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**Local Governance Support Program (LGSP)
MPTF OFFICE GENERIC FINAL PROGRAM NARRATIVE REPORT
REPORTING PERIOD: January 2007 – June 2016**

<p align="center">Program Title & Project Number</p> <ul style="list-style-type: none"> Program Title: <i>Local Governance Support Program</i> Program Number: 00053898 (UNDP), 00054392 & 00084045 (UNCDF) MPTF Office Project Reference Number: 00055656 	<p align="center">Country, Locality(s), Priority Area(s) / Strategic Results</p> <p>Country/Region: <i>Timor-Leste/ Asia and Pacific</i></p> <hr/> <p>Priority area/ strategic results: <i>Local governance and decentralization; poverty reduction</i></p>
<p align="center">Participating Organization(s)</p> <p align="center">UNDP and UNCDF</p>	<p align="center">Implementing Partners</p> <ul style="list-style-type: none"> Ministry of State Administration (MSA)
<p align="center">Program/Project Cost (US\$)</p> <p>Total approved budget as per project document: MPTF /JP Contribution:</p> <ul style="list-style-type: none"> Irish Aid US\$2,422,123 Government of Norway US\$1,486,789 <p>Agency Contribution (2007 – 2016)</p> <ul style="list-style-type: none"> UNDP US\$1,052,566 UNCDF US\$ <p>Government Contribution (2007 – 2016)</p> <ul style="list-style-type: none"> Parallel funding US\$ Cost sharing agreement US\$245,467 <p>Donors Contributions Through CSA (2007 – 2016)</p> <ul style="list-style-type: none"> Irish Aid US\$1,306,977 Government of Norway US\$119,328 <p>TOTAL: US\$</p>	<p align="center">Program Duration</p> <p>Overall Duration (7.5 years) Start Date: 1 Jan 2007(1st phase) 1 Jan 2012 (2nd phase) 1 Jan 2014 (1st no-cost extension) 1 Jan 2015 (2nd no-cost extension) 1 Apr 2015 (3rd no-cost extension) 1 Jan 2016 (4th no-cost extension) Original End Date: 31 Dec 2011 (1st phase) 31 Dec 2013 (2nd phase) 30 Jun 2014 (1st no-cost extension) 31 Mar 2015 (2nd no-cost extension) 31 Dec 2015 (3rd no-cost extension) Actual End date: 30 June 2016 (4th no-cost extension)</p> <p>Have agency (ies) operationally closed the Program in its (their) system? Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Expected Financial Closure date: 31 December 2016</p>
<p>Program Assessment/Review/Mid-Term Eval.</p> <p>Evaluation Completed</p> <ol style="list-style-type: none"> LGSP Mid-term Evaluation From 13 to 30 March 2010; Evaluation Report dated July 2010 - Attached UNDP-UNCDF Capacity Assessment/ Capacity Development (CA/CD) and LGSP II Project Formulation Mission: Mission 1: 9-20 May 2011 and Mission II: 28 June-4 July 2011. The Mission Report dated July 2011 UNCDF Program Scoping Mission, 21May to 1June 2013. The Mission Report dated June 2013 UNDP-UNCDF Timor-Leste LGSP Technical Support Mission 30 September to 5th October 2012. The Joint Mission Report dated 15 July 2013 	<p align="center">Report Submitted By</p> <ul style="list-style-type: none"> Name: Mariano Duarte Quintao Carmo Title: ACD/Head of Governance Unit, UNDP Timor-Leste Participating Organization (Lead): Email address: mariano.carmo@undp.org

Abbreviation and Acronym

DA	District Assembly
DDC	District Development Committee
DSF	Decentralisation Strategic Framework
GoTL	Government of Timor-Leste
ISD	Infrastructure and Service Delivery
LDP	Local Development Program
LG	Local Governance
LGOS	Local Government Options Study
LGSP	Local Governance Support Program
MC	Minimum Condition
MoF	Ministry of Finance
MSA	Ministry of State Administration
MTWGs	Ministerial Technical Working Groups
NGO	Non-Governmental Organization
NIM	National Implementation Modality
PBGS	Performance Base Grant System
PDD/DDP	Decentralised Development Program
PDID	District Integrated Development Planning
PEM	Public Expenditure Management
PFM	Public Financial Management
PM	Performance Measures
SDDC	Sub-District Development Committees
SDP	Suku Development Plan (also acronym for Strategic Development Plan 2011-2030)
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program

EXECUTIVE SUMMARY¹

For more than nine years, the Local Government Support Program (LGSP) has supported the Government of Timor-Leste's decentralization efforts contributing to improved Public Expenditure Management and Public Financial Management (PEM/PFM) for sub-national government, while strengthening the capacity of the central state to reinforce these processes, i.e. the Ministry of State Administration (MSA).

In 2008, LGSP provided key technical advice to the drafting of the Decentralization Policy and Decentralization Strategic Framework (DSF). Although the Government did not fully implement DSF, the framework provides the most comprehensive regulatory guidelines for decentralization to date referred to by Government in its ongoing discussions – waxing and waning – on delegation and devolution of public functions. Similarly, LGSP has been instrumental to the drafting of three basic bills for the establishment of sub-national government: the Bill on Territorial and Administrative Division, the Bill on Local Government and the Bill on Municipal Elections. In 2009, the National Parliament approved the first law. The other two bills were neither discussed nor endorsed by the National Parliament, but have outlined the options for further debate; a debate that still continues.

In the field of Local Development, LGSP designed and tested new PEM/PFM systems and procedures – based on the previous Local Development Program (LDP) – which were scaled up covering all districts of the countries in 2010. District and suku capacities have been developed throughout the disbursement of the respective Local Development Fund (LDF); lessons have been learnt feeding these systematically into the policy process.

As a result, MSA adopted the program's best practices incorporating these into the 2012 Integrated District Development Planning (Planeamento Desenvolvimento Integrado Distrital or PDID) Decree Law and subsidiary legislation. The PDID Decree Law harmonized and synchronized the LGSP-designed LDF and the Government-designed Decentralized Development Program (DDP) into a single legal instrument involving many of the processes and procedures that LGSP piloted.²

As a result of the LDF success, Government invited LGSP to support the development of a training curriculum in local governance – foundation and advanced courses – for sub-national authorities and staff implementing capacity development in: Timor-Leste's development, planning and service delivery, ethics and accountability, women and children rights, human capital and local coordination.

PDID has moved ahead, although at times with difficulties. For 2014, the second year of its implementation, Parliament refused to approve its budget. National politicians argued the implementation rate of the 2013 PDID cycle was too low to warrant renewed funding. In 2014, the backlog of PDID projects was resolved and Parliament approved approximately 29 million American dollars for construction in 2015. Simultaneously, the 2013 Decree Law 11 on PDID procurement got hands and feet as a full-blown PDID procurement manual was approved by MSA in December 2014. In 2015, for the first time all officially endorsed PDID projects went through a tender process selecting private contractors on merit rather than connections. LGSP has been critical to the development of the procurement guidelines, delivering procurement training (of trainers) at MSA. Then again, in 2015 the government unexpectedly refused to fund approximately 70 of the 156 approved projects (because of project design flaws, it argued) and no PDID planning cycle has taken place for 2016 implementation.

This report presents the key results achieved by LGSP. For quarterly and annual reports, policy documents and the concomitant regulatory framework, please visit www.tl.undp.org and www.uncdf.org.

¹ As most of the program's activities took place before 2014, the report continues referring to “districts” instead of “municipalities”. Since decree law 4/2014, promulgated on 22 January 2014, the Timor-Leste government prefers references to the 12 “municipalities” and “municipal administrations” of the country.

² On 16 September 2015, government sanctioned decree law 36/2015 substituting PDID by PDIM (Planeamento Desenvolvimento Integrado Municipal) involving some changes. When this report refers to PDID it includes PDIM.

I. Program Purpose

The Local Government Support Program (LGSP) is based on two preceding UNDP-UNCDF initiatives: Local Governance Options Studies (LGOS, 2003) and the Local Development Program (LDP, 2004).

The LGSP has been implemented in two phases. The first phase covered 2007 to 2011 and the second phase (LGSP II) was implemented from 2012 until 2013. Subsequent extensions took LGSP II into 2016: a six months no-cost extension from 1 January until 30 June 2014, a “bridge funding” until March 2015, an extension (of the bridge funding) until 31 December 2015 and a last extension finishing on 30 June 2016. The bridge has served to integrate LGSP into the newly developed follow-up program: Sub-National Governance and Development Program (SNGDP). The Government of Norway, Irish Aid, UNDP, UNCDF and the Government of Timor-Leste (through Government Cost Sharing and parallel funding) have financed LGSP.

The overall program outcome is to contribute to poverty reduction in Timor-Leste through improved local capacity, by endowing local governance bodies with the competences to provide efficient, accountable and gender-responsive basic infrastructure and service delivery to poor communities in rural areas.

II. Key Results Achieved (2007 – 2016)

i) Program Outcome

Outcome: Increased capacity for efficient, accountable and gender-responsive delivery of services by local administration

Building on the successful implementation of LDP, LGSP supported the development of PDID: an integrated regulatory framework that streamlines and harmonizes existing local development initiatives carried out by the Government of Timor-Leste into a single Public Financial Management and Public Expenditure Management (PFM/PEM) system.

The PDID marks an important step in the delegation of public functions allocating fiscal resources to sub-national government for discretionary use. It is considered an initial step towards the development of an integrated system of central-local fiscal transfers for future municipalities. The PDID is currently one of the main PFM/PEM frameworks for government’s local development initiatives.

What is more, by the end of 2014, LGSP had developed the capacities of MSA in the field of pre-qualification of contractors and full-blown tender processes replacing direct adjudication. Now, PDID not only counts with a fully developed planning manual, but also with comprehensive procurement guidelines. Municipal administrations tendered approximately 85 infrastructure projects worth US\$ 11.6 million selecting private contractors on merit employing these guidelines.

To facilitate the current PDID – harmonizing bottom-up and top-down planning processes – LGSP also designed and tested strategic planning methodologies for the elaboration of District Strategic Development Plans (DSDP). These support sub-national government establishing 5-years, need-based plans that provide strategic guidance to the annual PDID planning process. The district investment planning process integrates gender, climate change resilience measures and economic development as key areas of development. LGSP implemented a district planning pilot in one district. Since then, MSA has adopted the district strategic planning methodology developed by LGSP, encouraging other districts to carry out the same process.

ii) Outputs:

Output 1: Local Development Program (LDP)

LGSP I (2007 – 2011)

Procedures, processes and systems for effective local-level infrastructure and service delivery (ISD) and public expenditure and public financial management (PEM/PFM) are piloted in selected Districts and Sub-Districts

Under this output, the program initiated pilots in Infrastructure Service Delivery (ISD), Public Expenditure Management (PEM) and Public Finance Management (PFM) at the sub-national level with the aim to promote evidence-based policy and legal reforms. It is expected that these reforms will strengthen local governance and development resulting in a virtuous circle of practice and policy reinforcing each other.

Establishing and supporting the Government sanctioned “Local Development Program” (LDP), LGSP also piloted the establishment of local government institutions that for the first time were enabled to manage public expenditure (i.e. Local Development Fund, LDF) to plan development and deliver infrastructure and services. Accordingly, LGSP introduced a unique participatory planning methodology involving elaborate guidelines designed for suku (village) councils, sub-district and district assemblies. These ensured high degrees of citizen participation and informed decision-making processes for local investments priorities.

The pilot provided LDF in the form of block grants to local assemblies. Such a “learning by doing” approach enabled sub-national governments to develop planning capacities such as identification of priorities, citizen participation, budgeting, procurement, implementation of small-scale infrastructure projects, monitoring and evaluation. LGSP helped Government in the delivery of the relevant training of national (training of trainers) and local staff. Local PEM turned out to be a success as the efficient provision of basic infrastructure and services showed. Thus, Government decided to scale up the LDP pilot extending its range from three districts – co-funded by LGSP – to all districts funding the national coverage with public resources as of 2010.

In 2010, the Government of Timor-Leste also introduced the Decentralized Development Package (DDP). In this new local investment program, MSA channeled large amounts of funding to the thirteen district administrations of the country. In contrast to LDF type of government grant allocations, which give full discretionary powers to sub-national administrations, DDP is centrally managed by MSA with the ultimate authority of budget allocation. This was part of a tendency within Government at the time, toning down decentralization as sub-national mechanisms of accountability and decision-making encouraged and enhanced by LDF, were weakened by DDP’s re-centralizing effects.

LGSP II (2012-2016)

Improved capacity for local service delivery (ISD) by sub-national bodies with increased citizen participation

Although DDP adopted some financial management systems and procedures from LDP, many key systems and procedures (i.e. planning and procurement) differed greatly from LDP processes. The result was two parallel systems of local infrastructure delivery creating confusion and posing additional difficulties to district administration staff. In light of these challenges, LGSP supported MSA in the development of PDID (“Planeamento Desenvolvimento Integrado Distrital” or Integrated District Development Planning), which integrated the approaches of the LGSP-designed LDP and the Government-designed DDP

facilitating sub-national planning, procurement and financial management through a set of harmonized and simplified systems and procedures.

The Government currently implements PDID as one of its main programs, delivering local infrastructure all over Timor-Leste. In 2014, Parliament approved approximately 29 million American dollars for the PDID 2015 cycle of local infrastructure investments. In addition, PDID procurement processes have been embedded. The 2013 Decree Law 11 on PDID procurement stimulated the development of a detailed PDID procurement manual including pre-qualification of contractors, tender process, fiduciary regulations and monitoring. Pre-qualification has started in 2014. The full procurement process has been implemented for the first time in 2015, tendering out approximately 85 projects.

Of late, MSA and several sector Ministries have recognised the downside of the incessant drive of the Timor-Leste Government to construct, to realise more and more infrastructure, including PDID. Complaints have become increasingly loud. Claiming that there is a lack of Government attention to infrastructure maintenance, combined with a lack of appropriate asset management and maintenance systems and procedures. The government's administrative processes make it much easier – though much more expensive – to construct new infrastructure than to maintain old infrastructure. LGSP has started addressing this issue, initiating a pilot maintenance grant scheme. A full manual for such a scheme has been developed, tested and is ready to be employed. Eight maintenance projects in three districts (municipalities) have been prioritised and funded. The purpose is to raise awareness of the need for maintenance and to test possible procedures to facilitate the practice within sub-national administrations. It would be ironic if the infrastructure efforts of LDP, DDP, PDID, sector Ministries and the Timor-Leste Government in general to build the country up from the ashes of the struggle for independence, would crumble for the absence of a relatively simple and cheap maintenance routine.

All along its long trajectory, LGSP has also designed and delivered comprehensive and sustained training packages for sub-national authorities and technical staff covering planning, financial management, project design, procurement, contract management and maintenance. During the last days of 2014, for example, LGSP delivered the first PDID procurement training (of trainers) at MSA teaching the new procurement guidelines. Subsequently, all the District Procurement Committees have been strengthened. In 2015, the program finalised and piloted a course on project design and BoQ for buildings, and carried out a similar training on road construction in coordination with the Ministry of Public Works and the National Development Agency. Importantly, as the LGSP team shares the workspace of MSA staff for the last nine years, the latter have been able to impart their continuous challenges. LGSP staff coaches them permanently on the job addressing both administrative and financial issues, as well as technical.

Hence, the rollout of the LDP across all the districts of the country, and its subsequent transformation into PDID as the government's main PEM at the local level, have established the foundations of sustainable local-level infrastructure and prepared the ground of an efficient and effective public service delivery system by the sub-national administrations in Timor-Leste.

Output 2: Policy and legislation

LGSP I (2007-2011)

Support is provided to GoTL for the establishment of an appropriate and comprehensive institutional, legal, and regulatory framework for local government

Based on the 2003 Local Government Options study presenting six options for decentralization in Timor-Leste, the Government decided to proceed with the establishment of municipalities in Timor-Leste. The old districts were to be converted into fully decentralized municipalities. In 2006, the Government

endorsed the National Decentralization Policy and Decentralization Road Map to give teeth to its efforts to devolve functions and finance to the municipalities.

LGSP provided technical support in the revision of the government decentralization and local government policies, developing the Decentralization Strategic Framework (DSF I) comprising timeframe and milestones for decentralization reform. Subsequently, the program assisted the formulation of DSF II, outlining the steps to implement the new reforms once the respective legislation had been approved. Accordingly, the program also supported the Government of Timor-Leste in drafting a package of three bills for the establishment of sub-national government guiding the pace and scope of decentralization reform. The Bill on Local Government, the Bill on Territorial and Administrative Division and the Bill on Municipal Elections were prepared and submitted to the National Parliament. Only the Law on Territorial and Administrative Division was passed and enacted in 2009. This was a major milestone, though, establishing 13 municipalities in the country based on the existing 13 districts. Although in practice the district administrations continue operating much as before, the law clearly stipulates the potential of these districts to become autonomous, administrative municipalities, politically as well as financially. Eventually, they are to be represented by elected municipal assemblies.

As part of its support to DSF reforms, LGSP commissioned several studies and produced various policy documents detailing systems and procedures of sub-national government: local PEM/PFM, service delivery functions by sector and suku-municipal relations of governance. These policy documents provided detailed input into the national and local decentralization debate molding decentralization policies and implementation.

LGSP II (2012-2016)

Improved institutional, legal, and regulatory framework established in support of effective local governance

One of the key functions of the envisaged municipalities is to promote more effective, efficient and equitable services for its inhabitants. Since 2009, the Government has moved slowly but doggedly towards decentralisation reforms that it considers apt for the country. The shifting legal framework shows government is concerned about the wanting capacities of the municipal administrations. As a result, it tends to favour a policy testing deconcentration/decentralisation in a few but not all municipalities. Other municipalities are to follow in later stages of deconcentration, incorporating lessons learnt.

Recognizing Government concerns regarding the capacities of municipal administrations, LGSP has stepped up its efforts developing capacities at this tier of government. In the first place, the program has worked hard advising the Secretary of State for Institutional Strengthening (SEFI) in the design of a capacity development policy for sub-national civil servants. The first results had become apparent by the end of 2014, when SEFI initiated the rollout of a municipal training program (“foundation course”) comprising: Timor-Leste development, planning and service delivery, accountability and ethics, women and children rights, and human capital and local coordination. By the end of June 2016 the foundation course had improved the capacities of staff in nine municipalities while a follow-up advanced course in local governance had also been designed and tested. What is more, a “draft zero” curriculum for deconcentrated administrations is ready to be implemented, if and when some sort of serious delegation of functions will take place.

Secondly, LGSP continued its capacity development efforts at MSA, including the ministry’s initiatives to strengthen the municipal administrations. Just recently, the program has finalized the design of a methodology to assess the capacities of these administrations with the aim to come up with a municipal capacity development plan. Municipal service delivery and business process monitoring tools combine with a Timor-Leste municipal benchmarking exercise and a change management plan (for the transition

of municipal administrations into some sort of increased form of deconcentration) to enhance the capacities at the municipal level.

Given the continued uncertainty of pace and scope of the government's decentralization reforms during LGSP II (2012-2016), the program's continued provision of policy and legal support to the government has concentrated on the establishment of improved PEM/PFM for effective local level infrastructure prioritization and implementation, including procurement and maintenance. The 2013 PDID procurement decree law, supported by LGSP advice, introduced a competitive bidding process of contractors (instead of direct adjudication) facilitating the capacity development of sub-national administrations ready to assume delegated responsibilities of procurement.

Importantly, the program initiated serious reflection by government – and other stakeholders – of the integration of PDID into the functions of municipalities that are to be more deconcentrated. It commissioned a report mapping the options of such integration systematizing information that was mostly available within the LGSP team and its government counterparts. As part of its recent deconcentration efforts, Government requested all line ministries to identify a first batch of services to be delegated to the districts. It is clear that this exercise fell well short of a thorough process of functional review and assignment of functions from national to municipal bodies. Hence, the significance of the willingness that exists in MSA to consider the devolution of PDID to the districts – amongst other factors, a result of the long lasting, intense coordination with LGSP. In terms of human and financial resources this MSA initiative potentially eclipses the functions suggested by the other ministries. PDID par excellence would give deconcentrated municipalities the opportunity to prove their capacities to both the citizens and the national government. If they do PDID right, further deconcentration and decentralisation may lie around the corner rather sooner than later.

Finally, LGSP tested a comprehensive district planning methodology to facilitate the PDID planning process. The District Strategic Development Plans (DSDP) are aimed at helping municipalities to develop a multi-sectoral strategy to address people's needs of infrastructure and services over five years. It links suku and municipal aspirations with the Government's national strategic development plan (NSDP), combining top-down and bottom-up planning as the basis for the annual rounds of PDID prioritization and implementation. The DSDP planning process is characterized by three crosscutting themes: gender, climate change and economic development. With the help of LGSP, DSDP was successfully implemented in the pilot district. Investment priorities identified during the planning process were approved in the PDID budget. MSA has adopted the initiative replicating district planning in other municipalities, though some issues of replicability need still to be sorted out.

Output 3: Local Government Reforms

LGSP I (2007-2011)

Support is provided to GoTL for the implementation of local government reforms

LGSP has prepared a communication strategy for an Information, Education and Communication (IEC) Campaign on decentralization and local development.

The IEC aimed at educating and increasing overall understanding of what local governance and decentralization mean and what implications these reforms would have for the citizens of Timor-Leste. The project produced public information material, radio programs, monthly newsletters and a website with access to all documents related to the decentralization process and LDP, including a short film about local development and local leadership.

LGSP II (2012-2016)

Given the government's haphazard decentralization efforts – two steps ahead and one step back – and the fact Parliament only sanctioned one of the three basic laws for the establishment of local government (i.e. Law on Administrative Division of the Territory), LGSP output 3 has never really materialised. The program's envisaged support to the implementation of local government reforms as foreseen in DSF I and II could not be realised because the Government only partially carried out these reforms. Therefore, IEC was eventually designed as an activity under Output 2 (policy & legislation) with limited activities focused on local development – instead of an Output of its own.

iii) Qualitative assessment:

- *Support to Local Development*

The LDP pilot has been the most successful component of LGSP, introducing systems and procedures and providing comprehensive and sustained capacity development to sub-national administrations and local assemblies in planning, financial management and procurement of infrastructure projects.

The LGSP also introduced a participatory planning process in which community representatives from every Suku (village), and representatives of the sectors at the sub-district and district levels identify investment priorities in line with the social development objectives of the government (i.e. National Strategic Development Plan, NSDP). The resulting district investment plans have the potential to address poverty reduction, addressing the SDG's.

Subsequently, LDP best practices have been adopted and transformed into PDID. The PDID framework effectively facilitates district level planning and implementation of basic infrastructure projects that are largely concentrated in sectors such as rural water, education and health benefitting women most. In the process the state budget allocation for local infrastructure projects has increased from \$6 per capita in 2011 to \$62 per capita in 2013 underlining the transformational impact that the LGSP has had on public expenditure.

- *Support to Decentralization*

Considering uncertainties surrounding Government's decentralization policies, the second phase of LGSP Output 2 (2012-2016) focused primarily on the development of regulatory frameworks enhancing local development initiatives such as PDID. LGSP continued providing policy and legal support to the Government aimed at the improvement of public expenditure and public financial management systems for effective planning and procurement of local infrastructure.

LGSP provided technical support to the MSA in the drafting, revision and approval of the decentralization strategic framework (DSF). However, political changes and concomitant policy changes made a coherent LGSP strategy to support the decentralization policy process into quite a challenge. Nonetheless, the DSF and other policy documents, such as the latest report suggesting ways to integrate PDID into the newest deconcentration proposals, have served as important references for previous and current government policies on decentralization.

iv) Indicator Based Performance Assessment:

	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
Outcome: increased capacity for efficient, accountable and gender responsive delivery of services by local administration	<ul style="list-style-type: none"> • LDP pilot adopted and transformed into PDID as one of the main government PEM/PFM for infrastructure and service delivery (ISD) • PDID regulatory framework provides scope for increased local capacity to plan, implement, and monitor the implementation of small infrastructure projects • PDID regulatory framework involves procurement process enhancing accountability and transparency of PDID implementation by contractors • Gender mainstreamed in the DSDP pilot 	The proposed legal framework for (pre-)deconcentration has not been operationalized	PDID decree law and its subsidiary legislation DSDP document Approved State Budgets and their reports LGSP Quarterly and Annual Reports
Output 1: Improved capacity for local service delivery (ISD) by sub-national bodies with increased citizen participation			
Indicator :			
<ul style="list-style-type: none"> • Percentage of districts which meet MC/MP measured through annual evaluations 	Na	No evaluation of MC/MP	
<ul style="list-style-type: none"> • Percentage of districts develop and approve local development plans and budget each years 	All 13 districts (100%) develop and plan integrated in district investment plans annually		District investment plan proposals
<ul style="list-style-type: none"> • MIS system in use and provides direct input to management strategies and decisions 	M&E framework was designed but is not yet operationalized	PDID data being collected from the districts but are still processed in Excel	Consultant mission report Project's quarterly and annual reports

<ul style="list-style-type: none"> Percentage of suku plans updated and included in overall district planning framework 	All 442 suku (100%) plans were integrated in the PDID planning process annually		Suku development plan and project proposals
<ul style="list-style-type: none"> Percentage of suku councils able to provide effective oversight of local development initiatives 	All 442 suku councils (100%) signed-off completion of projects		Approved State Budgets and their reports Certification of work completion signed by the chief of village
Baseline: <ul style="list-style-type: none"> MC performance system operational in 10 districts but no PM system in place No integrated planning processing linking various levels No MIS in place Suku plans prepared but not integrated in overall district planning 			
Output 2: Improved institutional, legal and regulatory framework established in support of effective local governance	DSF I revised and approved	Not implemented due to uncertainty in government policy on decentralization	DSF policy document
Indicator:			
<ul style="list-style-type: none"> Revised DSF II approved 	DSF II revised and approved	Not implemented due to uncertainty in government policy on decentralization. Development and implementation of legal framework for LG (i.e. DSF II) is based on the assumption on the completion of DSF I: basic law on LG passed by the National Parliament. However, the LG law was not fully approved in 2009	DSF policy document
<ul style="list-style-type: none"> Revised PEM/PFM procedural framework approved 	PDID and its subsidiary legislation for planning and procurement are in place	Ministerial decree on budget formula allocation is implemented by the district but not respected by the central line-ministries PDID procurement decree law and its subsidiary legislation approved and fully implemented	PDID procurement decree law Amended PDID procurement decree law.

		PDID procurement decree law amended but its subsidiary legislation has not been revised and updated	
<ul style="list-style-type: none"> • Availability of functional PBGS (is established and operational by end of 2012) 	The system was designed and foreseen in the PDID decree law but not yet formally adopted by the government		Approved decree law and its subsidiary legislations
<ul style="list-style-type: none"> • Revised capacity development strategy approved 	Government has initiated capacity development policy for sub-national administration	Within central government competing agencies claim roles in sub-national government capacity development	Foundation course. 0 draft, PDA orientation course
<ul style="list-style-type: none"> • Percentage of district capacity assessments completed (3-4 assessments completed by 2013) 	The CD strategy was drafted but not implemented as there is uncertainties in government policy on decentralization		PDID planning manual and DSDP document
<ul style="list-style-type: none"> • Gender issues considered in all new policies and strategies 	Gender (indicators) mainstreamed in District Strategic Development Plans and gender needs are considered in PDID bodies and procedures		
<p>Baseline:</p> <ul style="list-style-type: none"> • Outdated roadmap for local governance reform • Incomplete and contradictory PEM/PFM framework for local level • No capacity and assessment done at the local level and no capacity development strategy in place • No gender mainstreaming strategy in place 			

iii) Challenges and Lessons Learned

Challenges:

- Local PEM/PFM. At the national level, critical issues need to be addressed such as the lack of predictable budget allocation to the municipalities and the final inclusion of all PDID proposals (bottom-up) in the state budget. Moreover, the government decision to re-centralize LDP funding in 2006 and later PDID funding through the MSA budget have undermined the discretionary powers sub-national government had over capital grant allocation, as well as sub-national accountability and decision-making responsibilities that had been introduced and strengthened by LDP. MSA Ministerial Decree on budget allocation formula is only respected by municipalities but not by central line-ministries.
- Uncertainty of government policy on decentralization. Rejection of two bills for the establishment of a sub-national government system in 2009 was followed by the absence of clear government policies on decentralization. This resulted in the postponement of DSF implementation and subsequent local government reforms. The recently approved legislation that foresees the introduction of administrative deconcentration structures are still to be put in place. The approved policy will pose serious challenges linking contrasting new and old regulatory frameworks. In particular, it has still to be determined whether and how PDID can be integrated into deconcentrated administration of municipalities.

Lessons learnt:

- The quality of the planning process at the sub-national level is improving year after year. Although there is not yet a functioning M&E system for the PDID, indications are that sub-sectors and sectors are submitting better proposals and that the district development committees are starting to submit better designed projects and BoQs. In addition, the prioritization process at the sub-district and district level follows clearer criteria, based on an analysis of the real benefits of each proposal and on the quality of its technical design. The recently introduced revisions to the PDID planning process that focus on five service delivery sectors should further improve the quality of planning at the sub-national level.
- The LDP pilot has tackled administrative, financial and technical bottlenecks and has shown best practices for Government to buy-in, replicate and scale-up locally managed and administered investment programs. The practice and lessons learnt from LDP were adopted by the Government allocating parallel funding to small local infrastructure. In particular, Government integrated these into PDID.
- Support for the implementation of decentralization itself is a “political process” by nature, which depends on the “political will” of the state to move the process forward.

iv) A Specific Story (Optional)

v) **Financial Report**

The UNDP Local Governance Support Programme mobilized contributions from different donors during the period of 2006 to 2016 as follows:

Donor	Descr	Contribution Received											Total Contribution
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
00134	Ireland	395,256.92	248,175.52	678,186.92	(675,035.15)			678,186.92		3,281.43		(21,075.85)	1,306,976.71
00187	Norway		119,327.77										119,327.77
10714	MPTF		46,628.72		865,807.44		518,302.12	(475,707.17)	777,116.31	15,647.16	3,000.00	(14,158.23)	1,736,636.35
11139	GoTL									238,441.00		7,025.66	245,466.66
		395,256.92	414,132.01	678,186.92	190,772.29	-	518,302.12	202,479.75	777,116.31	257,369.59	3,000.00	(28,208.42)	3,408,407.49

The UNDP Local Governance Support Programme expenditures during the project cycle 2007 – 2016 as presented in the following table:

Donor	Descr	Expenditure Per Donor											Total Expenditures	Remaining Funds
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
00012	UNDP		241,549.23	90,449.31	(2,842.61)	152,584.73	194,278.96	98,923.15	190,606.83	87,016.65			1,052,566.25	-
00134	Ireland		127,807.55	514,905.18	(46,246.60)	9,807.00	13,820.32	232,662.91	197,104.11	257,164.06	(47.81)		1,306,976.72	(0.01)
00187	Norway			7,806.49	29,480.72	17,023.47	4,280.25	24,311.13	20,033.96	16,040.69	267.50		119,244.21	83.56
10714	MPTF			2,797.72	447,215.52	255,090.52	287,255.31	(8,378.63)	270,829.53	197,632.69	284,063.33	(218.68)	1,736,287.31	349.04
11139	GoTL									238,193.10		7,149.51	245,342.61	124.05
		-	369,356.78	615,958.70	427,607.03	434,505.72	499,634.84	347,518.56	678,574.43	796,047.19	284,283.02	6,930.83	4,460,417.10	556.64