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

**Report of the Administrative Agent for the LGCDP
for the period 1 January - 31 December 2011**

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

31 May 2012

PARTICIPATING UN ORGANIZATIONS



United Nations Capital Development Fund (UNCDF)



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Joint Programme Nepal LGCDP

ANNUAL PROGRAMME NARRATIVE PROGRESS REPORT

REPORTING PERIOD: 1 JANUARY – 31 DECEMBER 2011

<p>Programme Title & Project Number</p> <ul style="list-style-type: none">• Programme Title: Support for the Local Governance and Community Development Programme (LGCDP)• Programme Number: 00074263• MPTF Office Atlas Number: 00059401	<p>Country, Locality(s), Thematic/ Priority Area(s)</p> <p>Nepal, Nationwide coverage</p>
<p>Participating Organization(s)</p> <p>UNCDF, UNDP and UNICEF</p>	<p>Implementing Partners</p> <p>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</p>
<p>Programme/Project Cost (US\$)</p> <ul style="list-style-type: none">• Joint Programme funding (Pass-Through) from DFID and Denmark: <i>UNCDF: US \$ 2,550,000</i> <i>UNICEF: US\$ 7,173,998</i> <i>UNDP: US\$ 2,064,587</i>• Agency Contribution <i>UNCDF: US\$ 2,250,000</i> <i>UNICEF: US\$ 13,900,000</i> <i>UNDP: US\$ 871,135</i> <i>UNFPA: US\$ 9,159,658</i> <i>UNV: US\$ 510,000</i> <i>UN Women: US\$ 630,000</i>• Government Contribution: <i>US\$ 260.8 million</i>• Other Contribution (Donor commitment) : <i>US \$ 161.5 million</i> <p>TOTAL: US\$ 464,616,801</p>	<p>Programme Duration (months)</p> <p>Overall Duration: 35 months</p> <p>Start Date: 22 February 2010</p> <p>End Date or Revised End Date: 15 July 2013</p> <p>Operational Closure Date: 15 July 2013</p> <p>Expected Financial Closure Date: July 2014</p>
<p>Programme Assessments/Mid-Term Evaluation</p> <p>Mid-Evaluation Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p>Submitted By</p> <ul style="list-style-type: none">○ Name: Morgan Murray○ Title: Programme Analyst○ Participating Organization (Lead): UNDP○ Email address: Morgan.murray@undp.org

Abbreviations and Acronyms

AA	Administrative Agent
AGO	Office of the Auditor General
AWP	Annual Work Plan
CCU	Cluster Coordination Unit
CD	Capacity Development
CFLG	Child Friendly Local Governance
DACAW	Decentralized Action for Children and Women and
DAG	Disadvantaged Groups
DANIDA	Danish International Development Agency
DDC	District Development Committees
DFID	Department for International Development
DKK	Danish Krone
DPMAS	District Poverty Monitoring and Analysis System
DRG	District Resource Groups
DWC	District Women and Children Committee
FCGO	Financial Comptroller General Office
FRM	Fiduciary Risk Management
GBP	Great Britain Pounds
GBV	Gender Based Violence
GEEoW	Gender Equality and Empowerment of Women
GESI	Gender Equality and Social Inclusion
GIZ	German Society for International Cooperation
GoN	Government of Nepal
ICAN	Institute of Chartered Accountants of Nepal
IEC	Information Education and Communication
IT	Information Technology
JFA	Joint Financing Arrangement
JICA	Japan International Cooperation Agency
JP	Joint Programme
LB	Local Bodies
LBFC	Local Body Fiscal Commission
LDO	Local Development Officer
LGCDP	Local Governance and Community Development Programme
LGAF	Local Governance and Accountability Facility
LSGA	Local Self Governance Act
MC/PM	Minimum Conditions Performance Measures
MPTF	Multi Partner Trust Fund
M&E	Monitoring and Evaluation
MTR	Mid Term Review
MoE	Ministry of Education
MoHP	Ministry of Health and Population
MoLD	Ministry of Local Development
MoWCSW	Ministry of Women Children and Social Welfare
NAC	National Advisory Committee
NAC SC	National Advisory Sub-Committee
NDVS	Nepal Development Volunteer Service
NEX	National Execution
NIM	National Implementation
NPD	National Programme Director

PCU	Programme Coordination Unit
PEI	Poverty Environment Initiative
PFM	Public Financial Management
PIS	Personnel Information System
PLC	Para Legal Committees
QAM	Quality Assurance Mechanism
RFP	Request for Proposal
SM	Social Mobilization
SWAp	Sector Wide Approach
TA	Technical Assistance
TASC	Technical Assistance Sub Committee
ToT	Training of Trainers
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 Committee
WCO	Women and Children Offices

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PART I – ANNUAL NARRATIVE REPORT

I. Executive Summary

This 2011 Consolidated Annual Progress Report under Joint Programme Support for the Local Governance and Community Development Programme (LGCDP) covers the period from 1 January to 31 December 2011. This report is in fulfilment 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 UN Organisations, the Annual Progress 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.

The DDC and Municipality Planning guidelines 2068 have been prepared and approved by the MLD. A total of 1000 DDC and 500 Municipality manuals have been printed and distributed to the concerned. The guidelines have served as a basis to establish institutional mechanism through which communities and community organisations participated in local level planning, implementation and oversight process. One thousand copies of social mobilization guidelines in English language has been published and distributed.

The capacity development of organizations and the personnel have been enhanced through formulating different manuals, guidelines and plans as well as imparting orientation, training and TOT on various topics and subjects related to local governance, decentralization and resource mobilization. Orientation /training and TOT on local planning have been provided to 900 local service provider, 28350 WCF/CAC members of 984 VDCs, orientation on social mobilization have been given to VDC and Municipality ward Secretaries of 68 districts, 492 personnel of DDC/, Municipality and VDC secretaries on blended block grant. Likewise, three days regional level training on LGCDP were provided to 117 Development Journalist of 66 districts and 7 Consultative and experience sharing meetings at the regional level and one at the national level were organized being participated by a total of 393 personnel.

GIS training programmes were organized at the regional level with a total of 55 Municipality personnel of 55 districts participating. Basic Operation trainings of 4 days duration, organized in batches, were attended by a total of 59 districts with a total participation of 541 newly recruited Secretaries. Similarly 106 VDC Junior technicians of 15 districts attended a four days long training programme. The capacity enhancement interventions have facilitated the achievement of the intended results of the project.

Some key policies have been approved at the central level, which include gender equality and social inclusion policy where one result has been the establishment of a Gender Equality and Social Inclusion section in MLD. In a similar manner, the block grant guidelines that guide local bodies' expenditures have been approved by the cabinet.

Fiduciary risk monitoring has been introduced and strengthened and is now being linked to the overall LGCDP and other monitoring and evaluation systems

UNCDF support was provided in the areas of MCPM manual revisions, revision of the cost index & grant allocation formula in 2011. Similarly, the MCPM cycle of MCPM Assessment of DDCs, municipality for FY 2010/11 & 2011/12 were also completed through UNCDF TA . The other activity supported in 2011, through UNCDF involved undertaking study on stock of the state of fiscal decentralization as originally intended under the LSGA and identify lessons learned and suggest opportunities for ensuring successful fiscal decentralization policies and transition measures to the governance structures anticipated under the new constitution.

UNCDF support was also provided in improving public financial system of municipalities, developing simple VDC accounting software. These accounting software are planned to be pilot tested in about 150 VDC in 2012.

In 2011, UNCDF was involved in continuation of Human Development and Social Protection Pilot project (HDSPP) project. The project is being pilot tested in two far western districts of Nepal, namely Kanchanpur and Dadeldhur, with partial funding support from United Nations Capital Development Fund (UNCDF) and World Bank(WB). The pilot initiatives involved Ministry of Local Development (MLD) as well as Ministry of Education (MoE) in the management of the pilot at different levels with an aim to strengthen the capacity and role of local governments in delivering social protection and access to basic services.

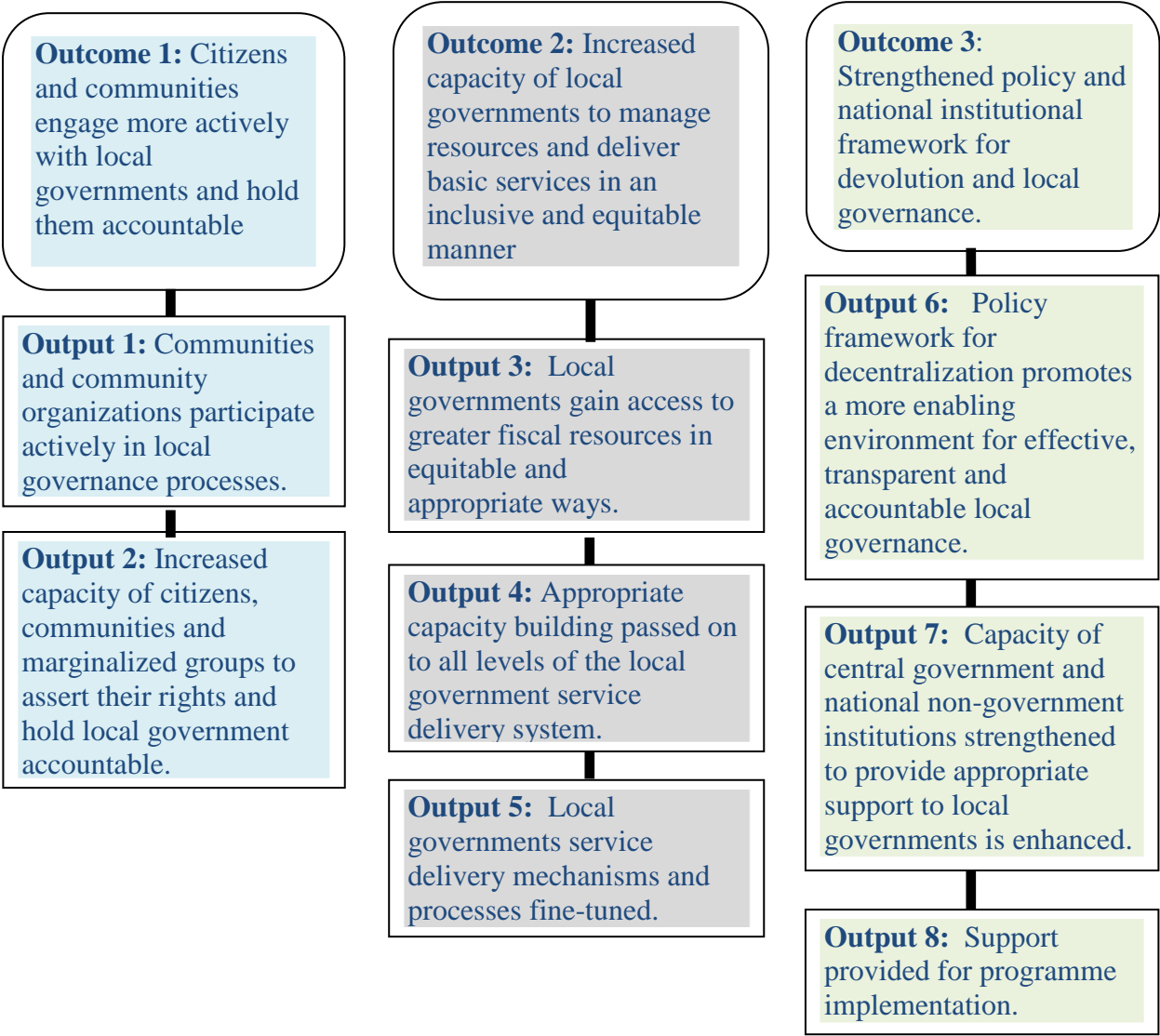
The Multi-Partner Trust Fund Office (MPTF Office) of the United Nations Development Programme (UNDP) serves as the Administrative Agent of the Joint Programme. The MPTF Office receives, administers and manages contributions from Donors, and disburses these funds to the Participating UN Organizations in accordance with the decisions of the UNJP Steering Committee. The Administrative Agent receives and consolidates annual reports and submits to the UNJP Steering Committee.

This report is presented in two parts. Part I is the Annual Narrative Progress Report and Part II is the Annual Consolidated Financial Progress Report. Part I is presented in six sections. Section I is the Executive Summary; Section II provides a purpose of the Joint Programme; Section III presents an overview of resources; Section IV highlights implementation and monitoring arrangements; Section V provides an overview of the achievement of the Joint Programme and the challenges; and Section VI draws on future work plan.

II. Purpose

The Local Governance and Community Development Programme (LGCDP) is a national programme managed and implemented by the Ministry of Local Development (MoLD) and is aimed at improving the system of local governance and community development in Nepal. While the MoLD 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 empower communities towards a Sector Wide Approach for decentralization.

The programme comprises of three main outcomes and eight outputs associated with the outcomes, as illustrated below:



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, Local Bodies’ 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 governments 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 (UNJP) 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 marginalised groups have increased access to improved quality basic services. The UNJP has been providing support to the GoN with demand-driven and appropriate national and international advisory services to facilitate programme implementation and for policy development, particularly on issues related to sector devolution, local self-governance, result-based management and community-led development initiatives.

III. Resources

Financial Resources:

A large part of LGCDP is funded by the GoN and six development partners,¹ who have signed the Joint Financing Arrangement (JFA) for LGCDP. Additional funds for the programme are provided by six participating UN organizations- UNCDF, UNICEF and UNDP follow a combination of parallel and pass-through funding modality while UNFPA, UN Women and UNV follow a parallel funding modality.

The second Steering Committee meeting approved the UNJP Annual Work Plan for 2011. During the second half of 2011 a downward budget revision was undertaken from the original approved budget for 2011, as some of the programme activities could not be completed as planned.

The Department for International Development (DFID) of the United Kingdom of Great Britain and Northern Ireland and the Kingdom of Denmark (DANIDA) have channelled their funds through the UNJP to provide technical assistance and support to LGCDP through the UN.

Funds using pass-through funding modality:

UNDP and UNCDF receive funds from both DFID and DANIDA; these funds are used for managing the technical assistance facility on the basis of the UNJP documents and proposals submitted by the respective organizations. UNICEF receives contributions from DFID only.

In 2011, the second and third tranche committed by DANIDA to UNDP and UNCDF was received in March 2011 amounting to DKK 7,500,000. The programmable amount transferred to UNDP and UNCDF was US\$ 1,404,653. Out of the total funds transferred, UNDP received US\$ 304,653 and UNCDF received US\$ 1,100,000 in 2011. UNDP also received a programmable amount of US\$ 1,067,252 from DFID on 2nd March 2011.

During the reporting period, UNICEF received GBP 500,000 from DFID on 9th March 2011, corresponding to a programmable amount of USD 772,200. As per the schedule of payment with DFID, UNICEF was to receive GBP 1,500,000 as the third tranche in 2010, however based on agreements made between DFID and UNICEF, a reduced amount of GBP 500,000 was transferred to UNICEF in 2011, and it was agreed that the remaining amount of GBP 1,000,000 would be transferred in 2012, following further discussions between DFID and UNICEF. Through UNICEF's fourth tranche, on 24 June 2011, GBP 1,510,000 was transferred

¹ The Asian Development Bank; Governments of Canada, Denmark, Norway, Switzerland and the United Kingdom

from DFID, corresponding to a programmable amount of USD 2,452,383. In accordance with the schedule of payments, UNICEF was due to receive an additional GBP 1,000,000 as part of UNICEF's last tranche for 2011, however following further discussions between UNICEF and DFID, it was agreed that the amount would not be transferred in 2011. This leaves a total of GBP 2,000,000 from DFID pending to be transferred to UNICEF.

So far, no significant delays in transfer of funds have been observed from the two funding donors to the MPTF Office and to the participating UN Organizations.

Human Resources:

Through UNJP support, various forms of international and national technical assistance (TA) and logistical support to MoLD have been provided. One international Programme Management and Implementation Specialist (UNCDF) at the project level was financed with Danish funds in 2011. UNDP and UNCDF co-funded one Decentralised Local Governance International Adviser, with a priority to assist in the implementation of LGCDP.

Human resources supported using pass-through funding modalities are as follows:

National Staff:

Programme Staff:

Operation Staff:

UNICEF: One National Child Protection Officer.

UNICEF: 11 National consultants to support the expansion of the Para Legal Committee programme in 52 districts.

International Staff:

Programme Staff: N/A

UNICEF: one Child Protection Specialist (P4).

Operation Staff: N/A

IV. Implementation and Monitoring Arrangements

The UNJP has been designed to deliver assistance in ways that are likely to be most strategic to MoLD and to leverage the comparative advantages offered by participating UN organizations. The institutional arrangement at the central level consists of a National Advisory Committee, a National Advisory Sub-Committee, a Technical Assistance Sub-Committee, and six Thematic Groups. The Thematic Groups provide technical support in respective thematic areas that cut across the output activity areas of LGCDP.

Five Cluster Coordination Units located in five development regions also provide technical and advisory support to Local Bodies and service providers to implement LGCDP activities; and monitor the activities of LGCDP at the local level. The Cluster Coordination units work in close coordination with the Programme Coordination Unit (PCU), to support and assist Local Bodies to carry out activities in an effective and efficient manner. There are seven Output Managers, working within the PCU, who carry out and coordinate day to day activities of the programme under respective outputs. There are a further 15 Activity Managers in LGCDP and a number of separately contracted national experts that provide support on behalf of the UNJP.

At the local level, LGCDP activities are implemented by local government bodies, together with Ward Citizen Forums (WCFs), Citizen Awareness Committees (CACs), user committees, community based organizations, local NGOs and other ministries' offices at the district level. In support of decentralization, MoLD has integrated the LGCDP Programme Coordination Unit into the organisational structure of the ministry and has provisional plans to move towards a sector wide approach (SWAp) to manage the governance sector. MoLD has prepared the key features for stronger sector wide management of the programme; these will be further developed and introduced from mid-2012.

The overall management and oversight of the joint programme (as part of LGCDP) is provided by the National Advisory Committee (NAC) which is chaired by the Secretary of MoLD. The NAC is the principal decision making body of LGCDP and it includes representation of all LGCDP development partners as the ultimate authority responsible to guide the implementation of the LGCDP. The National Advisory Sub-Committee, chaired by the National Programme Director, acts as the extended arm of NAC. The National Advisory Sub-committee also includes two representatives of UN participating organizations. The sub-committee meets on a regular basis to review the progress made and to approve any changes in the programme. The National Programme Director of LGCDP is a Joint Secretary of MoLD, while an Under Secretary of MoLD is assigned as the Programme Manager for LGCDP.

Situated within the LGCDP's Programme Coordination Unit (PCU), a technical cell provides a full time national technical expert needed for programme implementation. The Technical Cell also includes advisers for both substantive aspects of the programme as well as specialists in financial and procurement management. Their role is to assist the Ministry in implementing LGCDP.

The participating UN organizations have also established a UNJP LGCDP Steering Committee, chaired by the Secretary of MoLD and co-chaired by the UN Resident Coordinator, its role being to coordinate the UN agencies and to enable the GoN to place specific requests for additional support to the participating UN organizations. This committee meets twice a year to review progress, to discuss various issues related to the LGCDP results, and to approve the UNJP annual work plan in line with the decisions of the NAC.

The UN AWP for 2011 has also been fully integrated into the Annual Strategic Implementation Plan (ASIP). The ASIP has been formulated together with a responsibility matrix developed by MoLD that covers all the MoLD sections involved in the LGCDP Programme.

Regarding procurement, LGCDP is implemented according to the GoN's rules and regulations. In the case of the UNJP support to LGCDP, special rules and regulations apply as per the legal agreements between the GoN and the respective UN organizations. For activities funded by UNDP, UNCDF, UN Women and UNV, the National Implementation Guidelines (NIM), which were signed between the GoN and UNDP, are followed. An annual audit commissioned jointly by the GoN and the UN carries out the audit of the UN supported activities, including the adherence to the NIM guidelines in the case of UNDP and UNCDF. The international technical assistance is procured through UNDP and UNCDF following UN rules and regulations. However, the request for any such procurement originates from the approved Annual Work Plan of LGCDP with the approval of MoLD.

The Technical Assistance Sub-Committee includes two UN representatives from UNDP and UNCDF with broader participation of JFA representatives, MLD procurement officer, finance officer and subject matter specialists. The group meets regularly according to the requirement

of the NAC and looks after the details including the quality of the technical assistance procured for LGCDP. The sub-committee is designed to play a quality assurance role for the TA from the procurement process through to the outputs.

Monitoring Systems:

The monitoring and evaluation framework of the UNJP has been fully aligned with the LGCDP Monitoring and Evaluation Framework, which was developed by the MoLD in collaboration with the UN and other development partners. MoLD has developed a Monitoring and Evaluation Framework Guideline for LGCDP to ensure its correct utilisation. The LGCDP monitoring and evaluation framework has incorporated Gender Equality and Social Inclusion and Child Friendly Local Governance (CFLG) issues based on specific indicators.

The participating UN organizations closely monitor the activities supported through the UNJP, as well as activities of the overall programme, through their existing field presence in the form of UNICEF, UNFPA, and UNDP (Field Monitoring units), and other assurance and monitoring systems. In the reporting period, participating UN agencies took part in a joint field visit to Banke, Dang and Rolpa districts and agreed to undertake similar visits to follow up on the implementation of the programme in the field. Similarly, MoLD has also carried out joint field visits to various places in 2011 in which UNJP representatives have participated. Within LGCDP, monitoring is carried out at the central, regional and local level as elaborated below:

Central Level:

The Local Governance and Accountability Facility (LGAF) is a programme mechanism established as a semi-autonomous body under the Joint Financing Arrangement between MoLD and the DPs. Its purpose is to improve governance at the local level by fostering a critical and constructive engagement by citizens with local government bodies. The JFA development partners also established the Quality Assurance Mechanism (QAM), which is independent from the MoLD and LGCDP PCU. QAM's team conducts monitoring visits to different districts and provides reports to the development partners and MoLD. This mechanism has helped to facilitate technical inputs and provides suggestions to the MoLD and development partners for the better implementation of LGCDP and for achieving better results

The Monitoring and Evaluation Section of MoLD has developed three guidelines focussing on local stakeholders' engagement in monitoring and evaluation of the LGCDP outputs by initiating the processes of social audit, public audit and public hearing events at the district and community levels. A Monitoring and Evaluation specialist attached to the LGCDP also provides support to the Monitoring and Evaluation (M&E) team in LGCDP at MoLD. Additionally, the GoN also formed a high level Joint Monitoring Committee under the Chairmanship of the Joint-Secretary of MoLD. There is also a thematic group on Monitoring and Evaluation & Fiduciary Risk Management that is programmed to meet every second month.

Regional Level:

The Ministry of Local Development organizes regional level review meetings of Local Bodies on an annual basis, where all the concerned District Development Committees (DDC) present their progress, annual work plan, issues and challenges. Similarly, LGCDP established five Cluster Coordination Offices in all five development regions. The Cluster Coordination Offices staffs include a Cluster Coordinator, a Reporting and Monitoring Officer, a Finance Officer, and a Social Mobilisation officer. The staff members are heavily engaged in regular monitoring visits to the different districts and submit their monitoring reports on a regular basis. They also

provide technical feedback to the district teams for risk mitigation measures and recommendations to achieve better results.

Local level:

At the district level, the local political party's representatives conduct monitoring missions to their concerned districts and share their findings at the district level in All Party meetings. DDCs organize annual reviews where they share progress, annual work plan, issues and challenges. LGCDP recruited district based, full time District Facilitators in each district of Nepal.

The Administrative Agent

Participating Organizations have appointed the UNDP MPTF Office to serve as their Administrative Agent (AA) for this Joint Programme. The AA is responsible for a range of fund management services, including: (a) receipt, administration and management of donor contributions; (b) transfer of funds approved by this Joint Programme to Participating Organisation; (c) Consolidation of statements and reports, based on submissions provided to the AA by each Participating UN Organisation; (d) synthesis and consolidation of the individual annual narrative and financial progress reports submitted by each Participating Organization for submission to donors through the UN Headquarters. Transparency and accountability of this Joint Programme operation is made available through the Joint Programme website of the MPTF Office GATEWAY at <http://mptf.undp.org/factsheet/fund/JNP00>.

V. Results

The main focus of the UNJP lies on capacity building, in terms of technical assistance and specific activities requested by the GoN. UNDP and UNCDF have provided national and international technical assistance required by MoLD to implement LGCDP as a whole through additional support received from DFID and DANIDA. As these activities are embedded in the larger programme, a clear attribution of results to the UNJP support is at times difficult to distinguish. The UNJP outcomes and outputs and activities are based on those of LGCDP.

UNDP provided technical assistance to support the core management work of the programme through national specialists and their work in the core output areas. This includes support in preparation and dissemination of guidelines, operational manuals and strategies to carry out the activities in a systematic manner. The published guidelines, strategies and manuals have helped to strengthen the implementation of the programme and in so doing, to reduce the fiduciary risk in the local government bodies. Furthermore, the guidelines and manuals have helped to make Local Bodies more accountable- with more transparency in their decision-making processes and greater participation by the citizens and their local communities.

UNCDF has been working on the supply side that has driven the early part of the programme's implementation. Specifically, the Performance Based Grant System (PBGS) with the annual assessment of Minimum Conditions and Performance Measures MCPM. The support is continued from building upon the experience of the Decentralised Finance and Development Programme (DFDP) that operated in 20 districts until the project was closed with its incorporation into LGCDP.

Building on the JFA Mid-Term Review of LGCDP, Social Mobilization has been a priority and UNICEF is contributing at the national and regional level and has undertaken actions to mainstream disadvantaged community organizations (COs) into Citizen Awareness Centres

(CAC) in 18 districts. Child rights have been incorporated into the Social Mobilization handbook and child representatives have been ensured in some of the key LGCDP's structures like Ward Citizen Forum (WCF), Integrated Planning Committee (IPC), and District Social Mobilization Committee (DSMC). The Child Friendly Local Governance Strategy (CFLG) was adopted by Cabinet in July 2011, and UNICEF has ensured technical assistance and other support for the Government's implementation targets and incorporation of CFLG into the training and orientation content of LSPs, SM, and WCF.

The key output wise progress achieved during the reporting period is as follows:

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

The UNJP supports social mobilization activities, technical assistance, and facilitates interactions between communities and local governments/service delivery departments. In 2011 a significant increase in the implementation of the demand side can be noted with the preparation and dissemination of social mobilization guidelines, operation manuals and curriculum/training materials together with an updating of social mobilization agencies and service provider mapping at the district level. Additionally there has been an increase in numbers of Ward Citizen Forums and Citizen Awareness Centers being established nationwide through the programme.

In 2011, review and refinement of the Planning and Decision Making guidelines was completed whereby the DDC and Municipality Planning manuals have been printed and disseminated following approval by the MoLD. Similarly, the Social Mobilization guidelines and handbook, as well as the operational manual, have been translated into English and have been distributed to respective stakeholders. These are critical to the work of preparing project proposals and plans at CAC, WCF and Integrated Planning Committee/VDC levels. Linked to this work have been the orientations on local level planning and implementation of social mobilization that have been given to VDC Secretaries, Municipal Ward Secretaries as well as members of the Ward Citizen Forums and Citizen Awareness Centers.

With the support of the LGCDP development partners, including UNJP agencies, social mobilization is very close to achieving full national implementation; 3562 VDCs of 74 districts and 210 Municipal Wards of 35 Municipalities are covered; 694 Local Service Providers (LSPs) and 3762 social mobilizers (45% women) have been contracted; 26,430 Ward Citizen Forums (WCF) have been established with 538,301 members; and, over 2,800 Citizen Awareness Centres (CAC) have been formed with 67,748 members (53% are women). In addition, VDC/Ward Secretaries of 69 districts have received one day orientation on social mobilization. 29,844 WCF members of 937 VDCs of 23 districts have received supplementary training on local level planning.

Outcome A, Activity 1.1.3, Para Legal Committees

A total of 979 PLCs are currently operational in 23 DACAW districts (districts where UNICEF operates, and where 570 PLCs were operational at the inception of the programme) and 36 new districts. Of these, 409 PLCs have been established by UNICEF and the GoN in the framework of this programme. The process of establishing new PLCs and supporting existing ones is a complex undertaking that requires sustained efforts to engage VDC and district authorities in the process and to build the capacity of PLCs. The programme has been able to expand at a very fast pace to 36 new districts where UNICEF has never operated before. In the new districts, UNICEF and its partners have built the capacity of key district stakeholders (focal

points from Women and Children Offices (WCOs) and District Resource Group (DRGs), established new structures to support the implementation of the programme (36 new DRGs) and, in each district, oriented a broad range of local stakeholders—including Local Development Officers, Chief District Officers, representatives from the law enforcement and judicial authorities, members of District Development Committees, and VDC authorities—on the objectives and scope of the programme. A total of 589 PLCs (approximately 6,000 PLC members) received either one or two modules of training (out of the three). In the 23 districts where PLCs were already operational, UNICEF and its partners provided refresher training to 139 PLCs, ongoing technical support through meetings and field missions to VDCs, and regularly engaged with district and VDC-level authorities to promote their engagement in the programme. As the programme has expanded at a very rapid pace, the expansion of the Programme to the remaining 16 districts has been postponed to the first trimester of 2012. In 2011 UNICEF and its partners trained 100% of the existing District Resource Groups (52). From March to November 2011, PLCs recorded a total of 8,677 cases; of these, 1,134 or 13% related to children, 7,056 or 81% related to women, 437 or 5% related to men, and 50 or 1% were unknown. Of all cases, 85% were solved at the VDC level, and 15% were referred to district-level authorities. Furthermore, during the reporting period, UNICEF and the GoN finalized the elaboration of new training manuals for the PLC and the District Resource Group members, the designing of a new and more comprehensive monitoring system, and the development of IEC materials to support the awareness-raising efforts of Para Legal Committees.

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

During the reporting period, UNDP supported a three day long regional level training on LGCDP and local governance was held in the five CCUs targeting 117 Development Journalists of 66 districts. Work supported by UNDCF has also been underway to report on the MCPM assessments.

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

The UNJP supports technical assistance for refining and, where necessary, design of block grant formulae and development, as well as implementation, of performance based funding systems. In 2011, orientations on Blended Block Grant Guidelines were provided to staff of Local Bodies including Local Development Officers (LDO), District Facilitators (DFs), Account Chiefs, DTO Chiefs of the DDCs and Executive Officers (Eos). Planning Chiefs, Account Chiefs and Municipal Facilitators of the Municipalities hold prime importance in the context of facilitating mechanism and related stakeholders for decision making and effective implementation of the LGCDP programme. This will further develop common understanding and ways to address different practical issues regarding various guidelines, manuals and strategies prepared by PCU and MLD thus facilitating implementation and effective service delivery.

Following the orientations, the Local Bodies' officials expressed that it would be easier to implement local level infrastructure projects in comparison to the previous years as the manual is inclusive and gender friendly and discourages misuse of funds while contributing to reducing fiduciary risks.

Considering the existing MCPM system and its manual revision, the following LGCDP activities proposed in 2011 under UNCDF, UNDP and UNICEF program were carried out during the period from October to December 2011.

- The consultants were hired to prepare the MCPM indicators of DDCs from PEFA prospective and pro-poor environmental indicators for DDCs and VDCs, in October 2011. Considering the recommendations of those consultants, the LBFC revised the MCPM manual and prepared the draft report for the further consultation at central and regional level.
- Revising the MCPM manual for a Gender and Social Inclusion (GESI) prospective, the proposed program under UNICEF (donor 0035) was initiated by LBFC with the notice of “Request for Proposal (RFP)” in national daily newspaper. Three consultant firm submitted proposals. However, none of the firms met the required technical criteria. The RFP was also reissued but this program has been postponed until 2012 due to the same reasons of compliance with the technical criteria.
- UNCDF supported the revision of the VDCs’ MC manual, whereby an interaction program was organized and chaired by the MoLD Secretary in the presence of Joint Secretaries, Under Secretaries and other officials, including those from LBFC. The meeting discussed the existing MC manuals of VDCs and decided to revise the MCPM indicators of Local Bodies and their assessments to create a more result-oriented process. With feedback from the central level, LBFC prepared the first draft report following a series of consultation meeting at central regions with concern persons of MoLD, DDC's officials (LDOs, MCPM focal persons) and representatives of NAVIN as well.
- The cycle of DDCs’ MCPMs’ assessments that started in September 2010 was completed by July 2011. A meeting with stakeholders and a press conference were also conducted to disseminate the MCPM results of FY 2009/10. The results were also used by MoLD for the allocation of DDC grants for FY 2011/12. Similarly, the next MCPM assessment of DDCs and municipality (FY 2011/12) was initiated in August 2011 with the selection of and orientation program in Kathmandu². The quality assurance was completed by July 2011.
- The fifth MCPM assessment of DDCs (FY 2011/12) was initiated in August 2011 with the selection of 44 experts (Local Governance Expert and Financial Management Expert) for 22 clusters of DDCs who then attended a 4-day orientation program in Kathmandu³.

The quality assurance of the MCPM cycle was completed by July 2011. The table below shows the DDC performance score from 2006 to 2010.

² The selection process for DDC took several times due to the cartelling of consultant firms and other reasons of tax provisions. Due to these reasons, the LBFC had to publish the notice more than 3 times. The first batch of orientation program for 20 Experts was conducted in 8-11 January 2012 and second batch for 24 experts in 26-31 January 2011 (except the public leaves).

³ The selection process for DDC took several times due to the cartelling of consultant firms and other reasons of tax provisions. Due to these reasons, the LBFC had to publish the notice more than 3 times. The first batch of orientation program for 20 Experts was conducted in 8-11 January 2012 and second batch for 24 experts in 26-31 January 2011 (except the public leaves).

Table: DDC performance score from 2006-2010

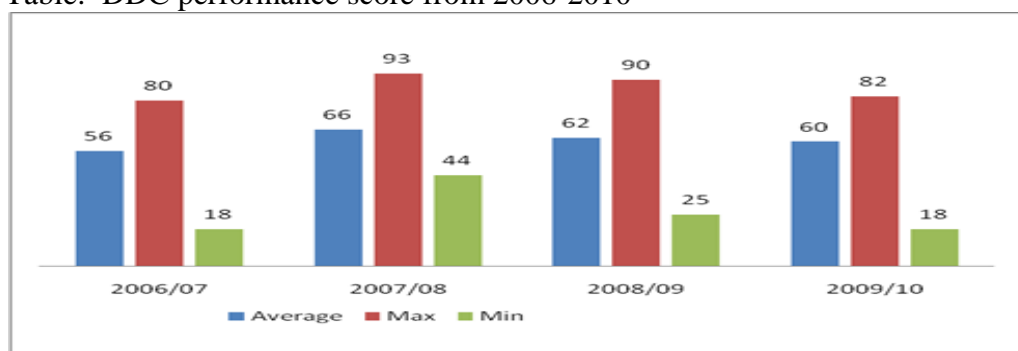


Table 2: Table showing the grant distribution against performance of DDCs from 2006-2010

Assessment for (t-1)	Assessment Year(t)	Grant Distribution (t+1)	30 % more	25 % more	20 % more	status quo	20 % less	Lose all
2006/07	2007/08	2008/09	0	15	19	6	7	28
2007/08	2008/09	2009/10	13	29	18	3	4	8
2008/09	2009/10	2010/11	3	23	32	0	6	12
2009/10	2010/11	2011/12	2	23	25	3	8	14

- Municipal MCPM assessments were initiated in September 2010 and were completed in July 2011. The Municipal MCPM assessments for FY 2011/12 was initiated in August 2011 with a total of 30 Experts (Local Governance Expert & Financial Expert for each cluster) selected and oriented. The 4 days orientation program followed same model applied for DDCs.
- Consolidation of report writing on MCPM assessments, including quality assurance of Local Bodies, has almost been completed. Publication of the report is under process and once the report is published, it will be widely disseminated to the concerned stakeholders and other interested parties.

Other areas of important support to MoLD in 2011 involved a study on the state of fiscal decentralization taking the 1999 Local Self-Governance Act as the point of departure. The study identifies and presents the lessons learned and suggests the opportunities available for ensuring successful fiscal decentralization policies and transition measures to the governance structures as anticipated under the new Constitution. The findings of the study assesses the extent to which the Local Bodies are exercising the fiscal decentralization provisions provided under the LSGA, and makes key recommendations as how to facilitate the effective transition regarding revenue and expenditure assignments from the current unitary government structure to a devolved federal government structure. The study lays the foundation for further detailed work on the functional analysis of sub-national expenditure and revenue responsibilities which will be closely aligned with the work previously undertaken by the Administrative Restructuring Commission (ARC) and currently underway with the Prime Minister's Office.

UNDP and UNCDF support capacity building for local level line agencies and for local governments and provide technical assistance. Two workshops, one at the national and another at the district level were organized for soliciting suggestions and comments from the participants for the updating of the Gender Responsive Budget guidelines.

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

LGCDP has adopted a supply and demand approach for capacity development. The supply driven approach is basically the CD activities such as the development of policy and the organization of training and orientation programmes that address core capacity needs. The demand driven approach is concerned with addressing planning and implementation of CD activities at the local level.

Orientation and training and Training of Trainers on local planning have been provided to 900 local service providers and 28350 WCF/CAC members of 984 VDCs. Orientation on social mobilization has been given to VDC and Municipality ward Secretaries of 68 districts, 492 personnel of DDC, Municipality and VDC secretaries on blended block grant.

Likewise, 3 days regional level training on LGCDP were provided to 117 Development Journalist of 66 districts and 7 Consultative and experience sharing meetings at the regional level and one at the national level were organized, being attended by a total of 363 personnel.

Orientation on LGCDP and local governance was given to 577 Municipal Facilitators and Assistant Municipal Facilitators of the five Cluster Units, of which 18 % were female, while training on mainstreaming environment and climate change in the local development planning was given to 173 persons in the two piloted districts. GIS training of four days duration was provided to 55 personnel of Municipalities while four days long VDCs Basic Operation training and VDC junior Technician were provided to 541 new VDC Secretaries of 59 districts and 106 of 15 districts.

Different guidelines and manuals have been prepared in the reporting period namely draft GESI Guideline, Revised VDC /Municipality/DDC Guidelines, Operational manual on impact evaluation of large projects implemented by LBs and the Devolved Sectors, Economic analysis of Local Government investment in rural roads in Nepal, PEI Piloting in selected districts, updated guidelines on public hearing and auditing, completion of LMDG reports etc.

Two workshops, one at the national and another at the district level, were organized for solicitation suggestions and comments from the participants for the updating of the GRB guideline. Printing of the GRB is at the final stage.

Two Orientation programmes on GESI audit budget guideline have been organized in two clusters i.e. Western, Mid-Western and the Far Western Clusters. Altogether, 60 participants from different districts participated in the orientation programme.

Under Gender Responsive Budget, some grants were provided to the DDCs. Altogether, 50 % of the districts are able to conduct gender budget audit and the remaining districts implemented GESI awareness program and training. The capacity development of organizations and the personnel have been enhanced through formulating different manuals, guidelines and plans as well as imparting orientation, training and TOT on various topics and subjects related to local governance, decentralization and resource mobilization. The capacity development of the LBs VDCs/Municipalities /DDCs has been significantly enhanced witnessed through increasing coverage, interventions and the beneficiary's population over time.

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

UNCDF has supported the fine tuning of local PEM/ PFM procedures, piloting of social protection, and piloting of sector support and decentralized service delivery at the local level and piloting local level coordination.

UNCDF support was provided to improve the public financial systems of municipalities. The municipalities in the country still maintain their accounts based on the cash-based accounting system reflecting income and expenditure accounts of the fiscal year and this does not include financial information such as receivable and payable, overall assets and liabilities, etc. 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. Support was provided to develop a software for developing uniformity of the accounting and reporting system to be used by all municipalities. The software will be pilot tested in 2012.

Similarly, support was provided to develop VDC simple accounting software. Lack of proper accounting and reporting system is one high risk area identified to improve the fiduciary risk at local level. It is planned about 150 VDC will be pilot tested for the VDC accounting software in 2012.

UNCDF support also includes the continuation of Human Development and Social Protection Pilot project (HDSPP). The project is being pilot tested in two far western districts of Nepal namely Kanchanpur and Dadeldhura with funding support from UNCDF and World Bank (WB). The pilot initiative involves the MoLD as well as the Ministry of Education (MoE) in the management of the pilot at its different levels. The initial time-frame for the project is 2 years with estimated cost of approximately USD four million, and is estimated to benefit some 24,000 beneficiaries.

The HDSPP intends to make a significant contribution to the development of MoLD's collection and management of data. The pilot project is intended to expand the current Vital Events Registration work at the lowest level of government it will pilot test household poverty targeting, an approach that is moving away from prevailing categorical targeting. The pilot will also pursue and test the financial inclusion of poor households when providing the cash payments by using formal financial service providers (commercial banks, credit unions, etc.). It will also pilot an enhanced grievance and redress mechanisms to develop a channel of communication between the recipients and the government institutions responsible for the cash transfers, helping with the early identification of problems, minimizing inclusion and exclusion errors, as well as enhancing transparency and accountability.

Three HDSPP steering committees were held in 2011 and a MoU was signed with the Ministry of Finance (MoF). District level staffs (3 in each district) and one national safety net specialist were recruited. UNCDF core support through educational grants, administrative grants and operational grants were transferred to MoLD. In addition a number of TORs were drafted and approved in 2011 including those for Household registration, the Management and Information System and the Private Service Provider for the electronic transfer of cash payments.

It should be noted that the auditors appointed for auditing municipalities and VDCs are not following a standardized procedure currently. The reports received from them are therefore not in a standard structured form and have not been of the expected quality. In 2011 a Draft

Auditing guideline was prepared by LGCDP and has been forwarded to (Institute of Chartered Accountants, Nepal, (ICAN) for approval and issuance on their behalf. These guidelines prescribe the standard approach to be followed with the necessary formats for carrying out the audits and preparing audit reports of the required standard.

A 10 day TOT programme organized in Bangkok, Thailand on Local Body Financial Management Systems was attended by 12 senior professionals selected from OAGD, FCGO, Revenue Administration Training Centre, DTCO Dhading and MoLD. Thereafter a national training programme on Local Bodies' Financial Management Systems has been organized for 25 additional staffs from the above mentioned offices, using the senior professionals as trainers.

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

UNJP supports technical assistance to achieve the overall policy framework of LGCDP. This includes provision of technical advisory services for policy development related to decentralization, local governance and community-led development as well as issues related to sector devolution. There have also been a number of pilot activities which have fed into the national level policy processes.

In order to achieve tangible results oriented activities and to ensure efficient and effective implementation of the activities at the local level, the operational manual on the impact evaluation is of very crucial importance. With financial support of LGCDP a manual on impact evaluation had been prepared in the first quarter of 2011.

The main objectives of preparing the manual are to derive the lessons from the implemented projects and their impact on the socio-economic environment. Lesson learned could be incorporated into the forthcoming projects, as well as to refine the on-going project activities and to fulfil the clauses 234 and 236 of the LSGA. The scope of the manual is to provide procedural guidance to DDCs for implementing impact evaluations as per the LSGA and LSGR and other prevailing laws and regulation as well as directives and manuals.

The manual is concerned with the activities related at the DDC level. The impact evaluation will be applied to the activities implemented by other line agencies as per the decentralized programme of the GoN, District Development Committees within its peripheries and the provision of the manual are not for competing with same types of activities carried out by the central level where as its aims to be complementary to them. The Manual comprehensively examines areas such as the project planning process, result oriented evaluation, criteria for selecting external independent experts and third party evaluators, reporting arrangement along with relevant annexes cataloguing tools and techniques of evaluation. The Operational Manual focusing on the impact evaluation of large projects implemented by the Local Bodies and the devolved sectors, has been finalized incorporating comments and suggestions from the stakeholders.

The Government of Nepal (Cabinet) has approved Child Friendly Local Governance (CFLG) in 2011, as a national strategy that places children at the core of the development agenda for local bodies, government line agencies and civil society, promoting child rights through good governance demonstrating the Government's commitment towards promoting child rights in governance reforms with the support from UNICEF. The CFLG operational guideline is now

being initiated in 156 VDCS in 34 districts, and 14 municipalities. Training to all MLD senior officials and orientations to all 75 Local Development Officers and 58 Municipality Executive Officers has built common understanding that CFLG is a GON priority.

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

Output 7 is related to strengthening the capacity of the central government and national non-governmental organizations to provide appropriate support to local government to mainstream gender and social inclusion perspectives in the MoLD interventions.

UNCDF support was provided to LBFCs to develop **Revenue/expenditure based software package for data processing**. The LBFC completed the software package for data processing on revenue and expenditure and it is being utilized for updating the financial data prepared by LBFCs. Similarly, MCPM software has been outsourced and is expected to be complete by March 2012. Another area of important support to MLD in 2011 involved a study on stocktaking of the state of fiscal decentralization as originally intended under the LSGA, identifying lessons learned and suggesting opportunities for ensuring successful fiscal decentralization policies and transition measures to the governance structures anticipated under the new constitution. The findings of the study highlighted the extent to which the Local Bodies are exercising the fiscal decentralization provisions provided under the LSGA. It also identifies key recommendations needed to facilitate the effective transition with regards to fiscal decentralization from the current unitary government structure to the expected devolved federal government structure under the new constitution. The study lays the foundation for further detailed work on the functional analysis of sub-national expenditure and revenue responsibilities which will be closely aligned with the work undertaken by the Administrative Restructuring Commission (ARC).

The Review and revision of existing M&E arrangements for Local Bodies has also been supported during the reporting period. The main objectives of the study is to review and revise monitoring and evaluation system of the Local Bodies and design performance based monitoring system in line with monitoring and evaluation framework of LGCDP by integrating gender equality and social inclusion issues.

Upgrade of MLD hub has been initiated in 2011. IPD section of Ministry of Local Development has been assigned the responsibility of running and maintaining smooth communication of Internet and email. The IPD section plays the main role of Internet gateway. The project aim is to strengthen the MLD web-hub together with the communication infrastructure to better serve all the section of this ministry.

Guidelines on Public hearing and public auditing have been upgraded. The overall objectives of this activity is to ensure that the general public, particularly the women, poor and marginalized groups of the society, becomes more aware and sensitized about the local governance issues and the processes in Nepal, as well as their meaningful opportunities and access to resources as per their own determined priorities and to hold the local governments to account for their performances. This activity is expected to provide precise definitions and clear differentiations for the terms such as social audit, public audit, community audit, and public hearing and citizen report cards in order to promote their uniform understanding and meanings to different stakeholders involved in the process of local governance and community development.

A consulting firm has been hired to amend/update guidelines on social audit, public audits and public hearing. Additionally, a central level workshop was organized in order to share the findings of the study as well as to solicit inputs from the concerned stakeholders from MoLD, LGCDP, LDTA, representatives from ADDC/N, MuAN, DPs, DDCs, municipalities and Association of VDC. The MoLD has also approved the accountability mechanism strategy and three guidelines have been approved. MoLD will provide orientation on these three guidelines to the Local Bodies. The guidelines contain detailed definitions of different terms used, steps to be followed when undertaking the social audit, public audits and public hearing by the Local Bodies, involvement of the CSOs and the general public in the whole process of social and public auditing and public hearing. These guidelines have used the legal provisions made in the interim constitution of Nepal (2063 BS), LSGA and LSGR (1999), Governance Act (2064 BS) and Regulations (2065 BS), Procurement Act of GoN and other guidelines and manuals prepared by the MoLD in order to create conducive environment to promote the demand side of the governance and implement the accountability tools accordingly. In order to implement these guidelines Local Bodies, the required training, orientation and induction programs will be provided to Local Bodies and resources for these will be managed from CD grants being provided to Local Bodies as well as from the contingency funds. Effective monitoring tools with indicators will be developed by M & E Section of MoLD to ensure that these are implemented and there will be regular follow up on the progress being made. M & E section will be provided with required authority and resources for this. M & E section of MoLD will co-ordinate with Departments of MoLD, other Government Line Agencies, development partners, INGOs and NGOs to ensure that these are implemented to promote transparency and accountability in their works. They would be encouraged to use these guidelines if they wish to do so and also MoLD would be open to learn/adopt good practices being followed/implemented by others as well.

In order to promote the spirit of the decentralization and local self-governance, these guidelines will be implemented at the local level as part and parcel of the overall development program of the government. All programs and projects being implemented under Local Bodies must use these guidelines, ensuring active and meaningful participation of all stakeholders and the common people. True implementation of these guidelines will be linked to the grants provided to the Local Bodies. When using these guidelines, due attention will be given for prompt, reliable, participatory and economical implementation of these guidelines so that peoples' trust and confidence towards the transparent and accountable functioning of Local Bodies are ensured. Self-discipline of the Local Bodies, its officials and all stakeholders of the local development will be promoted by implementing these guidelines. Due attention will be paid to promote the fiscal discipline of Local Bodies, Users' Committees and contractors so that public funds can be used for the local development. Wherever possible, all DPs, INGOs and NGOs will be encouraged to use these guidelines at the local level. Orientation on operational manual of GESI based on strategy at regional level was conducted with five training programmes organized through the CCU.

SNV and UNDP have jointly supported the localization of MDGs initiatives in six remote districts (5 districts in the Karnali region and Taplejung in Mechi Hills). MDG localization eventually helps in attaining national targets and goals by locally absorbing their share. The initiative was designed to operationalize MDGs into district planning and monitoring system by formulating MDGs aligned, socially inclusive, gender sensitive and pro-poor development plans gearing towards poverty reductions. The project was completed in December 2009. The Consultant has submitted the final report which has been reviewed.

The following table has been presented to show the key activities and the accomplishment under the Localization of the Millennium Development Goals

Key Activities and Accomplishments

Outputs	Key Activities	Accomplishments
1. District Poverty Monitoring & Analysis System established and made operational	<p>Improve capacity of DIDC in six districts</p> <ul style="list-style-type: none"> ◆ Identify the DIDC related capacity gaps in target districts and formulation of capacity development (CD) plan; ◆ Establish district specific monitoring indicators manual and checklist in place, in line with MDGs in 6 target district; ◆ Training for DIDC staffs (related to work on MDG based planning and monitoring); ◆ Equip 6 target district DIDC with IT equipment and human resource; ◆ Establish district specific DPMAS in place in 6 district 	<ul style="list-style-type: none"> ◆ Capacity gaps in all DIDC have been identified & accordingly CD plan have been formulated and implemented; ◆ 6 districts have prepared district specific monitoring indicator manual/checklist in line with MDGs and DDC are institutionalizing it; ◆ DIDC staffs oriented/trained on MDG based Planning and Monitoring; DIDC staffs have also been provided GIS training and GIS software has been installed; ◆ IT equipments like computer, printer, furniture procured and installed in all 6 DIDC; ◆ DPMAS prepared in line with MDG indicators
6 target districts capacity strengthened to undertake participatory planning process, update DDC, VDC profile and establish monitoring system	<ul style="list-style-type: none"> ◆ Develop tools/templates for VDC data collection in line with MDGs indicators for 6 districts through NAVIN; ◆ Collect data to prepare VDCs profile in line with MDGs; ◆ Training for DDC, DIDC, LA technical staff and CSO on monitoring and reporting system based on DPMAS; ◆ Establish district specific MDG based indicators in 6 target districts; ◆ Sensitize people on MDGs and participatory planning system(inclusive planning process); ◆ Training for DDC and VDC level staffs on planning tools and DPMAS; ◆ Collect, process and analyze data and prepare poverty maps/profiles of 6 target districts 	<ul style="list-style-type: none"> ◆ A model template for VDCs profile developed in line with MDGs indicators and disseminated in all 75 districts. The template has guided target districts for data collection and VDC profile preparation in line with MDGs indicators; ◆ Target districts have required data collected, processed and analyzed in line with MDG indicators. VDC profile of 36 VDCs have been prepared; ◆ Oriented /trained a total of 190 focal persons of LA and NGOs and CSO on DPMAS in all program districts; ◆ Target districts have developed MDG based indicators; ◆ People were oriented/sensitized on MDGs and inclusive planning process through workshops and DDC annual council meeting; ◆ DIDC staffs, Planning and DTO staffs and VDC secretary were trained on the use of planning tools and DPMAS; ◆ Poverty maps/profiles of were prepared; ◆ All 6 districts prepared district profile and a total of 36 VDCs have prepared VDC profile
2. Socially inclusive, gender sensitive, MDG integrated district periodic and annual plans prepared and piloted	<ul style="list-style-type: none"> ◆ Start MDGs based inclusive planning process in 6 districts; ◆ Initiate to prepare Annual District Development Plan and District Periodic Plan (based on MDGs /PRSP through participatory and gender responsive and inclusive methods) in all 6 districts 	<ul style="list-style-type: none"> ◆ DDC staffs were oriented to formulate Annual District Development Plan aligned with MDGs

Output 8: Support provided for programme implementation

A Process Management and Implementation Specialist, and an International TA were provided at the LGCDP project level to provide support in programme implementation. During the reporting period a four day GIS training was given to 55 personnel of 55 municipalities in the five development regions of the country. Similarly, Basic Operation Training of four days duration was

organized in two batches to 541 new VDC Secretaries of 59 districts. Additionally, four day long training was also provided to VDC Junior Technicians whereby a total of 106 Junior Technicians from 15 districts of Eastern, Western and Mid-Western regions took part in the training.

Delays and Constraints in programme implementation:

The delay in approving the budget by the GoN has affected financial disbursements across all of the GoN. While much work has been done in preparing to implement this year's activities, LGCDP has also been affected by the delay. In addition, other activities were intended to be carried out over a longer period than is now available, particularly to allow them to be embedded in MoLD's and the Local Bodies' processes.

The absence of local elected bodies has been a major challenge and not the least cause for delays in implementation of several aspects of the programme. The MoLD has established an All Party Political Mechanism in Local Bodies in which one representative from each political party is represented in the Local Body Board Meeting. The APM has also been questioned as many fiduciary risks and delays in the programme have been associated with the APM. Fiduciary risks have also been followed up on as an issue and UN organisations have been active in supporting the LGCDP development partners develop a fiduciary risk action plan.

Frequent staff transfer at the local level continues to add to delays in programme implementation. All the UN organisations have invested considerable efforts to engage the government in this undertaking.

Programmatic Issues and Challenges:

1. Chaos and confusion in the political situation of the country and uncertainty in every sector
2. Absence of elected representatives in Local Bodies
3. Unfavourable security situation in the country, especially in Terai region
4. Mitigating fiduciary risk in Local Bodies. Establishment of a sound financial management system is a must and accordingly the challenge is to create a workable accounting system. The computerized accounting system can come into practice only with skilled personnel.
5. VDC secretary posts lying vacant in about 400 VDCs. Increasing turnover of social mobilizers has created a serious threat to effective implementation of the social mobilization process at the grass root level.
6. Difficult monitoring and technical backstopping at the village and municipality wards with a limited human resources.
7. The capacities of Ward Citizen Forums and Citizen Awareness Centres are weak and the challenge is to enhance these capacities in a sustainable manner.
8. District Social Mobilization Committees meetings are irregular and there is a frequent change in the representatives. How to make DSMCs more effective is a challenge.
9. Pending the promulgation of the new constitution, the state restructuring work has not been completed that could outline the long term policy for devolution

10. Children issues often get less priority as compared to infrastructure development in the local level planning.

Lessons learned

- Channelling more funds to the Local Bodies without the anticipated demand side and sufficient supply side capacity development increases the fiduciary risk.
- All Party Mechanism in Local Bodies is not accountable for decisions taken, which makes it difficult to implement the block grant guidelines properly. Fiduciary risk will remain high until and unless the All Party Mechanisms in the Local Bodies are made more accountable.
- The institutional set up at 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 VDC, both in terms of the number of personnel and their capacities.
- The country is in a transition period. It takes a long time to take and implement decisions, hence ambitious programmes/projects should be implemented with caution in this transition period
- Need to continually accelerate the social mobilization activities at the local level.
- Regular orientation on social mobilization guidelines & REFLECT are required for Local Service Providers and social mobilizers to strengthen social mobilization implementation.

Similar challenges have also been experienced with the Ministry of Women, Children and Social Welfare, the Department of Women and Children, and the key government authorities responsible to implement the Para Legal Committees. Staff changes, limited capacity in the area of child protection and gender-based violence, the absence of a monitoring system to systematically collect and analyse data on protection violations, and the absence of clear procedures for the identification, management, referral and follow up of protection violations are also key challenges to be gradually overcome by this and other effort currently undertaken in this field.

Key partnerships and collaborations:

Participating UN organizations have institutionalized a monthly coordination meeting in order to improve the coordination process. This has enabled the regular sharing and updating of information on the joint programme and improved collaboration/ monitoring of activities and joint decision making. It has also supported greater harmonisation with the other development partners and alignment with the Government and MoLD.

UNDP and UNCDF have been continuing to participate in the Technical Assistance Sub Committee (TASC) and UNJP agencies have been participating in the meetings of the six Thematic Group.

UNDP and UNCDF have also continued to represent participating UNJP agencies in various committees, including LGCDP Focal Group, LGAF National Committee and the NAC SC. UNDP and UNCDF have also had regular meetings with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to secure a harmonized approach to urban and rural

dimensions of LGCDP. Furthermore, UNCDF has also been actively involved in the management and implementation of international TA and has been coordinating with the World Bank in key areas such as the Human Development and Social Protection pilot. UNICEF has also forged and maintained coordination with a number of stakeholders active in the area of child protection, GBV, and Alternative Dispute Resolution, including: ADB, DFID/Enabling State Programme, the Asia Foundation, DANIDA, JICA and Save the Children.

Highlights and Cross-Cutting Issues:

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

At the national level the UNJP has been advocating for gender audits and gender responsive budgeting. The fact that 35 percent of Capital Grants are allocated for women, children and the socially excluded groups is a good indication of GESI responsive budgets. From the current fiscal year, strict adherence will be made to ensure allocated grants are spent as committed to the target groups (women, children and socially excluded) through active mobilization of the DAGs in the CAC and WFCs or other means.

VI. Future Work Plan

While a second phase of LGCDP is imperative to ensure that the gains and progress made during LGCDP's first phase are continued, strengthening local governance, and supporting activities such as block grant allocations will continue after 2012 and MoLD has to be able to continue to support these activities. Thus strengthening the demand side of local governance and continuing to improve the human and financial resources related to service delivery are still the two key themes of LGCDP.

PART II - FINANCIAL REPORT

The UN Joint Programme supporting the Local Governance and Community Development Programme (LGCDP) in Nepal is a four year programme and has been extended until July 2013. The LGCDP UN Joint Programme consists of six participating UN organizations, namely UNCDF, UNICEF, UNDP, UNFPA, UNV and UN Women. The UNDP Nepal country office has delegated authority to carry out certain administrative agent related functions from the Executive Coordinator of the Multi-Partner Trust Fund Office (MPTF Office) who is the Administrative Agent (AA) of the pass-through related funding modality for this Joint Programme.

The Joint Programme follows a mixed modality of funding with a combination of pass-through and parallel funding mechanism. UNCDF, UNICEF and UNDP follow both the pass-through and parallel funding modality; while UNFPA, UNV and UN Women follow the parallel funding mechanism only. The Annual Work Plans are jointly undertaken by all Participating UN Organizations. This financial report only covers the pass-through funding modality.

1. Source and Use of Fund

In 2011, the total amount of funding received from the two donor contributions (Denmark and the United Kingdom-DFID), for the LGCDP through the pass-through funding mechanism amounted to US\$ 3,856,486, bringing the total cumulative donor contribution at the end of 2011 to \$11,868,151. In addition, a total of US\$ 9,854 has been earned in interest, bringing the cumulative total source of funds to US\$ 11,920,504 as at 31 December 2011. This information is summarized below in Table 1.

Table 1. Financial Overview as of 31 December 2011(in US Dollar)

	Prior Years as of 31 Dec 2010	Current Year Jan-Dec 2011	TOTAL
Sources of Funds			
Gross Donor Contributions	8,011,666	3,856,486	11,868,151
Fund Earned Interest Income	42,499	2,878	45,377
Interest Income received from Participating Organizations	-	6,976	6,976
Refunds by Administrative Agent (Interest/Others)	-	-	-
Other Revenues	-	-	-
Total: Sources of Funds	8,054,165	3,866,340	11,920,504
Use of Funds			
Transfer to Participating Organizations	6,092,096	5,696,489	11,788,585
Refunds received from Participating Organizations	-	-	-
Net Funded Amount to Participating Organizations	6,092,096	5,696,489	11,788,585
Administrative Agent Fees	80,117	38,565	118,682
Direct Costs	-	-	-
Bank Charges	66	20	85
Other Expenditures	-	-	-
Total: Uses of Funds	6,172,278	5,735,074	11,907,352
Balance of Funds Available with Administrative Agent	1,881,886	(1,868,734)	13,152
Net Funded Amount to Participating Organizations	6,092,096	5,696,489	11,788,585
Participating Organizations' Expenditure	2,231,530	5,211,462	7,442,992
Balance of Funds with Participating Organizations	3,860,566	485,027	4,345,593

The total available for transfer in 2011 was US\$ 5,748,226 which included US\$1,881,886 balance from 2010 and the total received during 2011. Off this, US\$5,696,489 was transferred to the Participating Organizations.

Apart from donor contributions, the Nepal LGCDP also receives funds from interest income earned on the balance of funds. ‘Fund earned interest’ comprises two sources of interest income: (1) interest earned on the balance of funds held by the Administrative Agent; and (2) interest earned on the balance of funds held by Participating Organizations where the Financial Regulations and Rules of the Participating Organization permit remittance of interest. By the end of 2011, the fund earned interest amounted to US\$ 2,878 and interest income from Participating Organizations was US\$ 6,976 for a cumulative total interest of US\$ 9,854 received in 2011 and a cumulative total of \$52,353.

The Administrative Agent fee is charged at the standard rate of 1% of donor contributions received. As of 31 December 2011, the cumulative AA fees charged to the LGCDP totaled US\$ 118,682.

2. Donor Contributions

Cumulative donor contributions received as of the 31 December 2011 was \$11,868,151 for the LGCDP through the pass-through funding mechanism. The United Kingdom Department for International Development (DFID) contributed a total of US\$ 9,461,752 and the Government of Denmark, contributed a total amount of US\$ 2,406,399 - as indicated in Table 2.

Table 2. Donor Contributions (in US Dollar)

	Prior Years as of 31 Dec 2010	Current Year Jan-Dec 2011	TOTAL
Department for International Development	7,024,109	2,437,643	9,461,752
Government of Denmark	987,557	1,418,842	2,406,399
Total	8,011,666	3,856,842	11,868,151

3. Transfer of Funds

The contributions received through the pass-through funding mechanism are apportioned and transferred to the LGCDP Participating Organizations according to allocations approved by the LGCDP Steering Committee, based on each Participating Organization’s budget indicated from the approved annual joint work plan and the Technical Assistance plan of UNCDF and UNDP.

In 2011, UNICEF received the largest share of the pass-through funding (61 %) of the total contributions received. UNCDF received 22 % and UNDP received 18% of the total contributions received. The distribution of approved funding, consolidated by Participating Organization is summarized in Table 3. The term “Net funded amount” refers to amounts transferred to a Participating Organization minus refunds of unspent balances from the Participating Organization.

Table 3. Transfers/ Net Funded Amount by Participating Organization (in US Dollar)

Participating Organization	Prior Years as of 31 Dec 2010		Current Year Jan-Dec 2011		TOTAL	
	Approved Amount	Net Funded Amount	Approved Amount	Net Funded Amount	Approved Amount	Net Funded Amount
UNCDF	1,450,000	1,450,000	1,100,000	1,100,000	2,550,000	2,550,000
UNDP	692,681	692,681	1,371,906	1,371,906	2,064,587	2,064,587
UNICEF	3,949,415	3,949,415	3,224,583	3,224,583	7,173,998	7,173,998
Total	6,092,096	6,092,096	5,696,489	5,696,489	11,788,585	11,788,585

4. Expenditure Reported by Participating Organization

Project expenditures are incurred and monitored by each Participating Organization and are reported as per the six categories for inter-agency harmonized reporting of expenditure approved by the UN Development Group (UNDG) organizations.

All the expenditures reported for the year 2011 was submitted by the headquarters of the Participating UN organizations through UNEX, the MPTF Office Reporting Portal for Participating Organizations expenditure reporting. The information submitted was analyzed and summarized by the MPTF Office and verified by the Country Office AA with delegated authority.

4.1 Overall Expenditure and Financial Delivery Rates

Out of the cumulative net transferred amount, total cumulative expenditure amounted to US\$ 7,442,992, a 63.14% delivery rate as at the end of 2011. The funds were largely unspent due to activities being delayed and transferred into the 2011 annual work plan. The delivery rates for individual Participating Organizations are reflected in Table 5.2 while a summary of the net funded amount, expenditure and consequent delivery rate of the Joint Programme is provided in Table 4 below.

Table 4. Financial Delivery Rate (in US Dollar)

Joint Programme	Net Funded Amount	Expenditure			Delivery Rate (%)
		Prior Years as of 31 Dec 2010	Current Year Jan-Dec 2011	Total	
JP Nepal LGCDP	11,788,585	2,231,530	5,211,462	7,442,992	63.14
Total	11,788,585	2,231,530	5,211,462	7,442,992	63.14

4.2 Total Expenditure Reported by Category

Table 5.1 reflects expenditure categorized as per the UNDG approved six-category expenditure format. The highest percentage of expenditure was on contracts (44.49 %). The second highest expenditure was on personnel (36.21%), followed by training and indirect Support costs.

Table 5.1. Total Expenditure by Category (in US Dollar)

Category	Expenditure			% of Total Programme Costs
	Prior Years as of 31 Dec 2010	Current Year Jan-Dec 2011	Total	
Supplies, Commodities, Equipment and Transport	174,628	240,611	415,239	6.06
Personnel	801,342	1,681,624	2,482,966	36.21
Training of Counterparts	11,786	563,509	575,295	8.39
Contracts	900,326	2,150,083	3,050,409	44.49
Other Direct Costs	118,622	214,120	332,742	4.85
Programme Costs Total	2,006,703	4,849,946	6,856,650	100.00
Indirect Support Costs	224,826	361,516	586,342	8.55
Total	2,231,530	5,211,462	7,442,992	

4.3 Cumulative Expenditure of Participating Organisations with breakdown by Category

An analysis of each participating UN organization's expenditure against the individual amounts allocated to each of the Participating Organizations (as summarized in Table 5.2) through the pass-through mechanism shows that UNDP had the highest delivery of 84.67% against a cumulative net transferred amount of US\$ 2,064,587. UNCDF reported expenditure of US\$ 2,550,000, representing a delivery rate of 50.58% and UNICEF reported expenditure of US\$ 7,173,989, a delivery rate of 61.40 %.

Table 5.2. Financial Delivery Rate by Participating Organization (in US Dollar)

Joint Programme Title	Participating Organization	Total Approved Amount	Net Funded Amount	Total Expenditure	Delivery Rate (%)
JP Nepal LGCDP	UNCDF	2,550,000	2,550,000	1,289,766	50.58
JP Nepal LGCDP	UNICEF	7,173,989	7,173,989	4,405,101	61.40
JP Nepal LGCDP	UNDP	2,064,587	2,064,587	1,748,124	84.67
Total		11,788,585	11,788,585	7,442,922	63.14

Table 5.3 below shows the total expenditure in 2011 with a breakdown by UNDG categories.

Table 5.3. Expenditure by Participating Organization, with breakdown by Category (in US Dollar)

Participating Organization	Net Funded Amount	Total Expenditure	Expenditure by Category							% of Programme Costs
			Supplies, Commodities, Equip & Transport	Personnel	Training of Counterparts	Contracts	Other Direct Costs	Total Programme Costs	Indirect Support Costs	
UNCDF	2,550,000	1,289,766	10,425	729,918	-	363,567	84,356	1,188,266	101,500	8.54
UNDP	2,064,587	1,748,124	57,894	843,138	537,425	-	113,009	1,551,467	196,658	12.68
UNICEF	7,173,998	4,405,101	346,919	909,910	37,869	2,686,842	135,377	4,116,917	288,184	7.00
Total	11,788,585	7,442,992	415,239	2,482,966	575,295	3,050,409	332,742	6,856,650	586,342	8.55

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 delay, on financial information from the MPTF Office accounting system on donor contributions, programme budgets and transfers to Participating UN Organizations. All narrative reports are published on the MPTF Office GATEWAY which provides easy access to nearly 8,000 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.