mayor (2) Deputy Mayor (2), Chair (2); and
- Deputy Chair (2) of Rural Municipality with at least four women members as designated by Hon'ble Minister of MOFAGA in consultation with local government representative organizations.
- Member Secretary: NPD/Joint Secretary, MOFAGA.

5. **Chairperson**

The Chairperson of the NSC is Honourable Minister, Ministry of Federal Affairs and General Administration, who acts as the executive head of the policy making committee of PLGSP. He or she will on behalf of GoN will ensure that the programme is guided and implemented as per the letter and spirit of the programme document and will provide all necessary strategic guidance to the programme.

6. **Secretariat**

The PCU will act as a secretariat for NSC, which is responsible for convening the NSC meetings and providing the secretariat support. Following are main responsibilities of the secretariat:

- The Secretariat liaises with federal agencies and DPs and informs the government/DPs on the activities and results progress of PLGSP. It circulates policy updates of the programme to all DPs.
- The draft agenda of NSC meetings is drawn up by the Secretariat in consultation with the Chair and DP Chair, and is circulated with the final minutes of the previous meeting to all NSC members one week prior to the forthcoming meeting.
- The Secretariat is responsible to prepare the Aid Memoire of the NSC meeting and circulate it to the member for their inputs within a week.
- The yearly schedule of meetings will be issued in advance by the Secretariat to members of the NSC to facilitate forward planning.

7. **Periodicity of Meetings**

The NSC will meet once every six months. The first meeting will be in April/May of each year, which will approve the ASIP and review the progress made in the previous year. The second meeting will be in November/December which will review the progress made so far on the Annual strategic Implementation plan. Extraordinary meetings can be called by the Chair in case of issues requiring immediate attention and decision-making.

8. **Objectives**

The overarching objective of the NSC is to support the GoN in strengthening decentralization and sub national government in Nepal.

The specific objectives are:

- The NSC is the key decision-making body of the sub national governance programme. It ensures aid effectiveness, including harmonization and alignment of development assistance in support of the GoN with regard to the implementation of PLGSP. In addition, the NSC aims to promote strategic collaboration with GoN to strengthen the support to decentralization and sub national governance.
- The NSC aims to promote transparency between the DPs and the GoN and among all bilateral and multilateral DPs and affiliated partners involved in governance programmes, projects and activities in Nepal. It also intends to have common vision within the PLGSP in regard to SNG issues particularly related to CD.
- The NSC intends to reduce transactions costs for both the GoN and DPs and to ensure policy and implementation coherence in all governance programmes supported by DPs and the Government.

9. The Member Secretary:

- 9.1 In coordination with Chair, the Member Secretary will act as facilitators for communication and information with the GoN on matters concerning the implementation of the PLGSP.
- 9.2 Ensure proper facilitation, follow-up on the implementation of the PLGSP and the JFA and on specific issues identified by the GoN (or by the DPs) in regard to planning, implementation and monitoring of the PLGSP. However, he/she does not have any authority to make policy and strategic decisions on behalf of the PLGSP.
- 9.3 He/she will represent at the NSC, NEC, Fiduciary Risk Reduction Mitigation Sub-committee meetings and TASC.
- 9.4 Based on the decision of the NSC will initiate the draw-down of funds from FCA in writing, as mentioned in the JFA.
- 9.5 He/she will ensure the proper follow up of the final audit report.
- 9.6 He/she will facilitate the Mid-term review, focused evaluation and other high-level strategic planning reviews, evaluation together with the GoN.

10. The NSC as a whole will:

- 10.1 Ensure that there is coherent programme organization at both the national, provincial and local levels;
- 10.2 Monitor and control the progress of the programme activities at a strategic level considering the changes influenced by the programme on any baseline investments;
- 10.3 Ensure that risks are being tracked and mitigated as effectively as possible;
- 10.4 Promote and maintain focus to deliver the outputs from the programme;

- 10.5 Ensure that there sources from the program suppliers are readily available;
 - 10.6 Ensure that the expected programme outputs and related activities of the project remains consistent with the perspective of programme outcome and beneficiaries;
 - 10.7 Facilitate national policy and institutional changes necessary to engender success in programme activities; and
 - 10.8 Bi-annually review programme progress and make managerial and financial recommendations as appropriate, including steps that need to be taken by the PCU, review and approval of annual reports, budgets and work-plans.
11. NSC will be the supreme decision-making body of PLGSP and will provide broad policy guideline and strategic polices with regard to implementation and achieve the set goals of PLGSP.
 12. NSC will approve the ASIP of PLGSP. The ASIP will have the consolidated seven Provincial Annual Strategic Implementation Plans and the part that supports the central level activities.
 13. NSC will coordinate and make necessary policy decisions regarding any other institution building or CD support from other sources, including the DPs who have not joined the JFA of the PLGSP – to better align and synergize the results to meet in order to meet the objectives of the PLGSP and to avoid any resource overlaps.
 14. NSC will follow up on the action taken on the decisions made in the previous NSC meetings.
 15. NSC will provide over all guidance to PSC through the annual work plan and strategic policy guidelines, and PSCs shall work within the broad strategic policy guidance provide through the NSC.
 16. Individual members may propose issues to be included in the agenda of NSC meeting. These proposals may be made at prior NSC meetings or directly to the Secretariat at least one week prior to the following meeting.
 17. The NSC may appoint technical committees from staff in their respective organizations to analyse and recommend potential interventions on specific issues.
 18. Conclusions will be formulated and agreements made on the basis of consensus. The NSC will agree amongst its members how work will be taken forward, particularly with regard to follow-up discussions with Government, notably concerning programme implementation, fiduciary matters and audit issues. They will agree to and provide joint inputs/feedback/statements to the PLGSP management.
 19. When needed, the NSC will carry out field missions in order to assess the programme's implementation. Feedback will be provided to the PLGSP Management through the above-mentioned channel.
 20. **Arbitration**

The NSC Chair will be the final arbitrator of the programme. Any dispute, controversy or claim arising out of, or in relation to, this programme, including the validity, invalidity, breach, or termination thereof, shall be resolved by arbitration, where the final decision of the NSC chair will be final.

ANNEX 6: TERMS OF REFERENCE FOR NATIONAL EXECUTIVE COMMITTEE

1. Background

The Provincial and Local Governance Support Programme (PLGSP) is a national flagship programme of the GoN and DPs. The PLGSP is intended to be a programmatic framework and common platform for CD of all the sub national governance structure in Nepal. The key objective of the programme is to have a functional sub national governance structure and systems that will ensure effective service delivery to citizens. The purpose of the programme is to improve sub national governance for effective service delivery and citizen empowerment. It provides an overall framework for strengthening decentralization, devolution and improved sub national governance systems for the effective delivery of basic services and the empowerment of citizens, especially women, children and disadvantaged groups (DAGs) and their institutions. It is designed as a framework programme with three outcomes and thirteen output areas.

The ToR set out the principles, aims, tasks and responsibilities of the NEC.

2. Structure and Organization

The NEC will be formed under the chair of Secretary of MOFAGA with representatives from OPMCM, NPC, MoF, FCGO, MOUD, MOEST, MoHP, MoALD, Ministry of Women, Children and Senior Citizen(MOWCSC) and NNRFC at Joint Secretary level and the Chair/Convener of the participating Development Partners Group. The NEC will agree upon the PLGSP annual plan/ASIP and recommend it to the NSC for approval. It will provide overall guidance to the PCU for implementation of PLGSP.

The NEC will provide guidance, review physical and financial progress, recommend annual strategic plan for approval by the NSC, recommend guidelines and manual for approval by MOFAGA, discuss policy issues and support activities for institutionalization of federalization/devolution process and provide guidelines to the PLGSP management to implement programme smoothly and effectively. The National Programme Director/ Joint Secretary of the Capacity Development Division, MOFAGA will be Member Secretary. The NEC will meet on trimester basis and at other occasions as and when required.

3. Name

The name of the Committee is National Executive Committee.

4. Membership

The NEC will have following members:

- Chair: Secretary MOFAGA
- Member: Joint Secretaries of OPMCM, NPC, MoF, FCGO, MOUD, NNRFC, MOEST, MOHP, MoALD, MOWCSC
- Chair/Convener of the participating DPs' group
- Member Secretary: NPD/Joint Secretary, MOFAGA

5. Chairperson

The Chairperson of the NEC is Secretary, Ministry of Federal Affairs and General Administration, who will ensure that the programme is implemented as per the letter and

spirit of the programme document and will provide all necessary strategic guidance to the PCU and PPIU.

6. Secretariat

The PCU will act as a secretariat for NEC and will be responsible for convening the NEC meetings and providing the secretariat support, including:

- The Secretariat liaises between federal agencies and DPs and informs the government/DPs on the activities and results progress of PLGSP. It circulates policy updates of the programme to all DPs;
- The draft agenda of NEC meetings is drawn up by the Secretariat and is circulated with the final minutes of the previous meeting to all NEC member one week prior to the forthcoming meeting;
- The Secretariat is responsible to prepare the minute of the meeting and circulate it to the member for their inputs within a week;
- The yearly schedule of meetings will be issued in advance by the Secretariat to members of the NEC to facilitate forward planning;
- Preparing the agenda;
- Sending the invitation on behalf of the chair;
- Draft Aid Memoire of the meetings;
- Disseminate documentation;
- Collect comments; and
- Finalize the Aid Memoire and circulate the same.

7. Periodicity of Meetings

The NEC will meet once in every trimester. The first meeting will be held in October / November of each year, which will review the physical and financial progress, recommend for recruitment of consultants as per need, review and approve study report, recommend guidelines and manual for approval by MOFAGA. The second meeting will be held in April / May which will recommend ASIP to NSC for approval. The third meeting will be held August/September which will review annual progress and provide policy guidelines for effective monitoring and supervision of PLGSP activities.

8. Objectives

The overarching objective of the NEC is to support the PCU and PPIU for effective implementation of PLGSP activities. The NEC aims to promote transparency between DPs and the GoN and among all bilateral and multilateral DPs and affiliated partners involved in governance programmes, projects and activities in Nepal. It also intends to have common vision within the PLGSP in regard to sub national governance issues particularly related to CD.

9. Role and Responsibilities

Following are the roles and responsibilities of the NEC:

- Review and assess the progress towards achieving the outputs and outcomes of PLGSP and make managerial and financial recommendations as appropriate, including steps that need to be taken by the PCU.
- Recommend ASIP of PLGSP for approval by NSC. ASIP will have the consolidated seven Provincial Annual Strategic Implementation Plans and the part that supports the central level activities.
- Ensure that the expected programme outputs and related activities remain consistent with the perspective of programme outcome and beneficiaries.
- Ensure that risks are being tracked and mitigated as effectively as possible.
- Facilitate national policy and institutional changes necessary to engender success in programme activities.
- Appoint Technical Assistance Service Provider for PLGSP.
- Follow up on the action taken on the decisions made in the previous NEC meetings.
- Provide overall guidance to the PCCs. The PCCs shall work with in the broad strategic policy guidance provided through the NEC.
- Individual members may propose issues to be included in the agenda of NEC meeting. The proposals may be made at prior NEC meetings or directly to the Secretariat at least one week prior to the following meeting.
- Agree amongst members how work will be taken forward, particularly with regard to follow-up discussions with Government, notably concerning programme implementation, fiduciary matters and audit issues. Provide inputs/feedback to the PLGSP management.
- Carry out field missions at least twice a year to assess the programme implementation. Provide feedback to the PLGSP management based on monitoring visit.

10. Member Secretary

- 10.1 In coordination with chairperson, Member Secretary will act as facilitator for communication and information with the GoN on matters concerning the implementation of PLGSP.
- 10.2 Ensure proper, facilitation, follow-up on the implementation of the PLGSP and on specific issues identified by the GoN (or by the DPs) with regard to planning, implementation and monitoring of the PLGSP. However, he/she do not have any authority to make policy and strategic decisions on behalf of the PLGSP.
- 10.3 Based on the decision of the NEC, Member secretary will initiate the drawdown of funds from FCA in writing, as mentioned in the Joint Financing Arrangement.
- 10.4 Ensure the proper follow up of the final audit report.

- 10.5 Facilitate the Mid-term review, focused evaluation and other high-level strategic planning reviews, evaluation together with the GoN.

ANNEX 7: TERMS OF REFERENCE FOR PROVINCIAL COORDINATION COMMITTEE

1. Background

The Provincial and Local Governance Support Programme (PLGSP) is a national flagship programme of the GoN and DPs. The PLGSP is intended to be a programmatic framework and common platform for CD of all the sub national governance structure in Nepal. The key objective of the programme is to have a functional sub national governance structure and systems that will ensure effective service delivery to citizens. The purpose of the programme is to improve sub national governance for effective service delivery and citizen empowerment. It provides an overall framework for strengthening decentralization, devolution and improved sub national governance systems for the effective delivery of basic services and the empowerment of citizens, especially women, children and disadvantaged groups (DAGs) and their institutions. It is designed as a framework programme with three outcomes and thirteen output areas.

The PCC will be formed in all the provinces and it will be the supreme decision-making body of PLGSP at the provincial level and will follow the broad policy guideline and strategic policies that have been provided by the NSC with regard to implementation and achieve the set goals of PLGSP within their respective province.

The ToR set out the principles, aims, tasks and responsibilities of the PCC.

2. Objectives

2.1 The overarching objective of the PCC is to support the PG in strengthening decentralization and supporting the local government within their province in implementing the PLGSP.

2.2 The specific objectives are:

- The PCC is the key decision-making body of the PLGSP in the province. It ensures aid effectiveness, including harmonization and alignment of development assistance in support of the PG with regard to the implementation of PLGSP. In addition, the PCC aims to promote strategic collaboration with both local governments and the PG to strengthen the support to decentralization and sub national governance.
- The PCC aims to promote transparency between the PG and the local governments and among all other actors and affiliated partners involved in governance programme, projects and activities within their province. It also intends to have common vision within the PLGSP in regard to SNG issues particularly related to CD.
- The PCC will work independently but within the overall policy framework of PLGSP set by the NSC. The PCC will have the flexibility and freedom to prepare the Provincial Annual strategic Plan within the policy framework provided by the NSC.

3. Structure and Organization

A PCC will be formed under the chair of Hon'ble Chief Minister or minister designated Hon'ble Chief Minister and it will have Principal Secretary, Secretaries of MOEAP, MOIA, MOSD, MOID, Provincial Financial Comptroller General and National Programme Director/National Programme Manager of PLGSP as its members. The PCC will also have

Mayor (2), Chair (2), Deputy Mayor (2 women), Deputy Chair (2 women) of local government as designated by the OCMCM in consultation with local government representative organizations at province level as members. The PCC will also have representatives of provincial chapters of the LGAs (MuAN and NARMIN) as its members. The Secretary in the Governance Reform Division of the OCMCM will be member secretary.

4. Role and Responsibility of PCC

- 4.1 Approve the Provincial Annual Strategic Implementation Plan of PLGSP. The Provincial Annual Strategic Implementation Plan will have consolidated inputs from local governments within the province and the part that supports the provincial level activities.
- 4.2 Facilitate national policy and institutional changes necessary to engender success in programme activities.
- 4.3 Review and assess the progress towards achieving the outputs and outcomes of PLGSP and make managerial and financial recommendations as appropriate, including steps that need to be taken by the PPIU.
- 4.4 Provide overall guidance to PPIU and to local governments who shall work within the broad strategic policy guidance provide through the PCC.
- 4.5 Provide guidance to PPIU to ensure that there is coherent programme organization at both the provincial and local levels.
- 4.6 Monitor and control the progress of the programme activities at a strategic level considering the changes influenced by the programme on any baseline investments.
- 4.7 Carry out field missions in order to assess the programme implementation. Feedback will be provided to the PLGSP management.
- 4.8 Work for coordination between the agencies of PGs and the local governments within the province.
- 4.9 Provide policy guidance to PCGG .

5. Secretariat

- 5.1 The PPIU will act as a secretariat for PCC and will be responsible for convening the PCC meetings and providing the secretariat support. The Secretariat liaises between PPIU and PCU and inform on activities and progress of PLGSP. It circulates trimester progress report including financial report to the PCU and concerned agencies.
- 5.2 The Member Secretary will in coordination with chair will act as facilitators for communication and information with the PGs on matters concerning the implementation of the PLGSP. He/she will:
 - ensure proper, facilitation, follow-up on the implementation of the PLGSP and the PCC decision and on specific issues identified by the PGs (or by the local governments) in regard to planning, implementation and monitoring of the PLGSP. However, he/she does not have any authority to make policy and strategic decisions on behalf of the PLGSP to:

- ensure the proper follow up of the final audit report;
- liaises between PPIU and PCU and informs the PG/PPD on the activities and results progress of PLGSP;
- circulates policy updates of the programme to all local governments;
- prepare minutes of the PCC meetings and circulate them to the member for their inputs within a week;
- prepare annual schedule of meetings in advance and forward to members of the PCC to facilitate forward planning;
- facilitate to recruit Chief Executive Officer and staff of PCGG; and
- follow up on the action taken on the decisions made in the previous PCC meetings.

6. Periodicity of Meeting

The PCC will meet once every trimester. The first meeting will be held in October/November of each year and will review the physical and financial progress. The second meeting will be held in April/May for approval of Annual Strategic Implementation Plan. The third meeting will be held August/September which will review annual progress and provide policy guidelines for effective monitoring and supervision of PLGSP activities.

ANNEX 9: TERMS OF REFERENCE FOR THE PROGRAMME COORDINATION UNIT

1. Scope of Work

This section describes how the objectives of NSC will be achieved through the conduct of meetings and subsequent activities.

2. The Member Secretary

- 2.3 In coordination with Chair will act as facilitators for communication and information with the PGs on matters concerning the implementation of the PLGSP.
- 2.4 Ensure proper, facilitation, follow-up on the implementation of the PLGSP and the NSC decision and on specific issues identified by the PGs (or by the Local Governments) with regard to planning, implementation and monitoring of the PLGSP. However, he/she do not have any authority to make policy and strategic decisions on behalf of the PLGSP.
- 2.5 He/she will represent at the NSC, NEC, Fiduciary Risk Reduction Mitigation meetings and TASC.
- 2.6 Based on the decision of the NEC, will initiate the trimester funds from PCU in writing, as mentioned in the MoU between the PPIU and PCU.
- 2.7 He/she ensure the representation in NSC meetings.
- 2.8 They ensure the proper follow up of the final audit report.
- 2.9 They facilitate the MTR, focused evaluation and other high-level strategic planning reviews, evaluation together with the PCU.
- 2.10 The PCU will act as a secretariat for NSC and the NEC which is responsible for convening the NSC meetings and providing the secretariat support, including:
 - preparing the agenda;
 - sending the invitation on behalf of the chair;
 - draft Aid Memoire of the meetings;
 - disseminate documentation;
 - collect comments; and
 - finalize the Aid Memoire and circulate same.

ANNEX 10: TERMS OF REFERENCE PROVINCIAL PROGRAMME IMPLEMENTATION UNIT

1. Introduction

The seven PPIU are main mechanisms to operationalize the programme support at the Provincial levels benefitting both provincial and local governments. PPIU works as provincial coordination units of the PLGSP. These are responsible for realizing the Outcomes 1, 2 and 3 as defined in this ProgDoc at provincial and local government levels.

2. Approach

PPIUs are to develop innovative ways of communicating with the municipalities, while making use of modern ways of electronic communication, allowing them to serve a large number of municipalities at the same time.

The success of the PPIUs will be determined by their capability to get away from a top down approach, position themselves for serving the provincial and local governments and demonstrate creativity to find ways to reach a large number of local governments in a manner that serves an overall agenda of putting into place systems and procedures that are fundamentally uniform.

Each PPIU is seen as a decentralized unit and is responsible for its own success, although for reasons of efficiency they will need to collaborate with the federal PCU.

3. Scope of work / Responsibilities:

3.1 The PPIUs are responsible for the expected results under Outcomes 2 and 3 as set out in this ProgDoc. More specifically, the PPIU are expected:

- to provide demand driven support to the Provincial and Local Governments on both generic questions (in the fields of governance, planning, budgeting, PFM, HR, etc) as well as more technical questions;
- to facilitate the designated consultants to assist the local governments undertaking the annual self-assessment and analyze these data, both for individual LGs as well as for the aggregate to help design the (supply driven) institution building and CD agenda;
- prepare annual provincial results of the annual self-assessment;
- Prepare and facilitate PCC meetings to facilitate their decisions and do necessary to implement them;
- Work with the federal PCU in preparing, implementing and monitoring the province level annual strategic implementation plans of the PLGSP;
- Perform the responsibilities as designated by the federal PCU in terms of getting and transmitting financial and result reports from the PG units (including that from PCGG) and local governments under its jurisdiction;
- Perform other responsibilities and tasks as have been assigned by the federal PCU and PCCs;

- Function as secretariat of the PCC; and
- Facilitate establishment and operationalization of the PCGG and the IPF.

ANNEX 11: TERMS OF REFERENCE OF THE TECHNICAL ASSISTANCE SERVICE PROVIDER

1. Background

The GoN is committed to improving people's standard of living through citizen-centric governance and effective service delivery based on democratic values and rights-based development. The promulgation of the constitution of Nepal on 20th September 2015 is a paradigm shift on system, structure and processes of sub national governance in federal set up. The constitution recognizes federal, provincial and local level as a main state structure and governments at all level shall exercise state power as provided by the Constitution and law.

The Constitution stipulates various reform initiatives to be undertaken by federal, provincial and local level. As a first step, it stipulates territorial reform of local government which the GoN has completed and established 481 rural municipalities, 246 municipalities, 11 sub-metropolitan and 6 metropolitan cities. The rural municipalities and municipalities in total will have 36,639 elected representatives of which 13,360 will be women representatives and 1,751 *Dalit* and marginalized representatives. A policy and legislative framework design for local governance by federal government is in progress and Local Governance bill 2017 has been tabled in the Legislative Parliament. A Functional Unbundling Report has been prepared which sets out responsibilities allocated to Provincial and Local Governments, as per the constitution.

The provincial structures are in place and the provincial assembly and PG have substantial powers and responsibilities as per the annexes of the constitution. The PGs may also exercise significant regulatory, monitoring and planning role over their own functions and functionaries as well as over the local governments either directly or through DCCs.

Since the local government system in federal set up is obviously a new practice for Nepal, it is a founding process that requires an adequate knowledge and skills-based interventions which will have added value for more sustained, result oriented and democratic practice of local governance. The sub-national structures need to be institutionalized and their capacity needs to be built.

Federalism will require all the devolved sectors to work in coordination, which is very different from a unitary system of governance. Implementing the constitution of Nepal will mean that all the key agencies or arms of the governments to work together in a coherent manner to support the local governments to carry out the executive and concurrent responsibilities. This will require an integrated approach which is in line with "whole of government concept".

Local bodies have now been transformed into 'local governments' as per the arrangements of the constitution; PGs will soon follow. The present devolution exercise must give way to this holistic approach though it may take a planned and gradual approach to devolve all functions and functionaries to the LGs or PGs.

Management of transition based on the whole government approach also results in strategic restructuring of the federal ministries and other federal agencies with streamlined and smart central structures with mostly steering, coordinating and parameter setting roles. This will also help avoid the experiences that Nepal faced in the implementation of the Local Self Governance Act. The vertical and horizontal lines of communication among various tiers of the government and among parallel SNGs based on cooperative federalism principles are also some of the landmark changes that define this approach.

The 'whole of government' and state restructuring approaches have not been properly internalized by all central agencies, not least because there is no clear policy statement agreed by all relevant stakeholders. This leads to understand the massive need of reorientation, training, re-role setting, motivating and CD of the staff of federal and sub-national agencies. Similarly, the freshly elected 36,369 office bearers of the new LGs and future PGs will also need orientation courses and capacity building trainings in a massive way. This draws the attention of this transition programme towards channelling adequate resources for capacity building and institutionalization of the new structures. This not only creates the basis but also shows the future path for any support programme (PLGSP) which will be formulated to support the SNGs and state restructuring.

In December 2017 a new SNG programme was jointly prepared by GoN and the DPs and endorsed by the National Advisory Committee (NAC) meeting and the GoN. As part of the implementation of the PLGSP, the programme document envisaged to contract an external agency to provide technical assistance service to the programme, to be able to achieve its expected results.

2. Context of Formulating PLGSP

Nepal has adopted a federal governance system and is also a signatory to the SDGs and is committed to achieving these goals. The government has taken necessary steps toward realizing the constitutional commitment to federalism. The three-year plan also reinforces the GoN's commitment to implement the constitution provisions. Along these lines a concept note on future SNGP had envisaged to support the GoN in managing the transition to SNG under the federal system as envisaged in the constitution. More particularly, establishment and strengthening of the sub-national structures of governance and capacity building at the level of institutions and functionaries in the new governance structures are the support areas identified in the concept note. More specifically the concept note had identified following areas of support under the then SNGP (now PLGSP):

- 2.1 Enhancing capacity of central ministries/agencies to cope with new mandate and functions (including support to Ministry of Finance, Natural Resource and Finance Commission, OAG, Ministry of Federal Affairs and Local Development and Ministry of General Administration) and strengthening IG administrative mechanisms;
- 2.2 Institution building at provincial and local levels of governance (including support to design and establishment of new SNG systems in light of functional assignments, assessment and plan for core multi-skilled and multi-tasking human resource and IT systems for the new governance structures, strategies for institutionalizing demand side and arrangements to ensure that devolution is owned and facilitated by sector I development agencies);
- 2.3 CD (including capacity building of 'PCGG – PCGG) and on areas such as orientation on devolution to elected leaders and other target groups, material development and professional training for enhancing institutional and individual capacity, professional trainings related to context-specific local revenue generation and resource mobilization, local and regional economic development, localization of SDGs, local level infrastructure planning and aspects of urban/municipal planning, developing resource centres for innovative practices in devolution and for priority themes in local development and effective service delivery;
- 2.4 Public finance management;
- 2.5 Basket fund for provincial and local governments.

3. Objective

The main objective of the TASP is to provide technical assistance support for implementation of the PLGSP in order to be able to achieve the expected results. Specifically, the TASP will make available the entire necessary technical specialist and experts (both long term and short term) who will be placed at the disposal of the PCU and through the PCU to the PPIU and the PCGG. The technical specialist and experts will provide necessary technical support to achieve the key results of PLGSP under the three outcome and seven sub-outcome areas with activities under fourteen output areas.

4. Scope of work

The TA Service Provider will make available the entire required specialist, experts and support staffs required by the PCU and the PPIU in charge of executing the PLGSP programme under the overall guidance and leadership of the National Programme Director, along with National Programme Manager and Provincial Programme Director and managers located in seven provinces across Nepal. Following are the specific tasks:

- 4.1 **Prepare Detailed ToRs** on all the technical specialists, experts and support staffs both long term and short term as directed by the Programme Director and the Managers and make them available for the review of the task team assigned for recruitment of these technical staffs.
- 4.2 **Recruitment of the technical specialist and experts** will be recruited by the TA service provider in a competitive and transparent manner based on the best practices of HR recruitments
- 4.3 **Maintaining Roster of experts** to ensure that there are no gaps in the hiring specialist and experts, the TA service provider will maintain all time updated roster of experts who will be made available to the programme implementation unit heads for immediate mobilization and deployment.
- 4.4 **Compensation and payment of services** will be determined based on UNDP NIM guideline and the TA service provider will pay the specialist and experts based on the pre-determined compensation package to each of these specialist and experts on a month equal instalments for the long term staff and for short term based on the recommendation made by the hiring managers.
- 4.5 **CD and knowledge enhancement** activities and opportunity for the specialist and experts will be developed in consultation with the PLGSP management. The TA service provider will make available all information related to such opportunity on a regular basis and shall make all arrangement for such training programme both internal and external.
- 4.6 **Procurement of equipment** will be carried out as per the approved procurement plan of the programme. The TA agent will on behalf of the PLGSP management procure and deliver high quality equipment in a competitive and transparent manner.
- 4.7 **Expenditure report** of the TA services will be provided on a trimester interval to the PCU and the PPIU in a prescribed format determined by MOFAGA.
- 4.8 **Audit report** will be provided by the TA service provider to the PCU on an annual basis. Such audit will be carried out with the overall guidance of the Office of Auditor General of Nepal.

- 4.9 **Procurement of vehicle** will be carried out as per the approved procurement plan of the programme. The TA agent will on behalf of the PLGSP management procure and deliver high quality equipment in a competitive and transparent manner.

5. Deliverables

The TA service provider is expected to produce the following outputs:

- 5.1 Approve ToRs of all the specialists, experts and staff in consultation with NPD and NPM;
- 5.2 Recruitment of all the specialists, experts and staff;
- 5.3 Training and CD proposals;
- 5.4 Delivery report of equipment and vehicles;
- 5.5 Trimester Expenditure statements; and
- 5.6 Audit Reports.

6. Reporting

The TA service provider will report to the national and provincial programme directors on a regular basis as determined by the NEC and PCCs.

7. Condition of Payment

The payment will be made on trimester basis based on the performance of the TA service provider. On signing the agreement, the first trimester portion will be provided as advance and the subsequent trimester will be reimbursed on actual at the end of each trimester and the advance will be liquidated in the final trimester payment.

ANNEX 14: NOTE ON INNOVATION PARTNERSHIP FUND

1. Background

- 1.1 Nepal's constitution has established a federal model of governance, with three spheres of government working together in coexistence, collaboration and coordination. In addition to the Federal Government, there are now 753 local governments and 7 PGs, with the functions and responsibilities of the state divided between them.
- 1.2 **Local Governments:** The local governments have been established as 'elected Mayoral executive' systems, comprising an elected Executive, headed by a Mayor / Chair, but also including a Deputy Mayor, Ward Chairs and Ward members (all directly elected to their positions). This Executive reports twice a year to a wider Assembly, formed of all locally elected officials mainly from the wards. The decisions made by the Executive are implemented by an Administration, headed by a CAO. As well as legislative and executive functions, the local governments have some judicial functions, exercised by a Judicial Committee headed by the Deputy Mayor/Chair.
- 1.3 **Provincial Governments:** PGs comprise a unicameral parliamentary system, with an elected Chief Minister heading a Cabinet of Ministers that forms the Executive. The Provincial Assembly passes all legislation and oversees the work of the Executive. A Principal Secretary, currently appointed by the Federal Government, works as the Chief of Staff of the Provincial Administration.
- 1.4 **Funding:** Arrangements for allocating resources to Local and PGs through the five revenue sharing/grant mechanisms are being developed (Inter-governmental Fiscal Transfers). The Office of the National Natural Resource and Fiscal Commission (NNRFC) has been established, although Commissioners have not been appointed yet. From the Fiscal Year 2018/19, in addition to the conditional and equalisation grants, local and PGs have started receiving revenue sharing, special and matching grants.
- 1.5 **Staffing:** Arrangements for allocating staff from the federal government to local and provincial administrations are temporary at present.³A number of employees have been deputed, but most local and PGs lack sufficient staff to fulfil their functions. Detailed Organisation and Management Surveys conducted by the SNGs themselves are expected to form the basis for organizational and staffing decisions for the provincial and local governments. Many Local Governments also lack financial management and procurement systems.
- 1.6 **Systems and ways of working:** Although some of these systems can be modelled on previous systems, in many cases, new ways of working together and reaching collective decisions are required of elected representatives, often coming from different parties. Model laws, templates and processes have been developed by the Federal Government and shared with LG leaders and first round of orientation/training has been provided to selected elected officials, representatives and administrators. These provide a basis and starting point for SN governments to become operational.
- 1.7 **IG capacity, structures and systems:** The constitution and subsequent functional unbundling report sets out specific functions for each sphere of government⁴, together with a range of concurrent functions assigned to more than one sphere of government.

³The local governments have inherited the staff from the hitherto local bodies; however, the provincial governments have been relying purely on the staff deputed from the federal government

⁴In case of the local governments, the functions have been documented in the LGOA.

Envisaged in the Nepali constitution and a common feature of many federal systems is the provision for and emergence of structures and processes that promote governments coming together to agree strategies, policies and programmes.

2. Provincial and Local Government Support Programme:

- 2.1 The PLGSP is intended to build the capacity of the SNG units so that they can play their full role in the new system of governance.
- 2.2 The programme envisages the creation of PCGGs in each province, whose role would be to serve the CD needs of each local government and PGs. Each local government will determine its own needs based on a LISA before the PCGGs will respond by offering a 'menu' of capacity building services.⁵
- 2.3 In addition to the provision of training and technical assistance to support public administration at the local and PGs, the programme also intends to (a) promote innovation in governance, service delivery and local economic development; and (b) encourage collaboration between provincial and local governments and between local governments themselves.

3. The Innovation Partnership Fund (IPF)

- 3.1 **Why the IPF?** Generally the IPF will support good governance, as set out in Article 51(b) of the constitution. Specifically, there are several reasons for introducing an IPF modality to the Provincial and Local CD Programme:

- **To create a special purpose vehicle for funding innovations:** The Fund will be a special purpose funding vehicle for financing innovations at sub-national levels to demonstrate, learn and replicate good innovative practices. This will be a risk-fund where the SNGs will participate with a partnership approach to take risks for governance innovations.
- **To encourage ownership:** Under the IPF modality, local governments (sometimes in partnership with non-government partners) must apply for services. This ensures they are requesting something they genuinely have an interest in receiving.
- **To allow variation depending on context:** Local governments in Nepal vary in size and capacity, from large metropolitan governments with populations close to 1 million, to small rural governments with populations less than 10,000. An IPF modality allows Local Governments to decide for themselves, based on their specific requirements, what support they wish to receive. The service is not planned in Kathmandu and 'delivered' to them but rather conceived by the provincial and the local governments themselves.
- **To allow innovation and learning:** The existence of 753 autonomous local governments provides a unique opportunity for innovations in governance, service delivery and economic development. New ways of working, if successful, can be sponsored for scale-up by PGs or the Federal Government. If unsuccessful, lessons can be learned and shared with other local governments. The ability to

⁵ In addition, upon the request of the Government of Nepal, the World Bank and the TSNGP are planning to carry out a comprehensive 'federal needs assessment' including a sample of provincial and local governments to provide a snapshot of the current situation.

compare how one local government tackles a problem versus how another tackles the same problem can be extremely powerful and in other countries has been a successful way to implement reforms.⁶

- **To promote federal-provincial-local cooperation:** While the constitution makes federal, local and PGs autonomous, they nonetheless must cooperate in a range of areas from spatial planning to economic development to the delivery of concurrent functions. Similarly, due to the relatively small size of many local governments relative to the functions assigned to them, there is a lot of scope for cooperation among the local governments and the LGOA provides for joint service arrangement among them for the effective delivery of services. By providing a role for each of the federal, provincial and local governments in the operation of the IPF, the Fund will create practical grounds for collaboration and cooperation between all three spheres.

3.2 Competitive vs non-competitive models: Most similar (challenge) Funds are competitive. They seek to allocate scarce resources effectively by comparing proposals and awarding funds to those assessed to have the most promise. The dynamics of competition incentivises innovation and quality as 'bidders' seek to deliver more than their competitors. The downside of competitive approaches, however, is that, by definition, many local governments must miss out and that it typically will be the local governments with the *least* capacity (and therefore arguably the greatest need) that fail to secure funds. The IPF must therefore balance competition with less competitive models, for example, whereby all governments are able to secure funds for certain things, should they meet minimum criteria (e.g. a clear proposal, rationale, plan for sustainability, etc). In general:

- The more the objective is innovation, the greater the level of competition should be; and
- If the objective is less on innovation and more on cooperation and capacity, the less competition there should be.

3.3 Challenges and risks: There are two main challenges or risks that the IPF will need to mitigate against:

- Very small, low capacity governments will not have the ability to bid effectively for support. This can be mitigated by having 'windows' for applications that are less competitive, and by providing specialist support initially from the TA facility, and then from the PCGG when ready, on concept/proposal preparation.
- Most local governments in Nepal now lack basic ability to function, and arguably must focus on these basics before seeking to innovate creatively. This can be mitigated by offering 'windows' focused more on basic functions and less on innovation.
- The competitive dynamics of the IPF approach encourages competition instead of collaboration between local governments. This can be mitigated by having 'windows' for collaboration on particular services (as foreseen under clause 26 of the LGOA), whereby local governments apply jointly (perhaps with support from DCCs).

⁶ See for example "Policy Experimentation in China's Economic Rise" by Sebastian Heilmann: <https://link.springer.com/article/10.1007/s12116-007-9014-4>.

- Managing and administering IPF effectively so that high quality applications are received and well-executed is a highly labour-intensive exercise. This will be more apparent in the case when dealing with 753 local governments, most of which are new and none of which will be familiar with competitive IPF approaches. A relatively large number of highly capable staff will be needed in each province; and a special communication package will be required to inform the local governments about the opportunity.
- When they receive extra funding, the local governments may try to meet the needs of citizens that are not met by their regular sources or incentivise the officials by paying extra benefits. This can be addressed by putting in place stringent measures in the guidelines to not to pay for such costs from resources received from the Fund. Similarly, the co-financing arrangement will help tackle this issue.

3.4 **Objectives:** The IPF will encourage progressive and innovative local governments to use their initiative to propose creative and innovative ways of working within their own governments and in association with other governments and to secure additional resources for piloting and implementing those ideas.

3.5 The IPF will reward innovation and promote cooperation whilst allowing elected leaders to both exercise initiative and to retain ownership. The Challenge Fund modality will promote the collaboration and cooperation principles of Nepali federalism by not imposing on different spheres of government but allowing different approaches within the constitution and law to develop in response to local conditions.

3.6 This can be summarised in three objectives (all in support of the overall PLGSP objectives):

- To help local governments develop their basic functional capability in a way that retains strong ownership by the local government itself.
- To encourage innovation and experimentation in governance, service delivery and economic development, so that all local governments can learn from new and effective ways of working.
- To encourage cooperation between local governments, especially neighbouring local governments, and with provincial governments.

3.7 To achieve these objectives, the IPF will have two 'windows' for grant applications:

- Innovation co-funding; and
- Collaboration and shared/joint services.

3.8 **Window A: Innovation co-funding** (competitive window)

This window would solicit innovative proposals for service delivery, contribution to SDGs, governance (e.g. transparency and accountability), dispute resolution and local economic development. Bids would be open to Local Governments directly or in partnership with NGOs or private companies. Criteria would be developed to ensure funding was genuinely directed at innovation and was not merely additional to other funding sources. As experience develops of actual calls on the fund, more targeted criteria, themes or even sub-windows for particular types of innovation (IT,

transparency, remote communities, etc) could be considered. There will be a small component of co-financing (suggested 25 percent).⁷

3.9 Window B: Shared services (competitive window)

Although local governments are autonomous legal entities under the constitution, there are many interdependencies between neighbouring local governments created by geography and trade. Further, there is scope for efficiency gains and cost-savings if local governments cooperate with each other. The purpose of the window would be to encourage such collaboration.

Applications to the window would be, for example, to secure the services of specialists that local governments cannot afford to recruit full-time on their own (e.g. economic specialists, or legal advisors, or spatial planning experts). Alternatively, they could be for joint projects, such as a feasibility study for subprojects that span local government geographical boundaries. Applications would have to come from multiple local governments and not by one local government alone.

Shared services would be widely defined to include local economic development, but could also include health, education, agriculture, the management of forests and water resources. Where applications are for specialist staff, the costs of the staff should be met 100 percent by the local governments making the application, but the recruitment will be handled by the PCGG. Where applications are for non-staff costs, local governments should co-fund a suggested 25 percent⁸.

4. Governance, organisation and management of the IPF

4.1 The NEC will oversee the IPF. Assisted by a Secretariat, this committee will:

- Decide on the allocation of funds to each province each year under each window.
- Develop guidelines for the management of the Fund and make clear the principles for appraisal of proposals under each window.
- Track funds and assess the performance of each Provincial Fund.
- Commission research and evaluation services to assess the impact of project awarded funding, ensuring wide and public dissemination of learning for other local governments.
- Ensure audit of each project by the OAG.
- Prohibit local governments from future applications for a fixed period of time where there has been malpractice.

4.2 The PCC will administer the Provincial IPF and make decisions on grants for each proposal on the basis of recommendation of the PPIU which will appraise the proposals received from the LGs or the agencies of the PG. The PPIU will have adequate and capable professional staff to appraise the proposals. The PSC will approve additional (supplementary) strategic guidelines for processing the proposals and for

⁷ For example, a local government could bid in partnership with an IT software firm to pilot use of smartphones to monitor drug stocks or environmental degradation.

⁸ For example, 3 local governments could bid together for an urban planning expert to regularly visit and help to develop/monitor spatial development plans.

disbursements from the IPF in alignment with the national guidelines furnished by the NSC. The PCC will follow the national guidelines and any additional guideline provided to it by the PSC. The PCC will:

- On the basis of the approved guidelines, agree calls for proposals.
- Publicise calls for proposals, including through regional and local media.
- Review proposals shortlisted by the IPF Secretariat (the PPIU), against set scoring criteria, and make awards.
- Publish on a dedicated website the applications received, and the reasons for both short-listing and award.
- With the support of the Secretariat, periodically monitor selected subprojects, to ensure transparency and accountability, but also publicise successes.
- Where problems or non-compliance is found, review, document and escalate to the PSC with a recommendation for action.

4.3 The PPIU will function as the secretariat to manage the operations of the IPF. The role of the Secretariat will be:

- To prepare calls for proposals.
- To solicit proposals, by intensive communication and liaison with local governments and non-governmental organisations.
- To provide support to local governments on how to prepare proposals.
- To review and shortlist applications, following the criteria set by the PSC, maintaining a record of each appraisal for publication online, and utilising the services of independent experts, e.g. from Universities, but possibly anonymous.
- Arrange and support the holding of PCC meetings.
- Communicate awards and manage the allocation of funds/services.
- Receive narrative and financial reports from grant recipients, notifying the PCC or problems or non-compliance.
- Commission third-party monitoring of grant implementation.
- Manage finances and submit comprehensive financial reports each trimester to the NEC and PSCs and ensure that audit reports are received on time.
- Disseminate findings on the performance of local governments and each provincial fund and manage cross-learning among the LGs, e.g. by organizing innovation market place at the provincial level.
- Each PPIU/ IPF Secretariat will have adequate and qualified experts and administrators to manage the fund. The Programme TA Fund will support the PPIU with experts for the programme period to work as Governance Specialist, Grants Management Specialist, Monitoring and Evaluation Specialist, and a

Communications officer. The rest of the staff will be appointed from the programme finances as per the need.

- 4.4 **Who can apply?** For Window A, proposals will be accepted from (a) individual local governments, or, agencies of the PGs (b) multiple local governments applying jointly or (c) local governments applying in partnership with non-governmental organisations or private firms whose expertise is necessary for implementation of the project. For Window B, proposals will be accepted only from multiple local governments applying jointly.
- 4.5 **How will appraisal work?** Detailed design of the operation of each Window will determine exact criteria for appraisal but could include, for example, likely impact, innovation, feasibility, comprehensiveness of proposal, costs, monitoring and evaluation arrangements and sustainability. Some Windows may require a two-stage process: first short concept notes, and only then full applications. All proposals, appraisal scores and decisions should be published on a dedicated website, to ensure maximum transparency and reduce the number of complaints from unsuccessful applicants. (A complaint management system may nonetheless be necessary). A process for soliciting anonymous peer reviews of proposals from suitable experts should be put in place.
- 4.6 **What will the fund not support?** The IPF will not support the construction of infrastructure, except in exceptional cases where a strong argument can be made that the method of construction will be highly innovative (and then funding will only be for feasibility and a prototype); or when such funding is part of an application for shared services under Window 3. The Fund will also not pay the salaries or allowances of full-time staff working for the local government (all grants must be time-limited and demonstrate a plan for sustainability). Similarly, no vehicles and furniture will be allowed to be purchased from the funds for the regular purpose. Financial limits on the size of applications will need to be set out in the guidelines approved by the Federal Steering Committee.
- 4.7 **Research, monitoring and evaluation:** One of the major advantages of the IPF approach is that it allows innovation, variation and comparison of different approaches. But the benefits from this can only be realised if lessons are learned by study, analysis, documentation and sharing of experience. This is most appropriately performed by independent, expert researchers or evaluators, perhaps from regional Universities, following guidelines/methodologies set by the PLGSP PCU.
- 4.8 **Audit and fiduciary risk:** All grants should be audited by the OAG, with Financial Statements presented according to a format stipulated by the OAG. Additional fiduciary risks unlikely to be captured by OAG audits should be mitigated by (a) clear financial management and procurement guidelines for grant implementation and (b) deployment of third party monitoring experts from a centrally-contracted firm, given the authority to confirm whether activities are being carried out as they have been reported, and in accordance with implementation guidelines. Consideration should be given to ineligible expenditure, such as (a) regular running costs of local governments or the provincial agencies concerned, (b) vehicles or POL and (c) allowances or salary top-ups to staff.
- 4.9 **Costs:** The total funding available for the IPF will be built into the provincial conditional grants from the federal budget into the “Sub-national” budget book. The NEC will indicate the funds available for subprojects under the IPF in each year’s ASIP for Provincial Programme under PLGSP. The NEC will allocate funds for the provincial IPF taking into account provinces’ population, relative unit costs (e.g. of staff and

services) and previous performance. There will be no allocation for the IPF in the FY 2018-19 (January – July period) and the FY 2019-20. The allocation will start at moderate scale in the Year 2020-21 for the IPF and can be up-scaled in the subsequent years based upon the experience of execution of the subprojects under IPF in the Year 2020-21, increasing in the outer years 3 and 4 as staff and local governments become familiar with their roles; systems and procedures are defined; and, lessons from the first rounds of grants are learned.

4.10 Performance-based allocations: Building on the heritage of the ‘minimum conditions-performance measures’ system, allocations to each provincial fund could, from Year 2 onwards, take into account previous year performance. This could include ‘minimum conditions’ such as transparent reporting on the use of grant funds, and performance measures such as utilisation of funds and numbers of applications received.

4.11 Size of IPF: Total size of the IPF will be moderate in the initial years of the programme and can be increased based upon success of the Fund in bringing results and meeting the objectives of the Programme. The demand-based projects being similar to IPF projects, the resources from DD window can be diverted to IPF in outer years of the Programme. The tentative initial allocation is estimated to be \$60 million.

Annex 15: Note on Key Elements for the Charter to establish the Provincial Centre for Good Governance

The PCGG is proposed to be established in each province. The federal government (MOFAGA) has proposed amendments to the existing LDTA Act for the purpose of handing over the regional centres under the LDTA to the PGs. The PGs will need to establish their own institutions to furnish trainings and other capacity building inputs of high quality and relevance for the local governments and the agencies of the PGs within their provinces. This can be done through the effective and efficient use of the properties and other resources handed over to them by the federal government. The PGs should enact a legislature by their provincial assemblies providing a charter to establish such institution. A name for such institution has been suggested to be 'PCGG'. If some of the PGs take time to draft and pass the Bill to establish the PCGG, they may establish the PCGG through an executive order for the time being and at a later period, can convert the executive order/charter into a provincial Act. It is suggested that the MOFAGA provide some template/model of charter for establishing the PCGG in order to maintain some uniformity across the seven provinces and establish linkages with the federal dispensation for the purposes of the restructured LDTA. A model Act will also help the PGs to fast-track the drafting of the charter/provincial Act and its enactment from the Assembly. Effective implementation of the PLGSP right from the beginning of the programme period depends upon quick operationalization of the PCGGs as they will be major vehicles to deliver the capacity building inputs to the local governments and the provincial agencies.

Following are some points for consideration while writing the draft provincial law or the charter to establish the PCGG. The charter should include provisions for:

1. A Steering Committee, or, a Council chaired by high level political executive of the PG to decide on long term policy matters and overall steering of the operations of the centre;
2. An Executive Committee of the PCGG to execute annual plans, implement them and make other strategic decisions;
3. A Chief Executive Officer, a high calibre- professional appointed through a transparent and competitive basis from the market – his tenures, ToR and executive powers and duties;
4. Financing of the Centre – should include grant financing from PG and local governments as co-owner of the centre;
5. Types of programs for capacity building, trainings, empowerment of the elected officials, research, academic works and allied activities – that the centre will offer and the way such programs are costed/financed;
6. Shared financing for the services in the offered 'menu' – from the service recipients, especially, the local governments or the provincial agencies – procuring the service;
7. Staffing methods for both for professionals and the office staff should have an element of competitive method of screening and selecting such staff should make an essential mention in the charter;
8. Book-keeping, accounting, internal audit and control of the finances and inventories;
9. External audit to be done by the OAG or its nominee;
10. Especial mention of execution of donor funded or co-funded programs on CD – in order to meet the Programme requirements and mitigate the fiduciary risks;

11. Relationships with the federal restructured LDTA in terms of core curriculum on devolution and good governance, accreditation, quality assurance of training delivery and academic programmes and joint activities and their modalities; and
12. Relationships with PG and its agencies including with the other CD providers in the public sector within the provinces. Joint and integrated programs may be run by the PCGG in collaboration with the universities, academic institutes and other governmental/ parastatal training institutes.

ANNEX 16: NOTE ON KEY ELEMENTS FOR THE MOU BETWEEN THE MOFAGA AND THE PROVINCIAL GOVERNMENTS TO EXECUTE THE PLGSP

As, the three levels of governments in federal Nepal are autonomous governments in their respective spheres of official business, the implementation of the PLGSP at the provincial level, especially with the dispensation of decision making structures like: PSCs, Provincial Executive Committees (PECs), PPIUs and the Provincial Centre of Good Governance (PCGGs), can be made fully effective, only if, the PGs agree with the PLGSP Programme Document, their roles and responsibilities, financing and implementation modalities of the Programme and the fiduciary arrangements for the Programme, like: accounting, reporting, auditing and M & E provisions. Such understandings can be reached between the federal ministry of MOFAGA and the PGs – represented by their implementing agencies – the Office of the Chief Minister and the Council of Ministers (OCMCM) through a ‘Memorandum of Understanding’ (MoU) deliberating on these essential components for smooth implementation of the Programme at the provincial level. While the DP and the federal MOF/MOFAGA can have the ‘Programme Document’ (ProgDoc), joint financing arrangements (JFA) and the bilateral agreements to make the programme and its financing effective at the national level, the MoU between the MOFAGA and the OCMCMs of the PGs will expedite the matters related with implementation of the programme at the provincial level.

Following are some elements which should be agreed by the PGs (OCMCM) with the MOFAGA to execute the PLGSP. These elements are suggested to be built-in in such MoU between the MOFAGA and the OCMCMs:

1. Agreeing the ProgDoc;
2. Agreeing with the management structures at the federal level and at the provincial level, including those of: NSC, NEC, PCU (national level), TASP, PSC, PEC, PPIU and the PCGG;
3. Agreeing with the budgeting and planning arrangements of the programme to receive funds from the programme including those emanating from the annual ASIPs, guidelines approved by the NSC or other competent agencies responsible for execution of the programme;
4. Agreeing to use the resources made available as ‘conditional grants’ to them (from the federal budget for SNGs) as per the agreed ASIP and the ProgDoc and with further provincial allocations made (through their Red Books - to the needful agencies such as the PPIU, PCGG and the respective local governments);
5. Agreeing to adhere to the principles of GESI (through mainstreaming and through setting aside separate resources for dedicated GESI activities), good governance, devolution, participatory processes, downward accountability mechanisms (towards the citizens groups) and principles of transparency and ‘zero tolerance to corruption’;
6. Agreeing to execute the Governance Challenge Fund as per the guidelines approved by the NSC and agreeing to ensure best use of resources for the purpose;
7. Agreeing to execute demand-based co-financing projects with a subsidy policy approved by the NSC;
8. Agreeing to allocate a pre-determined resource base for the PCGGs and also add-on to the programme provincial funds either as matching fund or as supplementary funds;

9. Agreeing with the fiduciary arrangements including those on: financial and resulting reporting (also to the PCU at MOFAGA), accounting, internal audit, external audit, M&E arrangements (including those on third party evaluation) and further agreeing to send all financial reports (from PPIUs) to the PCU (federal level) in time (as agreed in the MoU) – failure to which may lead to suspension of further grants from the federal treasury;
10. Agreeing to fulfil the responsibilities of the respective parts such as OCMCMs agreeing to establish PSC, PEC, PPIU and the PCGG, providing adequate professional staff and other resources to these units, appointing CEO of the PCGG on competitive and transparent basis, adhering to the good governance practices in the best ways possible and co-owning the Programme and its management structures at the provincial level with the local governments within the province with a spirit of coordination and cooperative federalism – the MOFAGA agreeing to devolve the functions, functionaries and finances for institution building and CD for the SNG (including the properties and the resources for erstwhile regional centres of the LDTA) to the PGs, supporting the PG and its agencies with both financial and technical resources as per the spirit of coordination and cooperative federalism and as per the provisions of the ProgDoc and furnishing with technical support to the PGs and the local governments for building their institutional strengths to best implement the Programme and be able to minimize the fiduciary risks as envisaged in the ProgDoc; and
11. Agreeing to jointly own the programme along with the federal ministry of MOFAGA and the local governments; jointly evolve the required structures, processes and procedures and execute them along with the experiences and lessons learnt during the Programme cycle; jointly sustain and foster the institutions and structures created during the programme cycle (including the PCGGs); and, jointly plan, execute, monitor, evaluate and review/revise the programme based upon such joint learning.

ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
ASIP	Annual Strategic Implementation Plan
CAC	Citizens' Awareness Centre
CAO	Chief Administrative Officer
CD	Capacity Development
CHF	Swiss Franc
CSO	Civil Society Organization
DAG	Disadvantaged Group
DCC	District Coordination Committee
DFID	Department for International Development (UK)
DP	Development Partner
FCA	Foreign Current Account
FCGO	Financial Controller General's Office
FDG	Focused Group Discussion
GBP	British Pound
GESI	Gender Equality and Social Inclusion
GoN/GON	Government of Nepal
HRM/HRD	Human Resource Management/Human Resource Development
IB	Institution Building
IG	Inter-Governmental
IPF	Innovation Partnership Fund
IPFC	Integrated Plan Formulation Committee
JFA	Joint Financing Agreement
JICA	Japan International Cooperation Agency
LDTA	Local Development Training Academy
LED	Local Economic Development
LG	Local Government/s
LGA	Local Government Association
LGCDP	Local Governance and Community Development Programme
LGOA	Local Government Operations Act, 2017
LISA	Local Government Institutional Systems Assessment
LSGA	Local Self-Governance Act 2056 (1999)
M&E	Monitoring and Evaluation
MARS	Municipal Administration and Revenue System
MDTF	Multi donor trust fund (for PFM)
MOALD	Ministry of Agriculture and Livestock Development
MOEST	Ministry of Education, Science and technology
MOHP	Ministry of Health and Population
MOF	Ministry of Finance
MOEAP	Ministry of Economic Affairs and Planning (Provincial Ministry)
MOIA	Ministry of Internal Affairs (Provincial Ministry)
MOSD	Ministry of Social Development (Provincial Ministry)
MOID	Ministry of Infrastructure Development (Provincial Ministry)
MOFALD	Ministry of Federal Affairs and Local Development (Erstwhile)
MOFAGA	Ministry of Federal Affairs and General Administration
MOWCSC	Ministry of Women, Children and Senior Citizen
MTR	Mid Term Review
MAN	Municipal Association of Nepal
NARMIN	National Association of Rural Municipalities of Nepal
NCC	National Coordination Committee
NNRFC	National Natural Resource and Fiscal Commission

NAFRMP	National Advisory Fiduciary Risk Management Committee
NPD	National Programme Director
NSC	National Steering Committee
NOK	Norwegian Kroner
NPC	National Planning Commission
O&M	Organization and Management
OAG	Office of the Auditor General
OCMCM	Office of the Chief Minister and Council of Ministers (Provincial Government)
OLPGA	Open Local/Provincial Government Account
OPMCM	Office of the Prime Minister and Council of Ministers
PCGG	Provincial Centre for Good Governance
PG	Provincial Government
PCU	Programme Coordination Committee
PLGSP	Provincial and Local Governance Support Programme
ProgDoc	Programme Document
PFM	Public Financial Management
PLG	Provincial and Local Governments
PPIU	Provincial Programme Implementation Unit
PCC	Provincial Coordination Committee
PSC	Provincial Steering Committee
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SNG	Sub-national governance/governments
SNGP	Sub-National Governance Programme
SUTRA	Sub-national Treasury Regulatory Application
TA	Technical Assistance
TASC	Technical Assistance Sub-Committee
TASP	Technical Assistance Service Provider
TLO	Tole / lane (Community) Associations
ToC	Theory of Change
ToR	Terms of Reference
TSNGP	Transition to the Sub National Governance Programme
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WCF	Ward Citizen Forum
WDO	Women Development Officer