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Consolidated Annual Report on Activities Implemented under the Joint Programme “Support for the Local Governance and Community Development” (LGCDP) in Nepal

**Report of the Administrative Agent
for the period 1 January - 31 December 2012**

Multi-Partner Trust Fund Office
Bureau of Management
United Nations Development Programme
<http://mptf.undp.org>

31 May 2013

PARTICIPATING ORGANIZATIONS



United Nations Capital Development Fund (UNCDF)



United Nations Development Programme (UNDP)



United Nations Children's Fund (UNICEF)

CONTRIBUTORS



Denmark



UK Department For International
Development (DFID)

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EXECUTIVE SUMMARY

The United Nations Joint Programme (UNJP) includes six UN agencies [namely The United Nations Capital Development Fund (UNCDF), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA) the United Nations Volunteers (UNV) Programme, and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)], supporting the Local Governance and Community Development Programme (LGCDP). UNCDF, UNDP and UNICEF have utilized pass-through funding modality to support the Programme. The UNJP is fully aligned with the overall framework of the government led national programme on LGCDP and shares the same goal, purpose, outcomes and outputs as LGCDP in order to contribute towards poverty reduction in Nepal through improved and inclusive local governance and service delivery.

This Consolidated Annual Report covers the period from 1 January to 31 December 2012. The report includes the results that UNCDF, UNDP and UNICEF have contributed to during the reporting period utilizing pass-through funding modality for the funds received from the Danish International Development Agency (DANIDA) and the Department of International Development (DFID). This report is in fulfillment of the reporting requirements set out in the Standard Administrative Arrangement (SAA) concluded with the Donors. In line with the Memorandum of Understanding (MOU) signed by Participating Organizations, the Report is consolidated based on information, data and financial statements submitted by Participating Organizations. It is neither an evaluation of the Joint Programme nor an assessment of the performance of the Participating Organizations. The report provides the UNJP Steering Committee with a comprehensive overview of achievements and challenges associated with the Joint Programme, enabling it to make strategic decisions and take corrective measures, where applicable.

Some of the important achievements made by LGCDP during the reporting period include: Local Bodies (LB) are now able to provide services to citizens and communities more effectively than before due to the enhanced staff capacity through various training and orientation on thematic areas. These include: local level planning, monitoring and evaluation, the Gender Equality and Social Inclusion (GESI) strategy, social mobilization, accounting and financial management, the Minimum Condition and Performance Measures (MC/PM) system, and the Child Friendly Local Governance (CFLG) national strategy. More than 5,560 LB staff took part in various training programmes organized by LGCDP which resulted in gradually improvements the system, processes and working culture of LBs. The capacity of grassroots organizations such as the Ward Citizen Forums (WCFs) and Citizen Awareness Centers (CACs), established by LGCDP, are now able to participate actively in local planning processes due to enhanced capacities of citizens through training and orientation on social mobilization, local level planning and civic oversight. More than 56,800 WCF and CAC members including representatives of local political parties were trained on various thematic areas.

Some key policies/strategies have been approved at the central level including the CFLG strategy, and the Environmental Friendly Local Governance strategy. Similarly, a fiduciary risk reduction action plan was prepared and approved by the Government. A directive has been issued for all the LBs to undertake an Initial Environment Examination / Environment Impact Assessment (IEE/EIA) before implementing infrastructure development activities.

The Multi-Partner Trust Fund Office (MPTF Office) of the United Nations Development Programme (UNDP) serves as the Administrative Agent of the Joint Programme. The MPTF Office receives, administers and manages contributions from Donors, and disburses these funds to the Participating UN Organizations in accordance with the decisions of the UNJP Steering Committee. The Administrative Agent receives and consolidates reports and submits these to the UNJP Steering Committee through the Resident Coordinator. This report is presented in two parts. Part I is the Annual Narrative Report and Part II is the Annual Financial Report.



PART I: ANNUAL NARRATIVE REPORT

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center;">Programme Title & Project Number</th> </tr> <tr> <td> <ul style="list-style-type: none"> • Programme Title: Local Governance and Community Development Programme • Programme Number: 00074263 • MPTF Office Project Reference Number: 00059401 </td> </tr> <tr> <th style="text-align: center;">Participating Organization(s)</th> </tr> <tr> <td>UNICEF, UNCDF, UNV and UNDP (pass-through)</td> </tr> <tr> <th style="text-align: center;">Joint Programme Cost (US\$)</th> </tr> <tr> <td> JP Contribution (pass-through): <ul style="list-style-type: none"> • Denmark: US\$ 2,406,399 • DFID: US\$ 12,708,972 </td> </tr> <tr> <td> Agency Contribution <ul style="list-style-type: none"> • UNCDF: US \$ 2,250,000 • UNDP: US\$ 2,442,031 • UNICEF: US\$ \$ 2,299,325 • UNFPA: US\$ 9,159,658 • UNV: US\$ 510,000 • UN Women: US\$ 630,000 </td> </tr> <tr> <td>Government Contribution</td> <td style="text-align: right;">US\$ 580 million</td> </tr> <tr> <td>Other Contributions (donors)</td> <td style="text-align: right;">US \$ 165.3 million</td> </tr> <tr> <td>TOTAL:</td> <td style="text-align: right;">US \$ 777,706,385</td> </tr> <tr> <th style="text-align: center;">Programme Assessment/Review/Mid-Term Eval.</th> </tr> <tr> <td> Assessment/Review - if applicable <i>please attach</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Date: 30.09.2012 [Focused Evaluation] Mid-Term Evaluation Report – if applicable <i>please attach</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: dd.mm.yyyy </td> </tr> </table>	Programme Title & Project Number	<ul style="list-style-type: none"> • Programme Title: Local Governance and Community Development Programme • Programme Number: 00074263 • MPTF Office Project Reference Number: 00059401 	Participating Organization(s)	UNICEF, UNCDF, UNV and UNDP (pass-through)	Joint Programme Cost (US\$)	JP Contribution (pass-through): <ul style="list-style-type: none"> • Denmark: US\$ 2,406,399 • DFID: US\$ 12,708,972 	Agency Contribution <ul style="list-style-type: none"> • UNCDF: US \$ 2,250,000 • UNDP: US\$ 2,442,031 • UNICEF: US\$ \$ 2,299,325 • UNFPA: US\$ 9,159,658 • UNV: US\$ 510,000 • UN Women: US\$ 630,000 	Government Contribution	US\$ 580 million	Other Contributions (donors)	US \$ 165.3 million	TOTAL:	US \$ 777,706,385	Programme Assessment/Review/Mid-Term Eval.	Assessment/Review - if applicable <i>please attach</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Date: 30.09.2012 [Focused Evaluation] Mid-Term Evaluation Report – if applicable <i>please attach</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: dd.mm.yyyy	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center;">Country, Locality(s), Priority Area(s) / Strategic Results</th> </tr> <tr> <td> <i>Country/Region:</i> Nepal, Nationwide </td> </tr> <tr> <td> <i>Priority area/ strategic result:</i> Poverty reduction in Nepal through improved and more inclusive local governance and service delivery </td> </tr> <tr> <th style="text-align: center;">Implementing Partners</th> </tr> <tr> <td> Government of Nepal, Ministry of Local Development, District Development Committees, Municipalities, Village Development committees, Non-Government Organizations, Civil Society Organizations, Local Bodies Fiscal Commission, Local Bodies Associations, Line Agencies </td> </tr> <tr> <th style="text-align: center;">Programme Duration</th> </tr> <tr> <td> Overall Duration (<i>months</i>) 35 months </td> </tr> <tr> <td> Start Date¹ 22/02/2010 </td> </tr> <tr> <td> Original End Date 31/12/ 2012 </td> </tr> <tr> <td> Current End date 15/07/2013 </td> </tr> <tr> <th style="text-align: center;">Report Submitted By</th> </tr> <tr> <td> <ul style="list-style-type: none"> ○ Name: Pragyam Joshi ○ Title: Programme Analyst, Joint Programme Support ○ Participating Organization (Lead): UNDP ○ Email address: Pragyam.joshi@undp.org </td> </tr> </table>	Country, Locality(s), Priority Area(s) / Strategic Results	<i>Country/Region:</i> Nepal, Nationwide	<i>Priority area/ strategic result:</i> Poverty reduction in Nepal through improved and more inclusive local governance and service delivery	Implementing Partners	Government of Nepal, Ministry of Local Development, District Development Committees, Municipalities, Village Development committees, Non-Government Organizations, Civil Society Organizations, Local Bodies Fiscal Commission, Local Bodies Associations, Line Agencies	Programme Duration	Overall Duration (<i>months</i>) 35 months	Start Date ¹ 22/02/2010	Original End Date 31/12/ 2012	Current End date 15/07/2013	Report Submitted By	<ul style="list-style-type: none"> ○ Name: Pragyam Joshi ○ Title: Programme Analyst, Joint Programme Support ○ Participating Organization (Lead): UNDP ○ Email address: Pragyam.joshi@undp.org
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¹ The start date is the date of the first transfer of the funds from the MPTF Office as Administrative Agent. Transfer date is available on the [MPTF Office GATEWAY](#)

Abbreviations and Acronyms

AA	Administrative Agent
AAS	Accrual Accounting Software
ADDCN	Association of District Development Committees in Nepal
ADFs	Assistant District Facilitators
AMF	Assistant Municipality Facilitators
AWP	Annual Work Plan
CAC	Citizen Awareness Centers
CFLG	Child Friendly Local Governance
DAGs	Disadvantaged groups
DANIDA	Danish International Development Agency
DDC	District Development Committees
DFID	Department of International Development (UK)
DPMAS	District Poverty Monitoring and Analysis System
DWC	Department for Women and Children
GoN	Government of Nepal
GESI	Gender Equality and Social Inclusion
HDSPP	Human Development Social Protection Pilot
HH	Household
IEE	Initial Environment Examination
LB/LBs	Local Body/Local Bodies
LB FAR	Local Body Financial Administration Regulation
LGCDP	Local Governance and Community Development Programme
MC/PM	Minimum Conditions Performance Measures
MIS	Management Information System
MoFALD	Ministry of Federal Affairs and Local Development
MPTF	Multi Partner Trust Fund
MoWCSW	Ministry of Women, Children and Social Welfare
MUAN	Municipal Association of Nepal
NAVIN	National Association of Village Development Committees in Nepal
NDVS	National Development Volunteer Service
PSP	Payment Service provider
PBGS	Performance-Based Grant System
PBSF	Performance Based Sector Financing
PLC	Para Legal Committees
PSP	Payment Service provider
RBM	Results-Based monitoring
REFLECT	Regenerated Freirean Literacy through Empowering Community Technique
SWAp	Sector Wide Approach
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNICEF	United Nations Children's Fund
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNJP	United Nations Joint Programme
UNV	United Nations Volunteer
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
VDC	Village Development Committees
WCF	Ward Citizen Forum
WCO	Women and Children Office

1. Purpose

LGCDP is a national programme managed and implemented by the Ministry of Federal Affairs and Local Development (MoFALD) and is aimed at improving the system of local governance and community development in Nepal. While MoFALD is the main implementing partner, LGCDP is supported by more than 13 development partners and six UN agencies. The Programme aims to empower citizens to engage actively with local governments as well as increase the capacity of local governments to manage resources and deliver basic services in an inclusive and equitable manner, while strengthening the institutional framework for decentralization. The Programme intends to mobilize local governments and community development towards a Sector Wide Approach (SWAp) for decentralization. The Programme comprises of three main outcomes and eight outputs as outlined below:

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

Output 1 Communities and community organizations participate actively in local governance processes

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

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

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

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

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

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

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

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

Output 8 Support provided for programme implementation

In order to achieve the programme outcomes, LGCDP focuses on empowering citizens and communities to engage actively with local governments and thereby strengthen downward accountability. Additionally, LBs receive block grants for community led local development based on their annual performance against a set of certain minimum conditions and performance measures (MCPMs). In this way the Programme seeks to strengthen the capacities of local government to ensure more effective and efficient service delivery. Another strategic focus area of the Programme is in policy support for decentralization and local governance.

The UNJP is aligned with the Government of Nepal's (GoN) overall national programme framework for decentralization and local governance. LGCDP has been approved by the GoN and the programme is aligned with government policies, including the Three Year Interim Plan of the GoN. Similarly, the UN Joint Programme covers two thematic areas of the United Nations Development Assistance Framework (UNDAF) outcomes; namely (i) National institutions, processes and initiatives to consolidate peace are strengthened; and (ii) Socially excluded and economically marginalized groups have increased access to improved quality basic services.

Poverty reduction, capacity building, gender equality and social inclusion, and rights-based approaches are the key cross cutting issues that are central to the LGCDP and to the design of the Joint programme.

2. Results

i. Narrative reporting on results:

- **Under the first outcome area of the programme** whereby citizens and communities engage actively with local governments and hold them accountable; the Focused Evaluation of LGCDP conducted in 2012 showed an increased participation of WCF members in the Village Development Committees (VDC) /municipality annual planning formulation processes and indicated enhanced capacity to influence the decision making process. WCFs have successfully ensured that their projects are approved from the Village Council and Municipality Councils.

MoFALD with the support from development partners and UN agencies (UNDP, UNICEF), have implemented social mobilization in 3,817 VDCs of 75 districts and 384 wards of 50 municipalities through 4,201 social mobilizers (51 % women). A total of 33,166 WCFs have been formed with 773,000 members, comprising of 45 % women, 35 % Janjati and 26% Dalit; and 4,082 CACs have been established with 109,548 members (67% women, 35% Janjati, 45% Dalit). Through the WCFs and CACs, the voices of the rural communities are brought forward to the Village Council and then through authentic government channels to be included in the national development plans. There has been at least one ward level planning held per annum. In total, 756 local service providers have been mobilized for taking forward social mobilization. Through social mobilization, the need to engage with local Government to secure services and resources for better livelihood, better access to health services, safe drinking water and education facilities for children is stressed upon.

Output 1: Communities & community organizations participate actively in local governance processes

The WCFs and CACs have allowed for a stronger and more regular interaction between citizens and local government to engage in local governance processes. The District Development Committees (DDCs) and Municipalities' staff (325), line agencies staff (750) and WCF members (56,821) have received training on local level planning, which have also been supported by UNDP. The trainings have led to active participation in ward level planning, integrated planning committee meetings and in the council meetings.

UNV supported and coordinated the recruitment and deployment of 100 volunteers to 48 District Development Committees as Assistant District Facilitators (ADFs) and 52 Municipalities as Assistant Municipality Facilitators (AMFs), across all five Development-Regions of Nepal until end of 2011. The ADFs and AMFs contributed significantly to the implementation of Programme. The support included administrative support, providing knowledge and expertise in the context of social mobilization, orientating officials on LGCDP guidelines, and emphasizing the issues related with inclusion and appropriate allocation of funds.

Partnership has been strengthened with Local Bodies Associations: the Association of District Development Committee of Nepal (ADDCN), Municipal Association of Nepal (MUAN) and the National Association of Village Development Committees in Nepal (NAVIN), to capacitate 400 district level local government officials of 75 districts and 58 Municipalities on annual planning processes. Other orientations included a Training of Trainers on REFLECT and civic oversight, whereby 5,210 (32% female) social mobilizers and LB officials received basic social mobilization and REFLECT training and 850 VDC Secretaries from 18 districts have been capacitated on block grant

guidelines, CFLG, Children and Young People Participation and VDC planning templates. Children representation in the various local governance structures such as District Social Mobilization Committees, CFLG district/VDC/municipal committees, WCF, and Integrated Planning Committees have played a vital role in incorporating children's need in the local planning and budgeting procedures.

In 2012, UNICEF through the Ministry of Women, Children and Social Welfare (MoWCSW), and the Department of Women and Children supported a total of 1,026 Para Legal Committees (PLC) in 59 districts, located in 32% of the VDCs. During the reporting period the PLCs recorded a total of 12,075 cases of which: 77% related to women; 15% to children, and 1% unknown. In addition, during the reporting period, the GoN carried out and completed 239 VDC orientations, 340 Annual Reviews at the VDC level, and 59 Annual District Reviews. Recognizing the positive contributions made by the PLC programme in achieving protection outcomes, the GoN requested UNICEF and DfID to "internalize" the PLC Programme into the government-led and government-supported Women's Development Programme. UNICEF and the GoN have focused on implementing the "internalization process" at both central and local levels.

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

Core messages on the overall activities of LGCDP related to roles and responsibilities of local bodies have been developed to increase awareness of citizens and communities. Various posters have been prepared and widely disseminated through national and local media to provide specific messages on children's rights, gender equality and women's rights. LBs have started to disseminate major decisions through local radio stations and bulletins. As a result, local people are now more aware about the roles and responsibilities of LBs, about major decisions of local bodies' councils and planning processes.

- **Under the second outcome** area focusing on increased capacity of local bodies to deliver services, LB staff are clearer on local body grants guidelines, social mobilization process, GESI strategy, CFLG policy, monitoring and evaluation, environmental safeguards measures and on the MC/PM system. UNCDF has been involved in providing support for the piloting and subsequent mainstreaming of performance-based grant systems since 2002, which has been highly successful. The MC/PM system is now applied to DDC, Municipal, and VDC block grants across the country and is largely owned by MoFALD. This has been a considerable achievement for UNCDF. The MC/PM system aims to improve the supply side of the governance by addressing the real needs of the people through increased grant allocation based on the performance of the LBs. In 2012, 64 DDCs (85%), 3,406 VDCs (87%) and 53 municipalities (91%) met the minimum conditions (MCs) in 2011/12. There has been a slight improvement in the performance of the District Development Committees (DDCs) in the assessment of MC/PM. A total of 64 DDCs met the minimum conditions in 2012 compared to 61 in 2011. Similarly, 51 DDCs were able to receive performance bonus in 2012 compared to 50 in 2011.

31,650 community infrastructure projects were constructed, where more than 426,899 households benefited from the upgraded/new roads. Of the total cost incurred in community infrastructure projects, about 17 per cent was spent to address the demand of women and children and 14 per cent on Disadvantaged Groups (DAGs).

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

To integrate pro-poor climate and environmental considerations into local level planning and budgeting processes, the planning and decision making guidelines of LBs and MC/PM guidelines were updated. Social and environment safeguard measures and IEE guidelines/checklists/EMP were prepared and provided to local bodies. The report on current practices of revenue generation from

natural resources, local government investment and management of rural roads, and resource book on poverty and environment were prepared.

UNCDF provided inputs for the institutional support and to strengthen the overall Performance-Based Grant System (PBGs – MC/PMs) in 2012 as well. This included technical and financial support in carrying out MC/PM assessments in DDCs and municipalities for the FY 2010/2011. The MC/PM system served as a basis for development partners to provide additional resources to the LBs. The 2011/12 assessment (for FY 2010/11) revealed that 11 DDCs and 5 Municipalities were unable to comply in MCs and 509 VDCs did not meet the Minimum Conditions (the details are in Annex 1).

The technical support in 2012 also included a study reviewing the Grant allocation Formula of the present DDC and VDCs. The main objective of the study was to review the existing grant allocation formulas for DDCs and VDCs, and suggest appropriate methodologies for improving the current formulas. A review and analysis of the current DDC and VDC block grants concluded that the current grant formula system in Nepal does not have any major weaknesses in the allocation formulas that would undermine the overall system of local government finance. Nonetheless, a number of recommendations have been offered to guide the possible revision of the block grants formulas. The general suggestions include to: align DDC and VDC block grant formulas as well as the GoN and LGCDP concepts and formulas; lower and standardize fixed amount (especially for VDCs); revise relative weights to ensure that the allocation formula balances a population-focus with a poverty-focus; use the latest population data (Census 2011) as well as more recent poverty estimates (for both the DDC and VDC block grant formulas); update the District Cost Index as well as the land area factor to properly reflect the increased cost of (within-jurisdiction) inaccessibility within DDCs and VDCs; fine-tune the weighted cost factor to effectively support higher-cost DDCs and VDCs; and consider a simpler and more transparent system of MC/PMs.

Another important activity of the year has been the revision of the MC/PM manual. MoFALD introduced the performance-based grant system to all LBs since the last few years. There are three separate sets of manuals for LBs for the evaluation. The manuals have been revised based on the previous year's assessments and the feedback received from the concerned LBs. In the existing VDC manual, there are only the indicators of minimum conditions. In the revised VDC manual, the performance measures indicators are also included. These three sets of manuals are finalized. The key features of manuals include a) incorporation of the spirit of the Local Self Governance Act /Local Self Governance Regulation/ the Local Body Financial Administration Regulation (LBFAR), the Public Expenditure and Financial Accountability, and Fiduciary Risk Reduction Action Plan (PEFA-FRRAP) b) a weightage to the functional areas of planning and Public finance management; c) elaboration on resource mobilization, targeted groups, social mobilization, capacity and organization developments, transparency, monitoring and environment. The revised manuals also incorporate climate change, environment, disaster and GESI aspects as well. Uniformity has been maintained in the grant allocation mechanism for DDC and municipalities. A minimum of 40 % marks is required to be eligible for minimum grants.

MoFALD provisioned 35% of capital grants to address the demand of women, children and disadvantaged groups following advocacy from UNICEF, UN Women and other UN agencies. Assessment on the Utilizations of Capital Block Grants and Internal Sources for Children, Women and Disadvantaged Groups, was carried out by ADDCN with support from MoFALD and UNICEF (examined utilization of Capital Block Grants in 23 districts and 10 Municipalities), indicating the actual expenditure on children has increased for DDCs (6.33% to 11.24%), VDCs (10.48% to 19.54%) and Municipalities (5.46% to 12.77%).

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

An orientation/training on accounting and financial management, District Poverty Monitoring and Analysis System (DPMAS), CFLG, GESI, Geographical Information System, building code enforcement, social mobilization and MC/PM was organized for local bodies and line agencies staff in which more than 46,000 participants took part. Moreover, trainings were organized for 740 VDC newly recruited secretaries (9% women) to familiarize them with their new role, responsibilities and authority. A four-day training was organized on basic account keeping, reporting and financial management for 135 assistant accountants of VDCs. Similarly, orientation programmes on social and environmental safeguards measures and environment mainstreaming on local development was organized for 948 staff of LBs. Training on building code was also organized for 70 staff of Municipalities. Over 150 people representing local bodies, district line agencies, private sectors, civil society and district monitoring and coordination committees were trained on sustainable management of natural resources. UNDP also supported MoFALD in the various trainings that took place in 2012 including the orientation to DDC/municipality staff, to WCF members, representatives of local political parties and to VDC secretaries. As a result of the trainings provided, LBs are more conscious about sustainable extraction of sand, gravel and stones than previous times. These capacity development activities have also helped in improving the system, processes and working environment in local bodies. LB staff are now clearer and have a better understanding on local body grants guidelines, social mobilization process, GESI strategy, CFLG national strategy, monitoring and evaluation, environmental safeguards measures and on the MC/PM system.

Similarly, the major focus of UNV's contribution in 2012 was to support the capacity building and restructuring of the NDVS by supporting the establishment of their Resource and Information Center in NDVS and by co-organizing five regional consultation workshops on the formulation of the National Volunteering Policy together with NDVS and by conducting consultancy for the evaluation report for the collaboration of UNV and NDVS and its restructuring process.

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

To improve the public financial management of VDCs and Municipalities, three training programmes were organized for VDC, DDC and municipalities' internal auditors as well as VDC's external auditors. A total of 75 internal and external auditors were trained on audit guidelines. UNDP also provided support to the government in organizing the trainings.

The Performance based grants aims to improve service delivery, accountability and transparency of local bodies. As the MC/PM indicators measure the capacity of local bodies to deliver services, a number of new initiatives have been taken and/or existing initiatives continued to build capacity of the LBs as well as that of the central government such that they could perform better in MC/PM. As financial management of the LBs is one of the weaker areas; MoFALD introduced several measures. The Public Expenditure and Financial Accountability, and Fiduciary Risk Reduction Action Plan has been prepared. The Program has developed VDC accounting software, piloted in 4 districts, and trained VDC Secretaries of these districts. A massive scale training program on public financial management, including accounting, was also conducted.

The Nepalese municipalities still maintain their accounts based on the cash-based accounting system. Cash-based accounting system only reflects income and expenditure accounts of the fiscal year and excludes major items of financial information such as receivables and payable, overall assets and liabilities. Considering the importance of financial information requirements, a clear provision has been made in the Local Body Financial Administration Rules of 2064 BS (2007) for a municipal accounts' keeping procedure to be maintained as accrual transactions, based on the principle of the double entry system.

UNCDF supported the development of the Accrual Accounting Software (AAS) for municipalities on the basis of the AAS manual developed. Technical support was provided by MoFALD and the GIZ.

The System provides tools to customize users' views of information on the screens without any programming. The system is developed as a modular in design with the flexibility to add, remove and update modules to a specific configuration. It maintains database security as well as application level security to restrict unauthorized access to the system. The system generates detailed audit-trail and tracks the changes made in the system and allows users to create and assign number series for various transactions and has booking reference numbers for improved auditing.

The VDC accounting software development was supported by UNCDF through inputs for the system improvement in the area of financial management of the LBs. In order to promote more efficient, transparent and uniform accounting system across all the VDCs, MoFALD promoted computerized VDC accounting software from 2012. The VDCs with adequate infrastructures were identified and were the first to have the accounting software installed. Training was then provided to the VDC Secretaries and Account Assistants of these VDCs.

The Human Development Social Protection Pilot (HDSPP) was set up to Strengthen the capacity and role of central and local government in delivering social protection and, within this context, to strengthen linkages between the education sector and local government and build accountability to citizens. The pilot is experimental in approach. The HDSP provides an excellent opportunity to test different approaches in making social transfers more efficient through for instance an alternative poverty-targeting approach, more effective payment mechanisms, and an electronic Management Information System (MIS). As new financial solutions are sought for benefit payments, the pilot also explores the potential of strengthening social protection through the expansion of financial inclusion. While the main focus of the pilot is on the scholarship program, the HDSP pilot also plays a major role in strengthening the overall social security system, including programs such as the Senior Citizens' Allowance, the Single Widows' Allowance, the Disability Grant, the Child Grant. After a long (but necessary) period of discussion, debate and design, the HDSP pilot was implemented in two districts (Dadeldhura and Kanchanpur). Very importantly, the HDSP pilot is now seen by MoFALD (and some key development partners) as a promising exploration of improvements in the management and delivery of social transfers at the local level.

Since this is a joint initiative being supported by the World Bank (WB) and UNCDF, it is noteworthy to mention that UNCDF is mainly involved in the design of the project, developing project document, operational manual, developing a communication strategy, carrying out the information campaign, conducting training to the target groups at all levels of the district, developing Payment Service Provider system (testing appropriate technology) for social grant payments, starting with education grants, providing education grants- NRs.1290 per beneficiaries for about 13,000 households (HH) with an average of two children per HH, providing administrative and operational cost for the pilot. In 2012, UNCDF finalized the Manual of Operation, the communication Strategy, developing key messages to be included in Brochures, pamphlets, and flex prints. Comprehensive information packages and leaflets required for the information campaigns have been disseminated widely. Radio programmes were launched in the two districts to further compliment the print media HH registration campaign. About 1,500 episodes of radio jingles were aired for 6 months in each district in local languages as part of the information campaign to prepare for the HH registration.

The WB's support included HH registration, development of the MIS system, providing infrastructure support for logistics and consulting services for household surveys as well as for qualitative study.

Training, orientation and sensitization on HDSPP were provided to the major stakeholders at the regional, district, village and ward levels. A total of 15,838 people were sensitized, out of which about 14,000 people were sensitized at the ward level itself. The training contents helped in undertaking HDSPP and starting dialogues and discussion on the importance of the vital event registration, importance of creating the database and better service delivery proving updated HH data and identifying poor, on poverty basis rather than following targeted approaches. Data collection on

household registration of a total of 78,000 HH (Kanchnpur 57,174; Dadeldhura 20,810) has been completed. All the data entered has been entered in the MIS and data connectivity between these two pilot districts and at the central level has been established. All the VDCs in the two districts are now equipped with computers and power back up systems.

- **Under the third outcome area** focusing on strengthened national framework for devolution and local self-governance, the results-based monitoring (RBM) system has helped to reinforce evidence based planning and programming in all the tiers of government. The GESI strategy has ensured at least 33 per cent representation of women in all the committees formed by the local bodies and MoFALD.

Output 6: Policy framework for decentralization promoted a more enabling environment for effective, transparent & accountable local governance.

Different guidelines, manuals and a handbook on social mobilization and local level planning process have been prepared and disseminated. Moreover, environmental friendly local governance strategy, GESI strategy and CFLG strategy was prepared and disseminated.

The GESI programme was piloted in 10 districts to promote, strengthen and empower local women organizations and gender equality groups to advocate and facilitate development stakeholders to make their programme gender responsive and deliver gender responsive services.

With the support from UNICEF, MoFALD rolled out CFLG in 39 districts, 14 Municipalities and 240 VDCs after the “National Strategy on Child Friendly Local Governance” was approved by GoN, Cabinet level decision on July 5, 2011. Capacity building of 29 MoFALD officials led to greater ownership to mainstream child rights in various plans, directives and frameworks of MoFALD such as the planning guidelines, and the monitoring and evaluation framework. In addition to this, various CFLG related tools, templates, training manual such as VDC profile, CFLG training manual, Investment Plan Guidelines, child friendly participatory tools endorsed by the CFLG national steering committee have been developed. Capacity of the National Planning Commission, sectoral ministries, Staff College on CFLG to improve sectoral convergence were built.

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

The RBM system has been designed and introduced in local bodies to visualize the progress at different levels and report upwards. The RBM system has helped to reinforce evidence based planning and programming system in all tiers of government.

Orientation programs on different themes, including in accounting and financial management, District Poverty Monitoring and Analysis System, social mobilization, geographical information system, environmental safeguards measures, and MC/PM, for LBs staff and other stakeholders have been held as mentioned previously in the report. More than 46,000 participants (46% women) took part in the orientations. Similarly, LBs have organized various training/orientation programs on policy guidelines, local level planning, accounting and financial management, and computer software, which have helped officials become better acquainted with the programme and more knowledgeable on their requirements.

UNCDF has played a central role in developing the administration of performance-based grants for the DDCs and VDCs. Local governments have enhanced their planning and budgeting capacity as a result of UNCDF support. Performance Based Sector Financing (PBSF) is planned to be pilot tested as learning from MC/PM/ PBGS experiences in Nepal, as part of LGCDP phase 2. The PBSF will look at

financing the results for improving the efficiency of service delivery, mainly in the area of health and education, rewarding the results achieved based on assessment results of the performance indicators.

The PBGS developed by UNCDF has been adopted by GoN for all LBs, within LGCDP. Development partners have proposed adherence to MC/PM and PBGS for distributing the financial resources to local bodies as a part of Policy matrix. The Policy matrix is a two page document prepared and appraised by all development partners involved in the formulation of LGCDP II. The document to be reviewed on six months basis and will act as instrument to respond to changing scenario and will serve to create enabling performance orientated funding to the local governance support from the DPs.

- **Delays in implementation, challenges, lessons learned and best practices:**

The delay in approval of the budget by the GoN has affected financial disbursements across all of the GoN, and also affected LGCDP. The delay also affected other long term activities intending to be embedded in MoFALD's and the Local Bodies' processes.

For UNCDF, substantial delays in the implementation of the HDSPP pilot was experienced as it took two years to finalize the project document. Therefore, 2012 was a critical year for the HDSPP pilot. It was also observed that agreeing and getting endorsement of the technical documents (ToR, FRP documents, budget estimates) for new innovative products such as hiring Payment Service provider (PSP) also required substantial time of about 6 months during 2012. Even after the request for proposal was made public and bids were obtained, the technical and financial bid evaluation took substantial time. The successful procurement of the PSP will set a benchmark in the history of Nepal, as the first attempt at a payment of social cash transfers, in this case, education grants, using electronic cash transfer system in Nepal.

The absence of local elected bodies has been a major challenge and not least the cause for delays in implementation of several aspects of the programme. Frequent staff transfer at the local level continues to add delays in programme implementation.

Issues and Challenges:

Fiduciary risks have also been followed up on as an issue and UN organizations have been active in supporting the LGCDP development partners develop a fiduciary risk action plan. Additional issues and challenges faced by the programme include experiences of local conflict in the selection of Local Service Providers for implementing social mobilization at the village and municipal levels. It has been difficult to sustain over 40,000 grassroot organizations, and District /Municipality Social Mobilization Committee meetings are irregular and frequently change the representatives.

There is also weak capacity of WCFs and CACs along with a weak internal financial control system in local bodies with poor accounts' keeping system in VDCs and delays in reporting. Monitoring and supervision at VDC level is very weak, hence it is difficult to confirm the real problems at grassroots' level. Furthermore, VDCs are not able to maintain accounts according to LBFAR and the internal/external audits are not carried out regularly by local bodies. Moreover, a problem of budget assurance, i.e. predictability is also a problem for the programme as well as a lack of effective implementation of 'reward and punishment' mechanism to responsible staff. A general problem of understaffing in LBs (in VDCs) has also been noted.

There is a need to further enhance capacity of Ministry of Federal Affairs and Local Development (MOFALD), DDC. Municipalities and VDCs staff on importance of investing in children, CFLG and meaningful children participation.

Another challenge faced included the inadequate institution's capacity, skills and knowledge and access to tools and techniques with local bodies to mainstream poverty environment and climate change consideration in local development planning and the budgeting process. Embedding environmental consideration into infrastructure designing, implementing, monitoring and reporting process is required along with adoption of pro-poor environment friendly and climate resilient infrastructure such as encouraging labour based roads where appropriate and utilization of natural resource wealth (e.g. sand/gravel, forests and non-timber forest products, watersheds and water for hydropower etc) in ways that are pro-poor and sustain the natural resource base.

Lessons learned

The institutional set up at the VDC level is very weak. In order to implement the programme effectively at the local level, there is a need to enhance the capacity of VDCs, both in terms of the number of personnel and their capacities. The country is in a transition: it takes a considerable time to implement decisions; hence ambitious programmes/projects should be implemented with caution. There is also a need to continually accelerate the social mobilization activities at the local level. Furthermore, regular orientation on social mobilization guidelines and REFLECT is required for Local Service Providers and social mobilizers to strengthen social mobilization implementation.

- **Qualitative Assessment**

Based on the findings of the Focused Evaluation, greater citizen participation in local governance decisions has been observed, along with more citizens accessing public services as a result of the demands and pressure placed on local body officials by the CACs and WCFs.

The UNJP has been useful in providing a common and coordinated programmatic approach among the UN agencies. Through the UNJP, it has been possible to build on the comparative advantages and experiences of the respective UN organizations in providing technical and capacity building support in important areas of LGCDP, including empowering local bodies, communities, and civil society organizations for effective service delivery, empowerment of citizens, and more inclusive local development.

UNICEF and the GoN have focused on implementing the “internalization process” at both central and local level. Although the internalization process provides a unique opportunity to fully align UNICEF's programmes to national priorities and ensure the long-term sustainability of the interventions, its implementation has faced some critical challenges. The internalization process is a complex undertaking that requires time and intensive technical assistance to the MoWCSW, Department for Women and Children (DWC), Women and Children Office (WCOs) and Women's Groups/ Federations/Cooperatives. The internalization process also provides an opportunity to fully position key Protection issues in the agenda of both endogenous/informal and statutory authorities, contribute to fill the gap between de jure (formal laws) and de facto (community practice), and achieve longer term sustainability benefits.

ii. **Indicator Based Performance Assessment:**

	Achieved Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
<p>Outcome 1</p> <p>a) Indicator 1.1: % of ward level planning of VDCs which hold at least one planning meeting per annum Baseline: 60 % Planned Target: 100%</p> <p>b) Indicator 1.2: % of ward level planning of municipalities which hold at least one ward level planning meeting per annum Baseline : 75% Planned Target: 100%</p> <p>c) Indicator 1.3: % of budget allocated for targeted group (women children and disadvantaged group) Baseline = 1.4% Planned target = 35%</p>	<p>100%</p> <p>100%</p> <p>31%</p>		<p>Annual Progress Report of Cluster Coordinating Units</p> <p>Annual Progress Report of Cluster Coordinating Units</p> <p>Annual Progress Report of LGCDP</p>
<p>Output 1:</p> <p>a) Indicator 1.1.1: Social Mobilization guidelines prepared Baseline: No Planned Target: Yes</p>	<p>Yes</p>		<p>Annual Progress Report of LGCDP</p>
<p>b) Indicator 1.1.2: Number of VDCs covered by social mobilization Baseline: 0 Planned Target:3915</p>	<p>3785</p>	<p>Due to problem in selection of Local Service Providers in some districts</p>	<p>Annual Progress Report of LGCDP</p>
<p>c) Indicator 1.1.3. Number of municipality wards covered by social mobilization Baseline: No Planned Target:805</p>	<p>403</p>		<p>Annual Progress Report of LGCDP</p>

Output 2: a) Indicator 1.2.1: Develop information, education and communication strategy Baseline: No Planned Target: Yes	Yes		Annual Progress Report of LGCDP
b) Indicator 1.2.2: % of citizens having knowledge about WCF and CAC Baseline= 0 Planned target= 20%	20%		Annual Progress Report of LGCDP
Outcome 2: a) Indicator 2.1: % of all DDCs that meet minimum conditions Baseline= 95% Planned target= 100%	85% (64 DDCs)		Annual Progress Report of Local Body Fiscal Commission
b) Indicator 2.2: % of all municipalities that meet minimum condition Baseline = 95% Planned target= 100%	91% (53 Municipalities)		Annual Progress Report of Local Body Fiscal Commission
c) Indicator 2.3: % of all VDCs that meet minimum condition Baseline = 85% Planned target = 100%	85% (3406 VDC)		Annual Progress Report of Local Body Fiscal Commission
Output 3: a) Indicator 2.3.1: Number of DDCs receiving 20% additional grants Baseline = 25 Planned target = 45	27		Annual Progress Report of Local Body Fiscal Commission
b) Indicator 2.3.2: Number of municipalities that receive 20 % additional grants Baseline = 20 Planned target = 40	14		Annual Progress Report of Local Body Fiscal Commission
Output 4: a) Indicator 2.4.1: Number of DDCs having capacity development plan Baseline = 0 Planned target = 75	74		Annual Progress Report of LGCDP
b) Indicator 2.4.2= Number of municipalities having capacity development plan Baseline = 0	57		Annual Progress Report of LGCDP

<p>Planned target = 58</p> <p>Output 5:</p> <p>a) Indicator 2.5.1: Number of DDC's web-site operating Baseline= 0 Planned target = 75</p> <p>b) Indicator 2.5.2: Number of municipality's web site operating Baseline = 0 Planned target = 58</p>	<p>60</p> <p>50</p>		<p>MoFALD progress report</p> <p>MoFALD progress report</p>
<p>Outcome 3</p> <p>a) Indicator 3.1: Number of development partners join Joint Financing Arrangement of LGCDP Baseline = 0 Planned target = 10</p> <p>Output 6:</p> <p>a) Indicator 3.6.1: Child friendly local governance strategy developed Baseline = No Planned target = Yes</p> <p>b) Indicator 3.6.2: SWAp framework document developed Baseline = No Planned target = yes</p> <p>Output 7:</p> <p>a) Indicator 3.7.1: Monitoring & Evaluation Framework prepared Baseline = No Target planned = Yes</p> <p>b) Indicator 3.7.2: DPMAS introduced in all DDCs Baseline = 0 Planned target = 75</p> <p>c) Indicator 3.7.3: Results based monitoring system introduced in all local bodies Baseline = No Planned target = Yes</p>	<p>6</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>75</p> <p>Yes (introduced in all the DDCs, municipalities and VDCs)</p>		<p>LGCDP annual progress report</p> <p>LGCDP annual progress report.</p> <p>LGCDP annual progress report</p> <p>LGCDP annual progress report</p> <p>LGCDP annual progress report</p>

iii. A Specific Story

Training enables more women to take on VDC secretary role

Out of the total 3,915 positions for Village Development Committee level, the lowest tier of the government body, there are only 81 women Secretaries. With the absence of elected government for almost a decade, the villages of Nepal suffer from untimely delivery of services. The rural people are disconnected from central level policies and planning. LGCDP has been strengthening the capacity of the local institutions such as the Ward Citizens' Forum, Village Development Committees and District Development Committees for better delivery of services and greater accountability. Increasing the number of women as Secretaries at the Village Development Committee level is a leap progress from gender perspective and a move towards more inclusive participatory decision making process at the local level.

As part of strengthening the capacity of local level institutions, LGCDP provided technical support to the Ministry of Federal Affairs and Local Development, to organize training for all the VDC secretaries in the five development regions of Nepal. There were 718 participants including 64 new women Village Development Committee Secretaries who received a 4-day comprehensive training on planning, monitoring, financial management, reporting, block grant allocations etc. The training was facilitated by the government's Local Development Training Academy.

For example, upon completing the 4 day training course, Nirmala Ban is clearer on her role as a VDC Secretary. The training has given her confidence to execute her responsibilities and think at new angles.

Better study environment for Dalit students at Dasrathnagar Primary School

The children at Dasrathnagar Primary School in Darchula are no longer sitting in class with a leaking roof thanks to the initiative of the School Management Committee and funding from the Local Governance Community Development Programme (LGCDP). Due to some roof slabs having been blown away, there was water seepage at the school that is home to almost 100 Dalit students from Khalanga, Chapari and Katai VDCs. The School Management Committee put forward a proposal and successfully received the required amount from the DDC's Dalit budget allowance for renovation and building works. With a contribution of Rs. 528,000 from LGCDP Rs. 60,000 from school parents and Rs. 84,000 from the Bio Engineering /Environment budget, a new building has been constructed. Renovation work has also been carried out on the roof, toilets and furniture so the student and teachers of Dasrathnagar Primary School creating a conducive environment for learning.

Re-opening of micro-hydro plant in Gokulee Bazar relieves residents

The micro-hydro power plant in Gokulee Bazar that was constructed through the Rural Energy Programme, benefits 350 households around Gokulee Bazar. The plant is run through the User Committee, with each household making a contribution. Unfortunately the powerhouse was constructed further away from the source than planned during the conflict period and suffered with the weak geo-structure and temporary water outlet to the river. With much controversy among the local landowners regarding the outlet and scarcity of funds for the operation of the power plant, the plant had not been in operation for six months. Through the Social and Environmental security budget of the fiscal year 2011/12 of DDC and LGCDP, the water outlet was reconstructed and the weak geo-structure strengthened through an afforestation programme. Out of the estimated cost of the project Rs 74,200,000, Local Governance Community Development Programme (LGCDP) contributed Rs. 53,000,000. Seventy percent of the construction works were completed through laborers from the local area User Committee. The residents of the Gokulee Bazar area are now comfortable with more hours of electricity with the 20 KW power plant now fully functioning and the water outlet issue resolved.

3. Other Assessments or Evaluations

During the reporting period, a Focused Evaluation took place in September, which reviewed seven critical elements of the programme based on areas identified by development partners: social mobilization; Local Governance Accountability Facility; aspects of Gender and Social Inclusion; quality of infrastructure projects and environmental safeguards; capacity development; fiduciary risk reduction; and strengthening the local governance framework.

Some of the findings of the Evaluation include: greater access by more citizens to public services, through pressure placed on local bodies by CACs and WCFs. Citizens were also found to be participating more than before in local governance decisions. It was also observed that the social mobilization needs to be strengthened and linked with performance measurement mechanisms. On the planning process, the evaluation noted that there is an imbalance between the demand and supply ratio – whereby planning takes place without considering resource availability and is not properly prioritized. The recommendations included to improve prioritization at the WCF level, improve linkages with other GLAs beyond VDC; strengthen WCF training, awareness and incentives and improve local service provider’s facilitation. Regarding downward accountability and local governance and the accountability facility, the evaluation highlighted that restructuring the Local Governance Accountability Facility is required as well as revision of the M&E plan/framework which also needs to be provided with adequate M&E budget.

On Empowering women, children and disadvantaged groups, it was observed that CACs have been instrumental in raising the awareness of excluded groups on their rights, local level planning processes and on local resources. It was also noted that although the GESI policy has been rolled out to LBs, there is a need for providing extensive orientation to local body officials and other stakeholder for effective use of the policy and guidelines on GESI.

On quality of infrastructure projects and environmental safeguards, the evaluation recommended that the local body authorities should be required to assume full responsibility for the completion of all environment protection measures prior to project implantation. Furthermore, among other recommendations, the evaluation also suggested that the checklist and requirements for user committees and contractors to be simplified in order to ensure that requirements are met.

In the area of capacity development, it was observed that this aspect requires more coherence and coordination and that capacity of local officials to deliver services has not matched the increased demand. Regarding fiduciary risk reduction, some of the findings included VDC Secretaries having no background in accounting; internal audits of DDCs and Municipalities are not being carried out on a monthly basis as required by LBFAR; long time taken to complete external audit of VDCs and Municipalities. The recommendations included MoFALD to ensure training package on accounts keeping and financial reporting to VDC Secretaries at least once a year by DDCs. The evaluation also observed that a percentage of the surplus funds resulting from reduction of grants to non-performing LBs should be provided for backstopping support to failing LBs.

During the reporting period, UNV also undertook an evaluation to assess the impact of the UNV supported program and draw lessons from and make suggestion for future programming. Evaluation has clearly outlined that the UNV support for LGCDP has provided critical technical support to the process of social mobilization and has ensured inclusive participation of the community at local level.

4. Programmatic Revisions

There were no major adjustments made to the strategies, targets or key outcomes and outputs of the programme during the reporting period.

Regarding the PLA programme, the GoN – MoWCSW – requested UNICEF and donors to “internalize” the Para Legal Committees into the regular women’s empowerment programme led and supported by the GoN, through the MoWCSW and the DWC, the Women’s Development Programme.

5. Resources

LGCDP mobilized government resources as well as that of 13 development partners including UNCDF, UNDP, UNICEF, UNFPA, UN Women, UNV, Asian Development Bank, DfID, Swiss Development Corporation, Norway, Canadian International Development Agency, Denmark, and GiZ. UNDP has also supported MoFALD with various operational costs for the programme implementation including in the Programme Coordination Unit and the Cluster Coordinating Units. UNCDF technical assistance support included national and international experts on the design of LGCDP I and LGCDP II. Additionally, continuous support was provided through an international Project Implementation and Support Specialist during the reporting period.

UNCDF led the HDSPP project, which was a joint initiative between UNCDF and WB with a total resource of USD 2 million from WB and 2.25 million from UNCDF. The joint result matrix of the HDSPP support is tabulated in Annex III.

PART II: ANNUAL FINANCIAL REPORT

2012 ANNUAL FINANCIAL REPORT

This chapter presents financial data² and analysis of the Joint Programme funds using the pass-through funding modality as of 31 December 2012. Financial information is also available on the MPTF Office GATEWAY, at the following address: <http://mptf.undp.org/factsheet/fund/JNP00>.

1. Sources and Uses of Funds

As of 31 December 2012 contributors (the Department for International Development (DFID) and the Government of Denmark) have deposited US\$ 14,216,038 and US\$ 62,887 has been earned in interest, bringing the cumulative source of funds to US\$ 14,278,925. Of this amount, US\$ 12,088,802 has been transferred to three Participating Organizations of which US\$ 10,604,951 has been reported as expenditure. The Administrative Agent fee has been charged at the approved rate of 1% on deposits and amounts to US\$ 142,160. Table 1.1 provides an overview of the overall sources, uses, and balance of the Joint Programme funds as of 31 December 2012.

Table 1.1. Financial Overview (in US Dollars)

	Prior Years as of 31-Dec-11	Current Year Jan-Dec	TOTAL
Sources of Funds			
Gross Contributions	11,868,151	2,347,887	14,216,038
Fund Earned Interest and Investment Income	45,377	1,455	46,831
Interest Income received from Participating Organizations	6,976	9,079	16,056
Refunds by Administrative Agent to Contributors	-	-	-
Other Revenues	-	-	-
Total: Sources of Funds	11,920,504	2,358,421	14,278,925
Uses of Funds			
Transfer to Participating Organizations	11,788,585	300,217	12,088,802
Refunds received from Participating Organizations	-	-	-
Net Funded Amount to Participating Organizations	11,788,585	300,217	12,088,802
Administrative Agent Fees	118,682	23,479	142,160
Direct Costs (Steering Committee, Secretariat...)	-	-	-
Bank Charges	85	33	118
Other Expenditures	-	-	-
Total: Uses of Funds	11,907,352	323,729	12,231,081
Balance of Funds Available with Administrative Agent	13,152	2,034,692	2,047,844
Net Funded Amount to Participating Organizations	11,788,585	300,217	12,088,802
Participating Organizations' Expenditure	7,442,992	3,161,959	10,604,951
Balance of Funds with Participating Organizations	4,345,593	(2,861,742)	1,483,852

² Due to rounding, total in the tables may not add up.

Interest income is earned in two ways: 1) on the balance of funds held by the Administrative Agent ('Fund earned interest'), and 2) on the balance of funds held by the Participating Organizations ('Agency earned interest') where their Financial Regulations and Rules do not prohibit the return of interest. As of 31 December 2012, Fund earned interest amounts to US\$ 46,831 and interest received from UNDP amounts to US\$ 16,056, bringing the cumulative interest received to US\$ 62,887. Details are shown in the table below.

Table 1.2. Sources of Interest and Investment Income (in US dollars)

	Prior Years as of 31-Dec-11	Current Year Jan-Dec 2012	TOTAL
Administrative Agent			
Fund Earned Interest and Investment Income	45,377	1,455	46,831
Total: Fund Earned Interest and Investment Income	45,377	1,455	46,831
Participating Organization (PO) Earned Interest Income			
UNCDF	-	-	-
UNDP	6,976	9,079	16,056
UNICEF	-	-	-
Total: Interest Income received from PO	6,976	9,079	16,056
Total	52,353	10,534	62,887

2. Contributions

Table 2 provides information on cumulative contributions received by contributor as at 31 December 2012.

Table 2. Contributions (in US dollars)

Contributor	Prior Years as of 31-Dec-11	Current Year Jan-Dec 2012	TOTAL
Department for International Development (DFID)	9,461,752	2,347,887	11,809,639
Government of Denmark	2,406,399	-	2,406,399
Total	11,868,151	2,347,887	14,216,038

3. Transfer of Funds

Allocations to the JP Participating Organizations are approved by the Steering Committee and disbursed by the Administrative Agent (AA). The AA has transferred US\$ 12,088,802 to three Participating Organizations (UNCDF, UNDP and UNICEF) as of 31 December 2012. Table 3 provides information on the cumulative amount transferred to each Participating Organization.

Table 3. Transfers by Participating Organization (in US dollars)

Participating Organization	Prior Years as of 31 Dec 2011	Current Year Jan-Dec 2012	TOTAL
	Transferred Amount	Transferred Amount	Transferred Amount
UNCDF	2,550,000	-	2,550,000
UNDP	2,064,587	-	2,064,587
UNICEF	7,173,998	300,217	7,474,215
Total	11,788,585	300,217	12,088,802

4. Overall Expenditure and Financial Delivery Rates

All expenditures reported for the year 2012 were submitted by the Headquarters' of the Participating Organizations via the MPTF Office Reporting Portal. These were consolidated by the MPTF Office.

4.1 Expenditure Reported by Participating Organization

As shown in table 4.1, cumulative net transfers amount to US\$ 12,088,802 and cumulative expenditures reported by the Participating Organizations amount to US\$ 10,604,951. This equates to an expenditure delivery rate of 88%.

Table 4.1. Cumulative Expenditure of Participating Organizations and Financial Delivery Rate (in US dollars)

Participating Organization	Transferred Amount	Total Expenditure	Delivery Rate Percentage
UNCDF	2,550,000	1,633,055	64.04
UNDP	2,064,587	2,023,642	98.02
UNICEF	7,474,215	6,948,254	92.96
Total	12,088,802	10,604,951	87.73

4.2. Total Expenditure Reported by Category

Project expenditures are incurred and monitored by each Participating Organization and are reported as per the agreed upon categories for harmonized inter-agency reporting. In 2006 the UN Development Group (UNDG) set six categories against which UN entities must report project expenditures. Effective 1 January 2012, the UN Chief Executive Board modified these categories as a result of IPSAS adoption to comprise eight categories. The old and new categories are noted below.

2012 CEB Expense Categories

1. Staff and personnel costs
2. Supplies, commodities and materials
3. Equipment, vehicles, furniture and depreciation
4. Contractual services
5. Travel
6. Transfers and grants
7. General operating expenses
8. Indirect costs

2006 UNDG Expense Categories

1. Supplies
2. Personnel
3. Training
4. Contracts
5. Other direct costs
6. Indirect costs

Table 4.2 reflects expenditure as of 31 December 2012. All expenditures reported up to 31 December 2011 are presented in the previous six categories, and all expenditures reported from 1 January 2012 are presented in the new eight categories.

In 2012, the highest expenditure was reported on Transfers and grants with an amount of US\$ 1,561,581 followed by Supplies, commodities and materials with an amount of US\$ 357,936. Indirect support costs slightly exceed the 7% range due to the fact that some agencies charge indirect support costs up-front.

Table 4.2. Total Expenditure by Category (in US dollars)

Category	Expenditure			Percentage of Total Programme Cost
	Prior Years as of 31-Dec-11	Current Year Jan-Dec 2012	TOTAL	
Supplies, Commodities, Equipment and Transport (Old)	415,239	-	415,239	4.24
Personnel (Old)	2,482,966	-	2,482,966	25.38
Training of Counterparts (Old)	575,295	-	575,295	5.88
Contracts (Old)	3,050,409	-	3,050,409	31.18
Other direct costs (Old)	332,742	-	332,742	3.40
Staff & Personnel Cost (New)	-	252,809	252,809	2.58
Suppl, Comm, Materials (New)	-	357,936	357,936	3.66
Equip, Veh, Furn, Depn (New)	-	58,410	58,410	0.60
Contratual Services (New)	-	260,854	260,854	2.67
Travel (New)	-	261,201	261,201	2.67
Transfers and Grants (New)	-	1,561,581	1,561,581	15.96
General Operating (New)	-	175,194	175,194	1.79
Programme Costs Total	6,856,650	2,927,984	9,784,634	100.00
Indirect Support Costs Total	586,342	233,975	820,317	8.38
Total	7,442,992	3,161,959	10,604,951	

5. Transparency and accountability

The MPTF Office continued to provide information on its GATEWAY (<http://mptf.undp.org>) a knowledge platform providing real-time data, with a maximum two-hour refresh, on financial information from the MPTF Office accounting system on contributions, programme budgets and transfers to Participating Organizations. All narrative reports are published on the MPTF Office GATEWAY which provides easy access to nearly 9,600 relevant reports and documents, with tools and tables displaying financial and programme data. By providing easy access to the growing number of progress reports and related documents uploaded by users in the field, it facilitates knowledge sharing and management among UN Organizations. It is designed to provide transparent, accountable fund-management services to the UN system to enhance its coherence, effectiveness and efficiency. The MPTF Office GATEWAY has been recognized as a ‘standard setter’ by peers and partners.

Annex I: MCPM assessment results

Table : 1.1 MCPM assessment result of DDC

Grant Category	DDC	Number
30% +	Bhaktpur and Dhankuta	2
25% +	Taplegunj, Terhathum, Morang, Jhapa, Sunsari, Khotang, Makwanpur, Dhading, Sindupalchock, Dolkha, Lalitpur, Lamgunj, Parbat, Kapilbastu, Nawalparasi, Banke and Humla, Argakhachi, Mustang, Baglung, Palpa, Gulmi, Banke & Humla	22
20% +	Ilam, Solukhumbu, Udayapur, Okhaldhunga, Sankhuwasaba, Sindhuli, Kavrepalchock, Parsa, Nuwakot, Rasuwa, Gorkha, Kathmandu, Manang, Tanahu, Syanja, Myagdi, Rupandehi, Jumla, Salyan, Jajarkot, Rolpa, Mugu, Bardiya, Pyuthan, Rukum, Kanchanpur & Kailali	27
Basic only	Dadeldhura	1
20% -	Panchathar, Bhojpur, Saptari, Rautahat, Bara, Dailekh, Surkhet, Bajura, Baitadi, Dang, Doti & Darchula	12
No grants	Siraha, Mahottari, Dhanusha, Sarlahi, Ramechhap, Chitwan, Kaski, Dolpa, Kalikot, Acham & Bajhang	11

Table : 1.2 MCPM assessment result of Municipalities

Category	Municipalities	Number
25% +	Bhimeshor, Gorahi, Hetauda, Butwal, Guleriya, Waling, Kapilbastu, Ilam, Ramgram, Siddharthanagar, Dharan, Birendranagar, Baglung, Ratnagar	14
10% +	Damak, Tikapur, Panauti, Kirtipur, Dhangadhi, Putalibazar, Tansen, Bhadrapur, Tulsipur, Mechinagar, Dhankuta, Triyuga, Bharatpur	13
10% -	Lalitpur, Itahari, Inaruwa, Kamalamai, Bhaktapur, Dhulikhel, Madhyapur-Thimi, Biratnagar, Banepa, Byas, Rajbiraj, Birgunj, Pokhara, Narayan,	14
25% -	Kalaiya, Lekhnath, Bidur, Nepalgunj, Khandbari, Dipayal-Silgadhi, Bhimdatta, Gorkha, Amargadhi, Dasarathchand, Gaur, Siraha, Jaleswor	13
No grants	Kathmandu, Malangawa, Lahan, Janakpur	4

An Overview 2011 can be accessed through website <http://lbfc.gov.np/publications>

Annex II: The joint result matrix of the programme between UNCDF and WB

Objectives	Immediate results	Sub-activities	Resource allocation			Funding agency
			2011	2012	2013	
1. The capacity & role of central and local government in delivering social security programmes is strengthened						
1.1 Impact of social grants is optimized		Analytical work on the targeting mechanism	51,700	-	-	WB
		Transfer of higher scholarships	-	442,286	442,286	UNCDF
1.2 Payment system is improved		Payment charges	-	110,571	110,571	UNCDF
		TA for payment system	74,075	13,333	-	UNCDF / WB
1.3 Information management is improved		Registration of all households	550,000	-	-	WB
		Development of MIS	77,867	13,933	-	WB
		MIS specialist at national level	5,600	16,800	8,400	WB
		MIS specialists at district level	8,138	24,415	12,207	UNCDF
		Computer training	77,440	-	-	UNCDF
1.4 Management skills are strengthened		Trainings	72,560	264,440	-	UNCDF / WB
		Provision of additional administrative funds	67,132	151,564	75,782	UNCDF
		Provision of additional hardware	267,700	-	-	WB + UNCDF for vehicles
		TA at national level	12,900	16,800	8,400	UNCDF / WB
		TA at district level	16,277	48,830	24,415	UNCDF
		TA for system building	107,146	31,440	-	UNCDF / WB
2. The linkages between the education sector and local government are strengthened						
2.1 Supply & demand side measures are better coordinated		TA on the coordination	14,321	7,161		UNCDF
2.2 Data management is harmonized						
3. Local government accountability to citizens is strengthened						
3.1 Increased motivation to perform		Incentives		17,271	17,271	UNCDF
		Information campaign	53,100	-	-	UNCDF
3.2 Citizens are well informed		Communication	18,000	18,000	12,500	UNCDF / WB
		TA Communication	18,750	2,387	-	UNCDF
3.3 Grievances are well managed		Monitoring activities	11,390	123,343	34,171	UNCDF / WB
Assessment of whether objectives have been met						
		Evaluation	106,700	465,300	-	WB
Contingency						
			60,375	60,375		WB
			1,671,172	1,828,250	746,004	
		Total			4,245,426	