

---

## Joint SDG Fund - 1st Call on SDG Financing - Nepal

---

<b>Joint Programme Document</b>
---------------------------------

### A. COVER PAGE

**1. Fund Name:** Joint SDG Fund

**2. MPTFO Project Reference Number** *(leave blank / automatically populated in Atlas)*

**3. Joint programme title:** Reorienting public finance for SDGs acceleration and leveraging additional resources in Nepal

**4. Short title:** SDG Aligned Public Finance

**5. Country and region:** Nepal, Asia and the Pacific

**6. Resident Coordinator:** Valerie Julliand, [valerie.julliand@one.un.org](mailto:valerie.julliand@one.un.org)

**7. UN Joint programme focal point:**

1. Ayshanie Medagangoda-Labe, Resident Representative, United Nations Development Programme (UNDP), [ayshanie.labe@undp.org](mailto:ayshanie.labe@undp.org)
2. Subhash Nepali, Economist and SDG Advisor, UNRCO Nepal, [subhash.nepali@un.org](mailto:subhash.nepali@un.org) / [subhash.nepali@one.un.org](mailto:subhash.nepali@one.un.org)

**8. Government Joint Programme focal point** – Tek Bahadur Khatri, Under Secretary, Ministry of Finance, [tkhatri@mof.gov.np](mailto:tkhatri@mof.gov.np)

**9. Short description:** The Joint Programme aims to leverage the competencies of the specific UN agencies at the national and subnational levels to assist the Government of Nepal to strengthen and bring alignment and coherence in the public finance management system in the areas of budgeting, medium-term planning framework, and subnational fiscal transfers to support integrated financing for the SDGs. The results of the joint programme can be transformational, as it seeks to address one of the key gaps that is the disconnect between planning and budgeting. And by facilitating, at a technical level, planning, resource allocation and expenditure reviews in line with the SDGs, the programme will contribute to enhanced results, transparency and accountability. It will also ensure that Nepal is better positioned to attract and leverage additional resources needed to meet the SDGs at the national and subnational levels.

**10. Keywords:** SDG budget code, Medium Term Expenditure Framework, Inter-governmental Fiscal Transfer, SDG Financing Architecture

## SIGNATURE PAGE -

<p><b>Resident Coordinator:</b> Valerie Julliard  <i>Date and Signature</i>          31.03.2020</p> 	<p><b>National Coordinating Authority</b>  <i>Name of institution</i>  <i>Name of representative</i>  <i>Date</i>  <i>Signature and seal</i></p>
<p><b>Participating UN Organization (lead/convening)</b>  <i>Name of PUNO:</i> UNDP  <i>Name of Representative:</i> Ayshanie Medagangoda-Labe  <i>Date:</i> 31.03.2020  <i>Signature and seal</i></p> 	
<p><b>Participating UN Organization</b>  <i>Name of PUNO:</i> UN Women  <i>Name of Representative:</i>  <i>Date:</i> 31. 03.2020  <i>Signature and seal</i></p> 	
<p><b>Participating UN Organization</b>  <i>Name of PUNO:</i> UNCDF  <i>Name of Representative:</i> Judith Karl, Executive Secretary,  <i>Date:</i> 31.03.2020  <i>Signature and seal</i></p> 	

## 11. Overview of budget -

<b>Joint SDG Fund contribution</b>	<b>USD 999,996.00</b>
Co-funding	USD 190,000.00
<b>TOTAL</b>	<b>USD 1,189,996.00</b>

## 12. Timeframe:

<b>Start date</b>	<b>End date</b>	<b>Duration (in months)</b>
<u>2020</u>	<u>2022</u>	<u>24 months</u>

**13. Gender Marker:** The overall score is 3.

## 14. Participating UN Organizations (PUNO) and Partners:

### **14.1 PUNO**

- Convening agency: UNDP, Medagangoda-Labe, Ayshanie, Resident Representative, UNDP, ayshanie.labe@undp.org
- +9771-5523200
- Other PUNO:
- UN Women: Kusuma, Wenny, Representative, wenny.kusuma@unwomen.org, +977-1-4255110
- UNCDF: Karl, Judith, Executive Secretary, Judith.karl@uncdf.org
- +12129066118

### **14.2 Partners**

- Key national partners –
  - Tek Bahadur Khatri – Under Secretary, Ministry of Finance, [tkhatri@mof.gov.np](mailto:tkhatri@mof.gov.np)
- Other government partners - Financial Comptroller General Office (FCGO), National Natural Resources and Fiscal Commission (NNRFC), Ministry of Agriculture and Livestock Development (MoALD), provincial governments, local governments, Parliamentary Committee on SDGs
- Civil society organizations: Municipal Association of Nepal (MUAN), National Association of Rural Municipality
- Private Sector – Federation of Nepalese Chambers of Commerce and Industries (FNCCI)
- International Financial Institutions: World Bank, International Monetary Fund (IMF)
- Other partners: Food and Agriculture Organization (FAO)

## **B. STRATEGIC FRAMEWORK**

### **1. Call for Concept Notes: SDG Financing (2/2019) – Component 1**

### **2. Programme Outcome [pre-selected]**

- Additional financing leveraged to accelerate SDG achievement (Joint SDG Fund Outcome 2)

### **3. UNDAF Outcomes and Outputs:**

#### *3.1 Outcomes (from UNDAF/Cooperation Framework)*

- By 2022, impoverished, especially economically vulnerable, people have increased access to sustainable livelihoods, safe and decent employment, and income opportunities
- By 2022 there is improved, equitable access, availability and utilization of quality basic social services for all, particularly for vulnerable people
- By 2022, environmental management, sustainable recovery and reconstruction, and resilience to climate change and disaster are strengthened at all levels
- By 2022, inclusive, democratic, accountable and transparent institutions are further strengthened towards ensuring rule of law, social justice and human rights for all, particularly for vulnerable people

#### *3.2 Outputs (from UNDAF/ Cooperation Framework)*

-

### **4. SDG Targets directly addressed by the Joint Programme**

2.a Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries

5.c Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels

17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection

17.9 Enhance international support for implementing effective and targeted capacity building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North-South, South-South and triangular cooperation

#### **3.2 Expected SDG impact**

This initiative will primarily contribute to Goal 17 by making more resources available for the effective implementation of SDGs. This will be done by strengthening alignment between development priorities and budgets through SDGs coding; making Medium Term Expenditure Framework (MTEF) and inter-governmental fiscal transfers SDG-responsive; and tracking and analysis of budget expenditure against the SDG coding. While doing so, special focus will be given to budget allocation and expenditure tracking through a gender lens. As a result, it will also contribute to Goal 5 with allocation of sufficient budget for gender equality and empowerment of women and girls. The initiative will also contribute to Goal 2 (End hunger, achieve food security and improved nutrition and promote sustainable agriculture), with agriculture being a priority sector for review and analysis.

**5. Relevant objective(s) from the national SDG framework** (*max 5; indicate source*) -

- Expansion of fiscal space to mobilize additional resources from federal, provincial and local government levels (15<sup>th</sup> five-year development plan)
- Prioritizing SDGs and allocating a higher budget for SDGs (SDGs Needs Assessment, Costing and Financing Strategy).
- Roll-out of revised MTEF formats with reliable budget ceilings that include integrated reporting formats clarifying the linkages between budgets and measurable performance targets (Nepal Development Finance Assessment)

**6. Brief overview of the Theory of Change of the Joint programme** (*1 paragraph*) -

Effective and accelerated implementation of the SDGs will be achieved by strengthening the linkages between the national development plan, sector policies with greater priority for the SDGs and mainstreaming SDGs into the public financial management system. The key pathways for this will be (i) incorporating SDGs in MTEF for select sectors/subnational governments; (ii) developing intergovernmental fiscal transfer formula with SDG-based indicators; and (iii) institutionalizing SDG expenditure tracking of the national budget against the coding. In line with the federal context, SDG coding and MTEF will be piloted in two provinces and four local governments units (two in each province). Gender equality will be a cross-cutting theme.

**Proposed revised content:**

**7. Trans-boundary and/or regional issues** (*optional-list and briefly explain if relevant*)

## **C. JOINT PROGRAMME DESCRIPTION**

### **1. Baseline and Situation Analysis**

Nepal has made demonstrable progress in localizing the Sustainable Development Goals (SDGs). The Government of Nepal's (GoN) commitment to SDGs has been reaffirmed in several key policy documents and institutional arrangements. To a large extent, SDGs have been integrated in the national plans, including in the current 15<sup>th</sup> Development Plan. Nepal has also prepared SDG: Status and Roadmap to localize the SDGs indicators with baselines and targets for 2030. Building on this report, Nepal prepared a Needs Assessment, Costing and Financing Strategy for SDGs that estimates available resources as well as the public and private investment needed to address the financing gaps to meet the 2030 targets. The strategy estimates that 55 percent of the required finances should be covered by public finance. In this context, it becomes critical to orient public finance towards development priorities in line with SDGs as well as to engage the private sector and development partners to move towards an integrated approach to SDG financing. Furthermore, given that Nepal plans to graduate from being a LDC in the near future, integrating ODA, public finance as well as private sector finance will be increasingly important for Nepal. Thus, partnership at the global, national and local levels will need to be further strengthened.

In 2017, the Ministry of Finance (MoF) conducted a Development Finance Assessment (DFA) with the objective to provide an overview of development finance flows and the institutions and policies that align this finance with national development goals and priorities. An important recommendation made in the assessment is the need for a road map, building on the concept of an Integrated National Financing Framework (INFF), to increase the alignment of financing flows to national development goals, improving the basis for achieving development results including the SDGs. These achievements on localizing the SDGs provide a tremendous opportunity to further accelerate the implementation of SDGs in Nepal.

However, as with many other countries, historically there has been a wide institutional disconnect between the planning process and budgeting/financing for development in Nepal. This has been identified as one of the critical gaps in public financial management in the country across all periodic reviews including the DFA. The specific challenges noted include (i) lack of alignment between the annual budget, projects and programme activities and multi-year planning; (ii) mismatch in the areas of investments proposed annually by respective line ministries compared to the priorities identified by the planning document, agreed upon by all stakeholders; (iii) inclusion of projects in the budget without proper technical and financial feasibility analysis; and (iv) lengthy and cumbersome government procurement processes, without regular and effective monitoring.

It is important to note that in the past efforts were made to align development priorities with the budget, which includes the initiative by the GoN on SDGs coding in the national budget. However, there are concerns that the coding system is applied in an ad hoc manner without defined processes and criteria.

Similarly, the institutionalization of gender-responsive budgeting (GRB) at the federal level is a strong testament of the government's commitment to socially responsive budgeting. An important result has been an increase in the percentage of the budget categorized as directly gender responsive from 11.30 percent to 38.26 percent over the last 10 years. Akin to the experience with SDG coding, significant gaps have been noted in the current GRB approach, including gaps in reporting on actual expenditure, and limited or no analysis of the impact of

public resources on improved service delivery in the short term, and the impact on reducing persisting gender gaps across sectors in the long term.

It is therefore essential to strengthen the linkages between a long-term periodic plan, medium-term expenditure framework and the annual budget. The long-term plan should form the basis of the MTEF to further guide the formulation of the annual and sectoral budgets. Building such linkages requires a procedural mechanism or system for which strong regulatory and institutional reforms are prerequisites. These reforms would entail objective analysis of the periodic programmes and policies; strengthening the evidence base to establish criteria for prioritizing sectors and identification of projects; a monitoring and evaluation framework with robust indicators to track progress on envisioned goals periodically; and, more importantly, ensuring coherence between sectoral ministries, the Ministry of Finance and planning authorities. Such reform measures aimed at strengthening the government's planning, budgeting, and monitoring systems are key to the achievement of the national SDGs. It will also promote the effective utilization of available funds, which in turn may act as leverage to attract more development finance into the country and narrow the existing SDG financing. The 2017 DFA points to the significant potential of raising more finance from Official Development Assistance (ODA) grants and concessional lending, primarily by increasing the capacity to utilize the finance offered and by accessing other and new concessional arrangements from other sources, such as global programmes and funds.

The SDG financing strategy points to an urgent need to institutionalize improved project prioritization criteria for allocation of public funding by the GoN. The criteria used so far are, by and large, ad hoc, based on power and influence of higher authorities or governing institutions. In the absence of an institutional mechanism, funding from development agencies is often driven by funding sources (or availability of resources) and not necessarily informed by evidence/need based planning. In addition to revisiting the project and programme prioritization criteria, there is an urgent need to develop evidence-based reporting and Monitoring and Evaluation (M&E) systems in Nepal.

The problem is starker at the subnational level, where provincial and local government are not only required to balance developing planning and finance, but also to ensure availability of adequate resources to carry out their constitutionally mandated functions. Under the erstwhile unitary system of government, the central government had sole authority over the State's income and expenditure. However, in the changed context of federalism, resources must be shared with lower levels of government, which requires the vertical transfer of resources to subnational government.

The huge vertical and horizontal fiscal gaps between the federal and subnational government means that fiscal transfers—at least in the present moment of federalization—is a major source of revenue for the provincial and local government. As key sectors that directly impact the SDGs are now assigned to subnational government, ensuring the flow of adequate resources in the most efficient and effective manner through the intergovernmental fiscal transfers is therefore an urgent priority. If Nepal's subnational governments are to effectively carry out their functions of public service delivery and development in pursuit of SDG achievement, they must have a fair share of national resources. The DFA also points to other forms of disparity, including regional disparities. For example, food self-sufficiency is much lower in the mid-western and far-western development regions than in other regions. Further significant gender gaps are discernible, with women and socially excluded groups lagging far behind in education and health, and gender disparities being more significant in mid-western and far-western areas than in other parts of the country. In this context, it is imperative to track the flow and utilization of funds across the three levels, and gather evidence (including

on existing gaps and bottlenecks) that can support evidence-based gender responsive programming to support the realization of the national SDGs.

While noting that addressing deficiencies of national public financial architecture is a larger structural problem that requires significant legal and institutional reforms at the national and subnational level; this Joint Programme (JP) seeks to focus on three strategic areas that offer significant opportunities to strengthen PFM in line with SDGs: 1) SDG coding of national and sub-national budget; 2) SDG linkage from plan to budget through MTEF; and 3) SDG focused inter-governmental fiscal transfer.

It should be noted that while the potential impacts of COVID-19 are not yet fully understood in Nepal, the JP will maintain flexibility to ensure that the priorities for financing the SDGs are articulated with a fuller understanding of the implications of COVID-19 as this develops. In addition, risk management will be integrated into the finance strategy to ensure that the future risks of pandemics and other exogenous shocks are better mitigated

## 1.2 SDGs and targets (max 2 pages)

Goal	Target/Indicator	Baseline	Target
2.  End hunger, achieve food security and improved nutrition and promote sustainable agriculture	2.a Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries	TBC	TBC
5. Achieve gender equality and empower all women and girls	5.c Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels  Indicator: 5.c.1 Proportion of countries with systems to track and make public allocations for gender equality and women's empowerment	TBC	TBC
SDG 17. Strengthen the means of implementation and revitalize Global Partnership for Sustainable Development	17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection	TBC	TBC
	17.9 Enhance international support for implementing effective and targeted capacity building in developing countries	TBC	TBC



	to support national plans to implement all the Sustainable Development Goals, including through North-South, South-South and triangular cooperation		
--	---	--	--

This JP will primarily contribute to Goal 17 by making more resources available for the effective implementation of SDGs. This will be done by strengthening alignment between development priorities and budget through SDGs coding, making MTEF and inter-governmental fiscal transfers SDG responsive, and tracking and analysing budget expenditure against the SDG coding. Special focus will be given to budget allocation and expenditure tracking through a gender lens. As a result, it will also contribute to Goal 5 with allocation of sufficient budget for gender equality and empowerment of women and girls.

### **1.3 Stakeholder mapping and target groups**

Mainstreaming SDGs into financing architecture requires the concerted efforts of many actors implementing complementary initiatives over time. The objective of this programme is to establish a coherent public financial management process centred around the achievement of SDGs in collaboration with a range of stakeholders with direct and indirect links to the process. The potential partner institutions identified for this programme are:

#### ***National Planning Commission (NPC)***

NPC is the country's apex planning body and custodian of localizing and adopting SDGs in Nepal. The NPC is an important stakeholder in the national planning and financing framework. It is responsible for setting longer term development vision and direction; forecasting national development resources; estimating sectoral expenditure needs and preparing national level medium-term expenditure framework; and embedding SDGs in national planning. While Nepal has made progress in aligning its development programmes with SDGs, the process still needs to be streamlined with the government's Financial Management Information Systems to track expenditure against the SDG targets. This in turn requires strong coordination among and between all three tiers of government and their respective line agencies at the federal, provincial and at the local government levels.

#### ***Financial Comptroller General's Office (FCGO)***

FCGO is the treasury manager of the Government of Nepal. It oversees all government expenditure, records revenue collections and prepares consolidated public financial statements. FCGO also acts as an internal auditor of the government. Ensuring timely repayment of internal and external debts and management of the government's investments is also within the scope of FCGO's responsibility. The FCGO is the focal point for PFM reforms.

#### ***Ministry of Finance (MoF)***

MoF is the lynchpin of the national financing architecture. It has several divisions that directly link with the proposed areas of focus. MoF also oversees the PFM Steering Committee through the Public Expenditure and Financial Accountability (PEFA) Secretariat. For this programme, greater coordination of the Budget and Programme Division of MoF and the NPC is envisioned.

#### ***Office of Auditor General (OAG)***

OAG is the supreme audit institution. It oversees the performance management framework of PFM-related indicators and also manages the overall audit planning and management. For this programme, the participation of the OAG is envisioned to support budget expenditure audit through the SDG lens.

### ***Parliamentary Committee on SDGs***

Nepal's parliament has established a dedicated parliamentary committee on SDGs to oversee the functions of government, including budget allocation and expenditure from an SDG perspective. The committee has conducted various capacity development activities for the parliamentarians on SDGs at the federal and provincial level.

### ***National Natural Resources and Fiscal Commission (NNRFC)***

The NNRFC is empowered to provide leadership in the design of natural resource mobilization and revenue and grant sharing between all three tiers of the government. It is also the focal body to arbitrate on benefit sharing amongst the different tiers of the government. The NNRFC provides the ceiling for equalization grants, the basis and framework for conditional grants and revenue sharing as well as royalty transfers to subnational government. Going forward, in addition to providing fiscal policy guidance to the government on the budget, the NNRFC must also determine the norms for investment guidelines to subnational government natural resources management, including study of potential conflicts and environmental impact studies (as per clause 251(1) of the Constitution).

### ***Provincial and Local governments***

With the new constitution adopted in 2015, Nepal became a federal country with seven provinces and 753 local governments. Provincial and local government as per the Constitution have important roles in delivering services and development activities that covers many SDGs.

Other relevant stakeholders include the PFM Multi Donor Trust Fund (MDTF), comprising development partners working on harmonizing development partner support to strengthening PFM in Nepal. The PFM MDTF is administered by the World Bank and includes funding from DFID, Norway, Switzerland, Australia Department of Foreign Affairs and Trade (DFAT), the United States Agency for International Development (USAID) and the European Union (EU). While development partners have been working on strengthening PFM and related reforms in Nepal, as key stakeholders, their interest in the programme will be important in strengthening the linkage between the PFM strategies and interventions with the SDGs. The programme will ensure that coordination between development partners, such as USAID, WB, and DFID among others, mapped by MDTF working on Line Ministry Budgetary Information System (LMBIS) improvement and on the roll out of SUTRA. The MDTF has an integrated public financial management reform project, which also supports key reforms related to strengthening the budget execution and systems for reporting under the new federal system. The government has adopted SUTRA for formulating, accounting and reporting on the budget at the local level. Given that MDTF will continue to support the software and its updating, particularly to establish its usefulness to local decision makers, incorporating SDGs in the ongoing initiative will add significant value.

UN Women's partnership with the Ministry of Women, Children and Senior Citizens (MoWCSC) will be leveraged to ensure a strong focus on gender equality across the key components of the programme

## **2. Programme Strategy**

### **2.1. Overall strategy**

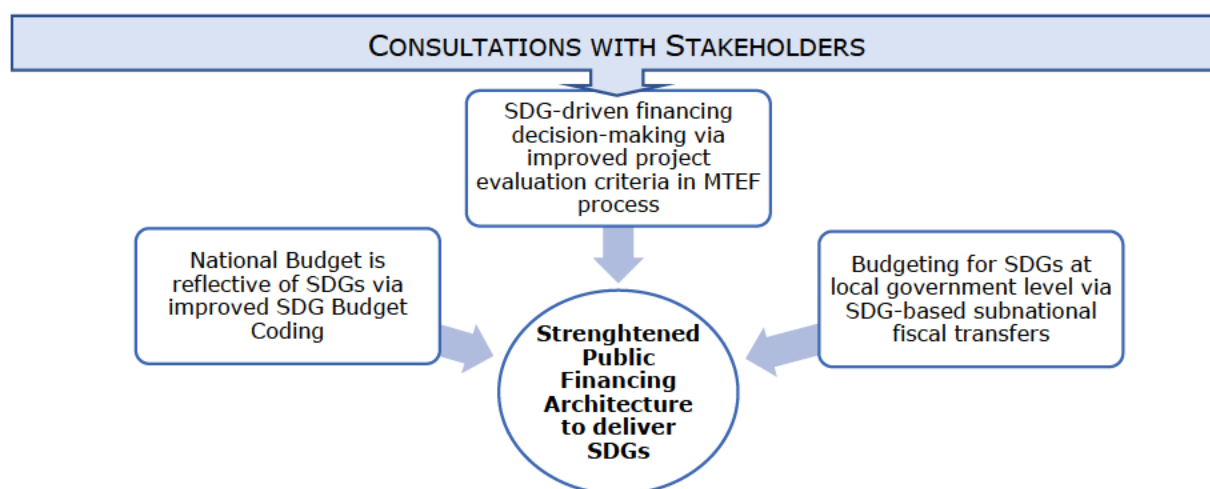
The JP aims to leverage the competencies of specific UN agencies at the national and subnational levels to assist the GoN to strengthen and bring alignment and coherence in the public finance management system in budgeting, medium-term planning framework, and

subnational fiscal transfers to support integrated financing for the SDGs. The results of the JP can be transformational as it seeks to address a key gap: the disconnect between planning and budgeting. By facilitating, at a technical level, planning, resource allocation and expenditure reviews in line with the SDGs, the programme will contribute to enhanced results, transparency and accountability. It will also ensure that Nepal is better positioned to attract and leverage additional resources needed to meet the SDGs at the national and sub-national levels. A unique feature of the JP for Nepal is to strengthen integration across planning, budgeting and reporting at the national and subnational levels, barring which it would be challenging to accelerate implementation of the SDGs in Nepal's decentralized context.

The stakeholder dialogues in support of Nepal's SDG adoption identified three areas of support required to transition the national planning and financing architecture towards a SDG based approach. The initial interventions identified are: *SDG based budget classification*, through technical and methodological support for activity level budget coding; a comprehensive budget classification manual; *sectoral and project level evaluation criteria embedded in MTEF*, through addendum to federal and subnational government's MTEFs; and *performance-based inter-governmental fiscal transfer framework*, by expanding the evidence base at provincial and local levels.

Nepal is among the world's top 20 countries prone to multi-hazard risks, and the fourth most vulnerable to climate change, posing serious threats to the Sustainable Development Goals (SDGs). As a signatory to the 2016 Paris Agreement of the United Nations Framework Convention on Climate Change and the Sendai Framework for Disaster Risk Reduction, Nepal is ensuring its existing strategies and legislation are better aligned with these priorities and is developing a national adaptation plan to address climate risks in key sectors.

Nepal has started coding the national budget from a climate angle since the last few years. This initiative has further been expanded and Nepal piloted the climate coding of sectoral plans and budget in the agriculture sector. Building on this achievement, this project will ensure the integration of climate and disaster concerns in all three outputs to make Nepal's development framework climate-conscious.



As a result of these interventions, the national and subnational government bodies will increase their capacity to:

1. Improve budget allocation mechanism by SDG-informed MTEF and budget decision making
2. Link budget allocations and expenditures with SDGs and be accountable to the public for progress on specific SDG

This will further require equipping the new federal governance model with a robust and effective transfer allocation mechanism that directly links resources with SDG achievements at subnational level. Thus far, support has been provided to the NPC, MoF, various departments at the federal level and subnational government. However, there have been no dedicated efforts to bring these actors together for coordinated action on the SDGs, especially in areas where budgeting and planning are not closely aligned. This is one of the programme's major value-adds.

With its focus on a coordination mechanism to facilitate institutional linkages and interactions across the planning, budgeting and financing frameworks, the programme will assist the government with the adoption of a whole-of-government and multi-stakeholder approach. This will include engagement of the private sector on a more consistent basis in areas identified in the financing strategy, provide a forum to address policy issues as they emerge, as well as creating a platform for development partners to align their support in a medium-term context and promote the engagement of civil society to strengthen the demand side of governance.

### ***SDG based budget classification***

Effective budget classifications enable governments to budget and spend based on priorities, such as the SDGs, without placing an additional burden of manual data entry and grouping. Budget classifications, or Charts of Accounts (COA), track spending by economic purpose, fund source, sectors and geography (at the subnational level). Nepal also maps budget classifications to government objectives as per the Government Financial Statistics 2014 (GFS), and the Classification of Functions of Government (CoFoG). Currently, Nepal's budget also presents SDGs-based classification.

Thus far, however, it has been done manually on an ad-hoc basis. SDGs are included in the final budget documents at the end of the budget formulation process after the budget decisions are made. The existing model does not effectively contribute to budget decision-making in line with SDG priorities and neither is it linked with expected progress on SDG targets.

This programme will work closely with the NPC, MoF, FCGO to support SDGs coding of the national budget at the activity level. A comprehensive SDG budget code guidebook will be developed, and a series of trainings conducted with line ministries to apply the coding at the sector level.

In this context, the proposed coding system will facilitate analysis during the budget formulation process, to inform decisions on budget allocations by sectors, agencies and programmes. The tagging of budgets with SDGs through the chart of accounts (COA) will help to inform allocation on SDGs, track spending across sectors and levels of government, and further improve effectiveness and efficiency of budgets in achieving SDGs over time. Lessons learned from the application of GRB classification criteria will inform the SDG coding exercise.

The JP will also assist tracking of selected SDGs on a pilot basis. The pilot will be rolled out nationally as well as in select provinces and local government units. In line with the SDG principle of Leaving No One Behind (LNOB), emphasis will be placed on tracking expenditure for its impact on the lives of women from the most excluded communities.

The JP will also focus on capacity development of relevant staff members involved in keeping records of government expenditures in implementing SDG tagged COA. This support will be particularly relevant for provincial and local government officials, given the persisting demand for capacity development of officials at those levels.

The proposed new SDG budget coding system will contribute to enhancing the quality of communication across the three pillars for an effective PFM system: (i) communication between the line ministries and the NPC and MOF to better justify MTEF and budget proposals; (ii) communication between the government and the parliament on more effective draft budget negotiations and scrutiny by results; and (iii) expenditure monitoring and reporting using SDG performance framework.

### ***Embedding SDGs into the Medium-Term Expenditure Framework***

MTEFs provide an institutional arrangement that helps in planning, prioritizing and managing revenue and expenditure over a three-year rolling period. Embedding spending for the SDGs and their financing into MTEFs serves as a disciplining device for executing plans, while improving synergies across sectors; and also places public finance at the service of sustainable development.

Nepal adopted the practice of using a three-year MTEF from the 10th five-year plan in 2002-03. Over the years, however, the MTEF has only been intermittently used, published in some years, and abandoned in others. Up to 90 percent of projects received a P1 score, which implies highest priority in terms of allocation. The inclusion of a multiplicity of projects for priority funding in the annual budget defeats the purpose of midterm budgetary planning. This results in insufficient funds for important projects and a range of incomplete and unimplementable projects at the end of the fiscal year. The current MTEF is the sixth edition and has been prepared for a three-year period: from 2019-20 to 2021-22. Recognizing the importance of MTEF in effective and accountable public financial management practice, Intergovernmental Fiscal Management Act 2017 has mandated preparation of MTEF for all three tiers of government.

In light of the above, the JP will focus on a comprehensive review of the exiting MTEF through an SDG lens and provide recommendations to make it SDG-responsive, including through robust project selection criteria. As MTEF is also mandatory for provincial and local government, the JP will support two provincial and four local government units to pilot the SDG-aligned MTEF (corresponding with the pilot of SDG budget coding). In doing so, the JP will specifically focus on the following improvements during the piloting phase:

- Improved policy-planning-budgeting linkage for the selected pilot SDGs, i.e. support the planning and budgeting processes to synergize and use evidence-based policy options in planning and budgeting.
- Design and pilot SDG-based MTEF and budget templates to effectively use the SDG framework during budget negotiations between the line ministries/departments.
- Align budget circulars and project prioritization criteria for SDG-based budget and project justification.

These will contribute to a more effective and SDG-driven MTEF process. The SDG-aligned MTEF will include an addendum to support the measurement and evaluation of performance in terms of achievement of SDGs goals and indicators. The national level MTEF will serve as the guiding framework for the provincial and local level MTEF. Emphasis will be placed on the integration of a gender lens in the MTEF.

### ***Incorporating SDG based criteria in intergovernmental fiscal transfer formulae***

Provincial and local governments are important actors in federal Nepal for ensuring service provision in many critical sectors related to the SDGs, including water, sanitation, health, education, planning, waste management and transport. This division of powers between different levels of government, and the growing responsibilities of local government, has the potential to ensure more inclusive and representative decision-making. Given their proximity to citizens, they are better placed to translate SDGs into action by tailoring interventions to their communities' most pressing needs.

However, in light of the wider horizontal and vertical gaps between revenue and expenditure assignments by the Constitution, the country needs a robust inter-governmental fiscal framework and policies that empower, finance, motivate and support provincial and local governments and citizens by linking fiscal decentralization reforms to the SDGs. The JP will support this process by quantifying the additional public spending needed to achieve key SDGs at the subnational level, aimed at improving the inter-governmental fiscal transfer framework. This involves estimating both the expenditure needs and fiscal capacity of subnational government given their diverse nature, type, size and capacity. The goal is to incorporate SDG-based performance criteria in the inter-governmental fiscal transfer framework. This will include all types of fiscal transfers, revenue distribution, conditional (sectoral) grants, equalization grants and royalty distribution. Through the JP, the evidence base will be further strengthened with regard to specific sectors and/or operational processes through periodic tracking of progress on SDGs with emphasis on incentivizing/ disincentivizing respective subnational governments for their performance. This will also improve accountability for fiscal and expenditure management, and performance on overall or key sector-based SDG indicators. Lessons learned from other countries in mainstreaming gender in fiscal transfer mechanisms and processes will inform this component.

## **2.2 Theory of Change**

Nepal is a federal state and there are wide developmental disparities across provinces, including in gender. The JP is formulated on two key assumptions: first, that it is not possible to address these disparities and accelerate progress on the SDGs without addressing the apparent disconnect between the planning and budgeting systems and moving towards the *a priori* use of SDG criteria in the budgeting and monitoring systems to prioritize key development indicators to ensure that no one is left behind; and, second, that a joint programme on the part of the UN that has SDGs at its core, and can leverage the competencies of the different agencies in tandem, can help the government make this a reality and assist the government to leverage additional funds. The key pathways towards this end are as follows:

- (i) the adoption of an SDG-based budget classification to align budget allocations with the SDGs, to facilitate tracking of expenditure and its efficient and effective utilization, to help leverage additional resources;
- (ii) strengthening the linkages between development plans and priorities with the medium-term expenditure framework, annual budget and other financing instruments and making them SDGs consistent, will increase the availability of increased public finance for development projects with high SDG/developmental impact over the medium term and reduce the number of incomplete and/or low impact ones; and
- (iii) given the division of powers between different levels of government and the wide horizontal and vertical gaps between revenue and expenditure assignments by the Constitution, a robust inter-governmental fiscal framework and use of formulae (estimating both the expenditure needs and fiscal capacity

of local governments) aligned with the SDGs will ensure that resources are allocated for purposes where they are most needed, and further support local governments to leverage additional resources based on their performance.

This in turn will require a multi-stakeholder coordination mechanism that complements the existing cross-ministerial coordination mechanism led by the NPC. Accompanying dialogues and a focus on addressing practical challenges will help build consensus on measures to strengthen institutional linkages and interactions across the planning, budgeting and financing frameworks; advocate for information sharing and transparency, which is key to delivering results; and facilitate the engagement of the private sector and development partners in line with SDGs and development priorities identified in the national plan on a more consistent basis and in areas that have been identified in the Financing Strategy. That strategy estimates that approximately 40 percent of the financing will have to be channelled from the private sector and other partners to meet the financing requirements to achieve the SDGs in Nepal. Therefore, the engagement of the private sector and leveraging private sector finance in this process is paramount, particularly as public resources alone would not suffice for Nepal to meet its aspirations to graduate from a LDC. Additionally, 25% of national budget is currently funded by ODA with a significant portion of grants. ODA will naturally shrink after LDC graduation so the role of the private sector, both domestic and international, is critical in order to meet the financing gap.

The role of the private sector is also important in achieving the SDGs in Nepal, as has also been recognised in the UNDAF (2018-2022) and the 15<sup>th</sup> Development Plan of Nepal. UN agencies including UNDP and UNCDF have existing partnerships and dialogue with the private sector, through which the goals of this programme can also be communicated and advocated for. In addition, as part of this programme, private sector engagement will be explored during the process of incorporating SDGs into the MTEF at the local level and SDGs budget coding at the federal levels. This process will be combined with advocacy and support to local governments to explore and develop partnerships with and engagement of the private sector towards the achievement of the SDGs.

Commitment of all levels of government to develop and apply SDG coding of national budget; to track expenditure against the coding; and work towards shifting the basis on which allocations are made, are pre-requisites. Identification of dedicated focal points who can drive this process from within the government ministries/sectors will be important. Furthermore, engagement of parliamentarians and civil society organizations will be critical in advocating/pushing the government to make strategic budget allocations in line with the SDGs.

To enhance impact and leverage synergies, the JP will establish linkages with other government-led, UN supported initiatives, such as UNDP's Accelerating Implementation of SDGs in Nepal project; Provincial and Local Government Support Programme (PLGSP); Climate initiative; and UN Women's initiative on Gender Responsive Budgeting (GRB).

### Outcome Statement

*SDG implementation accelerated through SDG-aligned planning and resource allocation* Apart from four national level stakeholders, the programme would involve select subnational government. The programme will be implemented in one of seven provinces and two local governments within that province. At the provincial level, Ministry of Financial Affairs and Planning as well as Ministry of Agriculture would be counterpart. Similarly, relevant units at local level would be involved for the programme. The provincial and local governments would be coordinated through NPC. At provincial level, Ministry of Financial Affairs and Planning as well as Ministry of Agriculture would be counterpart. Similarly, relevant units at local level would be involved for the programme. The provincial and local governments would be coordinated through NPC.

### Outcome TOC

If capacities and knowledge of key government agencies are strengthened to incorporate SDGs in intergovernmental fiscal transfer framework; if SDGs responsive medium-term expenditure framework piloted; and if SDG budget coding and expenditure tracking system is developed and piloted at the federal and subnational level, then implementation of SDGs will be accelerated, because SDGs will be fully mainstreamed in government budgets at the national and subnational levels

### Assumptions

Political will to increase allocations for SDGs and adopt budgetary/legislative reforms  
MoF and line ministries adopt and use SDG coding  
Evidence and information on government spending available  
Provincial and local governments adopt SDG-aligned MTE and SDG coding.

### Risks

Political instability  
Limited availability of resources for SDGs due to global macroeconomic environment /humanitarian emergency in light of COVID -19  
Weak capacity at provincial and local levels to drive SDG-aligned MTEF and budgeting exercise:  
The legal provision on timeline for preparing MTEF at subnational level is three years, and may push the subnational government to postpone MTEF preparation until the very end of the Joint Programme implementation period

## 2.3 Expected results by outcome and outputs

### Outcome:

***SDG implementation accelerated through SDG aligned planning and resource allocation***

**Output 1.1: SDGs responsive medium-term expenditure framework piloted in select provinces and local government units**

### ***Activity 1.1.1 Review national MTEF to deepen SDGs based criterion for project selection and prioritization***

A comprehensive review of the current MTEF procedure and structure will be carried out to identify gaps in line with SDGs criteria for project selection and prioritization. NPC, the nodal agency for MTEF, will lead the process in close consultation with MOF and other ministries. This review would inform the MTEF formulation process for provincial and local level. It is mandatory by law for all governments to prepare MTEF.

### ***Activity 1.1.2 Design resource allocation and expenditure performance for achievement of SDGs to present as addendum to MTEF***



The JP will provide support to NPC to prepare a guidebook to integrate SDGs in MTEF process and the framework. This will support alignment of resource allocation and projection with SDGs. This will be presented as an addendum to the MTEF.

***Activity 1.1.3 provide technical support to select provinces and local government to develop MTEF***

In line with the national framework, support will be provided to select provinces and local governments to develop SDG-aligned MTEF to secure more financing for high-impact SDG projects.

**Output 1.2: Capacities and knowledge of key government agencies strengthened to incorporate SDGs in intergovernmental fiscal transfer framework**

***Activity 1.2.1 Study to quantify public spending needed to achieve key SDGs at subnational level in agriculture sector***

The JP will provide support to NPC and NNRFC to assess the expenditure needs of local governments to achieve SDGs that are directly related to agriculture. The expenditure needs of all 753 government units would be assessed based on nationally adopted targets. The expenditure needs (amount) will inform the NNRFC in designing the fiscal transfer formulae (for revenue sharing, conditional grant to agriculture sector and equalization grant).

***Activity 1.2.2 - Generate evidence-base (data) on select SDGs to be incorporated as performance-based criteria in intergovernmental fiscal transfer formulae***

For NNRFC to incorporate SDGs targets and indicator in the fiscal transfer formulae, there is need for evidence (data) on the baseline and progress of indicators at local government level. Hence, data on all the nationally adopted indicators related to agriculture will be collected and provided to NNRFC for use in grant distributing formulae.

**Output 1.3: SDG budget coding and expenditure tracking system developed and piloted at the federal and sub-national level**

***Activity 1.3.1 Prepare a comprehensive SDG aligned activity-level budget coding in national financial statistics manual***

Nepal's National Financial Statistics manual currently guides the structure, recordings, management and dissemination of all government transactions. Current desegregation of budget code allows tagging of SDGs (at goals level). Through the JP, further disaggregation of the budget coding to allow 'automatic' classification of each activity by SDGs indicator will be facilitated.

***Activity 1.3.2 Prepare public expenditure tracking tool of agriculture sector***

The manual (with activity level codes) devised under Activity 1.1 needs to be embedded into the national accounting system (LMBIS—Provincial and SUTRA—at local level) for select SDGs. For this, one sector (namely agriculture) is proposed to demonstrate the implementation of SDG-aligned coding. The rationale for selection of agriculture is the direct as well as cross-cutting issues that exist within the sector. This activity is intended to support the tracking of agriculture expenditure at the federal level as well as in select province (two out of seven) and two LGUs in each province.

***Activity 1.3.3 Organize capacity building trainings of government officials of ministry of agriculture and subnational governments to produce SDG expenditure report***

A series of capacity building trainings will be provided to relevant officials of the Ministry of Agriculture and Livestock Development (MoALD), at both federal and provincial level. The

nature of the training will be practical and focus on providing hands-on-support to the officials. The staff members from the federal sectoral ministry (agriculture) as well as agriculture divisions of select provinces and local governments will be engaged in this activity.

## **2.4 Budget and value for money (max 2 pages)**

This JP builds on the comparative advantage, expertise and past experience of all three partner agencies and leverages their ongoing initiatives to facilitate execution, avoid duplication and draw on their existing financing and technical capacity. UNDP's experience and engagement with NPC, MoF and the parliament at the federal level on SDGs mainstreaming and localization (including SDG baseline report, DFA, SDG costing and financing strategy) provides a solid foundation to work on the financing framework. UNDP has supported provincial governments in developing provincial SDG baseline reports. This is an important milestone, which the JP will take forward in terms of working on SDG-aligned MTEF and SDG budgeting coding and tracking. UN Women has a long experience of working with the Ministry of Finance and MoWCSC on Gender Responsive Budgeting. These partnerships will be leveraged to support the implementation of SDG coding of the national budget. UNCDF's long experience on PFM complements well with the proposed activities. The JP will enable these three agencies to come together, to deliver high impact results in a cost-effective manner.

By integrating gender across the three components, evidence will be generated on the gender differential impact of fiscal policy on diverse groups, including women from the most vulnerable sections, and will be used to generate insights to inform policy priorities and the strategic use of public resources to further the SDG principle of LNOB.

NPC is the lead government agency for SDGs and is also responsible for the formulation of MTEF and budget coding together with MOF. NPC is proposed to be the lead agency for this JP and hence NPC will own the results of the projects and ensure sustainability. The JP also proposes capacity development of government officials at the federal and subnational levels to ensure that the system and policies developed through the technical support of the JP will be continued after the project is phased out.

## **2.5 Partnerships and stakeholder engagement (max 2 pages)**

The NPC will be the lead government entity for implementation of the JP, with the active participation of the MOF, MoALD, MoWCSC, NNRFC and OAG.

The NPC's unique position with the Prime Minister, chairing the National Steering Committee for implementation of SDGs in Nepal and its established legal and functional relationship with other stakeholders, makes it the appropriate liaison and national counterpart for this JP.

NPC will work in close coordination with the other government entities as part of the Steering Committee in ensuring that there is a coherent effort to streamline the SDG coding, tracking and allocation of budget based on the evidence garnered through this JP.

MOF is linked with this JP for its role as budget formulator and nodal ministry managing the treasury operation of GoN through the Financial Comptroller General Office (FCGO). The Budget Division at MOF is responsible for the formulation of annual budget and resource allocation decisions, while FCGO is responsible for overseeing all government expenditure against budget, tracking revenue collection and other receipts and preparation of consolidated financial statements of the government. MOF will lead the integration of the SDG coding in the Budget Management System and also track expenditure with the support of FCGO.

MoALD has overall responsibility for the growth and development of the agriculture and livestock sector and leads the policymaking and budgeting at federal level. The ministry works closely with provincial ministries responsible for agriculture and local units in implementing annual and long-term plans and programmes, including those related to SDGs. MOALD will lead and play a critical role in integrating the SDGs in agriculture sector plan and budget coding, and expenditure tracking.

MoWCSC is the nodal ministry for gender equality and empowerment of women. It will be periodically consulted on aspects related to gender mainstreaming in the JP.

NNRFC was established by the 2015 Constitution to recommend arrangements related to inter-governmental fiscal transfers, internal borrowing, and the utilization of natural resources, broadly defined. The Commission determines the framework for revenue sharing collected by federal government. It designs formulae and distributes the equalization grant; and determines conditional grants (in various sectors including agriculture) to provincial and local government. Activities related to inter-government fiscal transfer will be led by NNRF in close coordination with NPC and MOF.

Apart from the five national stakeholders, the programme will engage select subnational government. The programme will be implemented in two of the seven provinces and four local governments. At the provincial level, the Ministry of Financial Affairs and Planning and the Ministry of Agriculture will be the government counterpart. Similarly, relevant local units will be involved in various aspects of the JP. The engagement of provincial and local government will be coordinated through NPC.

As the lead agency for this project, NPC will organize an initial meeting. The objective will be to orient the government entities on existing initiatives of the different government counterparts and stakeholders; and how the programme aims to build on these initiatives to introduce a systematic approach to support the government to strategically allocate budget towards achieving the SDGs and track the progress and gather evidence on achievements while improving the long term MTEFs expenditure frameworks. Efforts will be made to engage and consult all members from the outset to create ownership and generate buy-in. As the JP will be piloted in two provinces and four local governments, once the provinces and LGUs are identified they will be included in the stakeholder dialogues designed for the JP.

### **Contribution of PUNO and broader UNCT and strategic contributions from other partners**

The PUNO will contribute in their areas of comparative advantage, drawing on their ongoing programmes that complement the JP. While UNDP will take the lead in administering the programme and working closely with the NPC in spearheading the JP, UNCDF and UN Women will assign dedicated core staff for implementation of programme activities. The UNCT will also be informed of the intervention. Where piloting of interventions is in a particular sector where another UN agencies have expertise, they will be duly consulted and included in national, provincial and local dialogues for consensus building and for informing the policy processes. Similarly, stakeholders working in PFM and in areas that the JP builds on will also be consulted and their strategic advice sought. Dedicated consultations will be held during the inception phase of the programme and structured engagement facilitated to work on the programme's outputs and align them to other ongoing initiatives/ key interventions. This will help to garner broader level support. Feedback will also be sought from the stakeholders before relevant guidelines and resource materials are finalized.

## **Stakeholder consultations (financial sector and private investors/capital)**

The JP will draw in and mobilize expertise from across the PUNO at the country, regional and global levels given that each agency has strong networks and technical expertise, which can be leveraged to support initiatives in respective area of expertise and share experiences and lessons from other countries with similar contexts.

SDG fund donors that are present in the country will be consulted during different stages of programme implementation. They will be invited to stakeholder consultations and will be informed of the progress of the programme through designated channels/platforms. The JP will draw on the mapping of key programmes implemented by other donors to ensure complementarity.

Stakeholders directly involved in the JP will be provided with updated information on a regular basis. These include the government counterparts, relevant SDG donors and donors working in PFM, and sectors (selected for the pilots) at the provincial and local levels. A communication strategy will be prepared for the same, including for informing the media and academia about the JP.

Stakeholders from the financial sector, plus private investors, will be engaged with. These include the networks that have already been established in-country, including civil society organizations, NGOs, banks and financial institutions that have an interest in the SDGs and where they would benefit from the programme's interventions. As observed from national consultations that have taken place regarding Nepal's graduation from LDC category, effective coordination, synergy and concerted effort of the government, private sector and CSOs has been acknowledged. The JP also offers an opportunity to integrate SDGs into the planning and budgeting mechanisms at subnational level in Nepal's federal context, which is highly relevant for tracking SDGs and ensuring that the national plans of actions related to the SDGs are materialised in order for Nepal to embark on a sustainable trajectory to graduate from a LDC.

## **3. Programme implementation**

### **3.1 Governance and implementation arrangements (max 3 pages) -**

The RCO will take the overall lead in the JP's implementation by coordinating the three participating UN agencies. The RCO will also be responsible for coordination with national counterparts in any overarching policy level decision required for the JP's implementation. Above all, the RCO will focus on bringing together agencies for the implementation in coherent and coordinated approach. The RCO will also carry out the end-of-project evaluation for taking stock and dissemination of lessons learned among the UN agencies.

UNDP, with its role as SDGs integrator, has been engaged with federal, provincial and local government as well as with the private sector and CSOs since the beginning in mainstreaming and localizing SDGs. UNDP has provided technical support to the NPC to develop national baseline and roadmap as well as costing and financing strategy. Through NPC, UNDP also developed a reference manual for SDG based local level planning for local governments. With the MoF, UNDP conducted the Development Finance Assessment for Nepal in 2017. UNDP is therefore best positioned to lead and coordinate the work on all components at all three levels of government. As the convening agency, UNDP will be accountable for coordination of programmatic activities and narrative reporting. It will coordinate with the two participating

UN organizations, compile annual work plans, resource allocations, monitoring plans, and narrative reports. UNDP will also facilitate audits and evaluation of the JPs, and will be responsible for overall coordination.

As a participating UN organization, UN Women will be responsible for mainstreaming gender across all components/interventions of the programme from planning, implementation to evaluation. In addition, UN Women is a member of the GRB Committee, chaired by the Ministry of Finance, mandated to provide oversight and coordination support to GRB initiatives. UN Women has previously provided direct technical support to the MoF to develop and implement Gender Responsive Budgeting guidelines. It will therefore bring its experience and networks to support the process of SDG budget coding, expenditure tracking and auditing MTEF from an SDG perspective with a strong focus on gender equality and empowerment of women.

As a participating UN organization, UNCDF plays a key role in supporting the Government of Nepal to strengthen local government finance and establishing a strong base for inter-governmental fiscal transfer mechanism and, more recently, in opening up non-grant finance instruments for local development. UNCDF will bring its experience and expertise in public finance management and in elements of fiscal federalism and piloting of the performance based finance systems into the JP.

An inter-governmental committee will be established by the NPC and consist of the representatives from MOF, MOALD, programme provinces, UNDP, UN Women and UNCDF. The committee meets twice a year and provides strategic guidance for effective implementation. It also coordinates with other stakeholders for partnership and programme synergy. The JP will hire two experts (PFM and planning) and one finance officer to run day-to-day activities of the project.

### **3.2 Monitoring, reporting, and evaluation**

Reporting on the Joint SDG Fund will be results-oriented, and evidence-based. Each PUNO will provide the Convening/Lead Agent with the following narrative reports prepared in accordance with instructions and templates developed by the Joint SDG Fund Secretariat:

- Annual narrative progress reports, to be provided no later than one (1) month (31 January) after the end of the calendar year, and must include the result matrix, updated risk log, and anticipated expenditures and results for the next 12-month funding period;
- Mid-term progress review report to be submitted halfway through the implementation of Joint Programme<sup>1</sup>; and
- Final consolidated narrative report, after the completion of the joint programme, to be provided no later than two (2) months after the operational closure of the activities of the joint programme.

The Convening/Lead Agent will compile the narrative reports of PUNOs and submit a consolidated report to the Joint SDG Fund Secretariat, through the Resident Coordinator.

The Resident Coordinator will be required to monitor the implementation of the JP, with the involvement of Joint SDG Fund Secretariat, to which it must submit data and information

---

<sup>1</sup> This will be the basis for release of funding for the second year of implementation.

when requested. As a minimum, joint programmes will prepare, and submit to the Joint SDG Fund Secretariat, six-month monitoring updates. Additional insights (such as policy papers, value for money analysis, case studies, infographics, blogs) might need to be provided, per request of the Joint SDG Fund Secretariat. The JP will allocate resources for monitoring and evaluation in the budget.

Data for all indicators of the results framework will be shared with the Fund Secretariat on a regular basis, to allow the Fund Secretariat to aggregate results at the global level and integrate findings into reporting on progress of the Joint SDG Fund.

PUNOs will be required to include information on complementary funding received from other sources (both UN cost sharing, and external sources of funding) for the activities supported by the Fund, including in-kind contributions and/or South-South Cooperation initiatives, in the reporting done throughout the year.

PUNOs at Headquarters level shall provide the Administrative Agent with the following statements and reports prepared in accordance with its accounting and reporting procedures, consolidate the financial reports, as follows:

- Annual financial reports as of 31st December each year with respect to the funds disbursed to it from the Joint SDG Fund Account, to be provided no later than four months after the end of the applicable reporting period; and
- A final financial report, after the completion of the activities financed by the Joint SDG Fund and including the final year of the activities, to be provided no later than 30 April of the year following the operational closing of the project activities.

In addition, regular updates on financial delivery might need to be provided, per request of the Fund Secretariat.

After competition of a joint programme, a final, independent and gender-responsive<sup>2</sup> evaluation will be organized by the Resident Coordinator. The cost needs to be budgeted, and in case there are no remaining funds at the end of the joint programme, it will be the responsibility of PUNOs to pay for the final, independent evaluation from their own resources.

The joint programme will be subjected to a joint final independent evaluation. It will be managed jointly by PUNOs as per established process for independent evaluations, including the use of a joint evaluation steering group and dedicated evaluation managers not involved in the implementation of the joint programme. The evaluations will follow the United Nations Evaluation Group's (UNEG) Norms and Standards for Evaluation in the UN System, using the guidance on Joint Evaluation and relevant UNDG guidance on evaluations. The management and implementation of the joint evaluation will have due regard to the evaluation policies of PUNOs to ensure the requirements of those policies are met and the evaluation is conducted with use of appropriate guidance from PUNOs on joint evaluation. The evaluation process will be participative and will involve all relevant programme's stakeholders and partners. Evaluation results will be disseminated amongst government, development partners, civil society, and other stakeholders. A joint management response will be produced upon completion of the evaluation process and made publicly available on the evaluation platforms or similar of PUNOs.

---

<sup>2</sup> [How to manage a gender responsive evaluation, Evaluation handbook](#), UN Women, 2015

### **3.3 Accountability, financial management, and public disclosure**

The Joint Programme will be using a pass-through fund management modality where UNDP Multi-Partner Trust Fund Office will act as the Administrative Agent (AA) under which the funds will be channelled for the Joint Programme through the AA. Each Participating UN Organization receiving funds through the pass-through has signed a standard Memorandum of Understanding with the AA.

Each Participating UN Organization (PUNO) shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent of the Joint SDG Fund (Multi-Partner Trust Fund Office). Such funds will be administered by each UN Agency, Fund, and Programme in accordance with its own regulations, rules, directives and procedures. Each PUNO shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

Indirect costs of the Participating Organizations recovered through programme support costs will be 7%. All other costs incurred by each PUNO in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs.

Funding by the Joint SDG Fund will be provided on annual basis, upon successful performance of the joint programme.

Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the Joint SDG Fund.

PUNOs and partners must comply with Joint SDG Fund brand guidelines, which includes information on donor visibility requirements.

Each PUNO will take appropriate measures to publicize the Joint SDG Fund and give due credit to the other PUNOs. All related publicity material, official notices, reports and publications, provided to the press or Fund beneficiaries, will acknowledge the role of the host Government, donors, PUNOs, the Administrative Agent, and any other relevant entities. In particular, the Administrative Agent will include and ensure due recognition of the role of each Participating Organization and partners in all external communications related to the Joint SDG Fund.

### **3.4 Legal context**

This section refers to cooperation or assistance agreements form the legal basis for the relationships between the Government and each of the UN organizations participating in this joint programme. For example: the Basic Cooperation Agreement for UNICEF; Standard Basic Assistance Agreement for UNDP, which also applies to UNFPA; the Basic Agreement for WFP; as well as the Country Programme Action Plan(s) where they exist; and other applicable agreements for other participating UN organizations. For the Funds and Programmes, these are standing cooperation arrangements. For the specialized Agencies, these should be the text that is normally used in their programme/project documents or any other applicable legal instruments. The text specific to each participating UN organization should be cleared by the respective UN organization.

- Indicate the title and date of the agreement between each Participating UN Organization (PUNO) and the government in the following format:

Agency name: United Nations Development Fund (UNDP)

Agreement title: Standard Basic Assistance Agreement concluded between the Government of Nepal and UNDP

Agreement date: 16 July 1984

Agency name: United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)

Agreement title: Standard Basis Assistance Agreement between the Government of Nepal and UN Women

Agreement date: 9 December 2014

Agency name: United Nations Capital Development Fund (UNCDF)

Agreement title: Standard Basis Assistance Agreement between the Government of Nepal and UNCDF

Agreement date: 23 February 1984



## D. ANNEXES of the Joint Programme template

### Annex 1. List of related initiatives

Name of initiative/project	Key expected results	Links to the joint programme	Lead organization	Other partners	Budget and funding source	Contract person (name and email)
Accelerating Implementation of the SDGs in Nepal	This project aims to support Nepal in achieving the SDGs by creating an enabling environment and capacity development through accelerated implementation. The project will have two outcomes: 1) Planning, budgeting, monitoring & reporting systems at all levels of government are SDG responsive and functional; and 2) Resilient and innovative financing available for SDG implementation.		UNDP	NPC, MOF, MOFE	\$50,000	Dharma Swarnakar, Kalpana Sarkar
Technical Assistance in Support of the Provincial and Local Governance Support Programme	The programme aims to strengthen the capacity of provincial and local governance systems and processes and inter-governmental relationships to maximize the benefits of cooperative federalism in the progressive realization of economic prosperity, equality and social justice. This TA project will provide		UNDP	UN Women, UNCDF, Ministry of Federal Affairs and Local Government, UK, EU, SWISS, Norway	\$20,000	Yam Nath Sharma, Tek Tamata

	catalysing technical support to achieve the key results of PLGSP Programme under the three outcomes and seven sub-outcome areas with activities under fourteen outputs.					
Municipal Investment Finance / Municipal Finance Capacity Building Programme	The Programme aims to provide technical assistance to enhance the capacity of pilot municipalities to identify, prioritize, formulate and finance projects and strengthen the capacity of TDF for operationalizing the Municipal Investment and impact investment financing facilities with blended financing models to better support local governments.		UNCDF	Town Development Fund  EU	\$30,000	Pragyan Joshi
Strengthening Gender Responsive Budgeting in Federal Nepal	<ul style="list-style-type: none"> <li>-To strengthen the evidence base on GRB through a forward- looking assessment</li> <li>-To advocate for increased financing for gender equality commitments at the national and subnational levels</li> <li>-To advocate for increased financing for gender equality commitments at the national and subnational levels</li> </ul>		UN women	UNDP (PLGSP) National Administrative Staff College	\$80,000	Navanita Sinha

Technical support to GRBC-lead MoF	To support governments and other concerned stakeholders at local and provincial levels for application of the GRB concept in government budgets and financial management.		UN Women	MoF, MoWCSC,	\$10,000 (Staff time)	Navanita Sinha
------------------------------------	---	--	----------	--------------	-----------------------	----------------

## Annex 2. Results Framework

2.1. Targets for Joint SDG Fund Results Framework -  
Set targets in the tables below, if relevant

Joint SDG Fund Outcome 2: Additional financing leveraged to accelerate SDG achievement  
(set the targets, if relevant)

Indicators	Targets	
	2020	2021
2.1: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scope3		
2.2: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scale4		

This can be addressed in the 6 months after approval

Joint SDG Fund Output 4: Integrated financing strategies for accelerating SDG progress implemented  
(set the targets, if relevant)

Indicators	Targets	
	2020	2021
4.1: #of integrated financing strategies that were tested (disaggregated by % successful / unsuccessful)	1	1
4.2: #of integrated financing strategies that have been implemented with partners in lead5		
4.3: # of functioning partnership frameworks for integrated financing strategies to accelerate progress on SDGs made operational		

<sup>3</sup>Additional resources mobilized for other/ additional sector/s or through new sources/means

<sup>4</sup>Additional resources mobilized for the same multi-sectoral solution.

<sup>5</sup> This will be disaggregated by (1) government/public partners (2) civil society partners and (3) private sector partners

## 2.2. Joint programme Results framework -

Complete the table below – add rows as needed.

Result / Indicators	Baseline	2020 Target	2021 Target	Means of Verification	Responsible partner
<b>Outcome 1: SDG implementation accelerated through SDG aligned planning and resource allocation</b>					
Indicator 1.1: Increased public resources allocation for SDG high impact projects	TBD	TBD	TBD	National, select provincial and LGU budgets  Analysis of national and subnational budgets	UNDP
Indicator 1.2: Adoption intergovernmental fiscal formula by Fiscal Commission	Not adopted	Not adopted	Adopted	Fiscal Commission Annual Report	UNDP
<b>Output 1.1: SDGs responsive medium-term expenditure framework piloted in select provinces and local government units</b>					
1.1.1. Project selection criteria for MTEF streamlined with SDGs	Not available	Available	Available	Annual Report, Project Selection Criteria	UNDP
1.1.2 No of provinces and LGUs that develop SDG-aligned MTEF	0	2	4	Annual Reports. MTEF framework	UNDP
1.1.3. Proportion of recommendations from women's groups incorporated in MTEFs for select provincial and local governments	0	60%	80%	MTEF framework Charter of demands incorporated	UN Women

<b>Output 1.2: Capacities and knowledge of key government agencies strengthened to incorporate SDGs in intergovernmental fiscal transfer framework</b>					
Indicator 1.2.1 Criteria for integrating SDGs in intergovernmental fiscal transfer framework	Not Available	Available	Available	SDG criteria/guidelines	UNDP
Indicator 1.2.3. Gender analysis of SDG fiscal framework	Not Available	Draft available	Available	Gender analysis report	UN Women
<b>Output 1.3: SDG budget coding and expenditure tracking system developed and piloted at the federal and sub-national level</b>					
Indicator 1.3.1.Guidelines for SDG budget coding	Not Available	Draft Available	Available	Guidelines	UNDP
Indicator 1.3.2 No of expenditure tracking reports available	0	Tracking tools developed	7 tracking reports	Expenditure Tracking Reports	UNDP
Indicator 1.3.2. Analysis from GE specific PETS	Not Available	Draft Findings Available	Available	GE specific PETS report	UN Women

### Annex 3. Gender marker matrix -

Indicator		Score	Findings and Explanation	Evidence or Means of Verification
N°	Formulation			
1.1	Context analysis integrate gender analysis	3	Yes, gender is integrated in the context analysis . Reference is made to the specific vulnerabilities faced by women in Nepal, and the gender gaps in development indicators. The proposal refers to past work on gender-responsive budgeting and how lessons learned from that can inform the proposed initiatives	Proposal
1.2	Gender Equality mainstreamed in proposed outputs	3	Yes, gender is mainstreamed across all three outputs	Proposal, results matrix

1.3	Programme output indicators measure changes on gender equality	3	Yes, dedicated gender-sensitive indicators are included across outputs	Proposal, results matrix
2.1	PUNO collaborate and engage with Government on gender equality and the empowerment of women	3	Yes. Partnership with the Ministry of Women is envisioned	Proposal
2.2	PUNO collaborate and engages with women's/gender equality CSOs	3	Yes, consultations with women's groups is envisioned	Work plan
3.1	Programme proposes a gender-responsive budget		Yes, dedicated resources have been earmarked for GE/SDG Goal 5	Budget
Total scoring		3		

Reference no for GAM on IASC website: G222911623

#### Annex 4. Budget and Work Plan

The total budget of this project is USD 1,189,996, out of which the contribution of SDG Joint Fund is USD 999,996 and the contribution from PUNOs is USD 190,000. Almost 50% of the budget is allocated for contractual services followed by staff and personnel cost. As mentioned in the above section, this project will mainly contribute to SDG goal 17 with more than 50% of the budget. With a special focus on agriculture and gender equality, the budgets for SDG goal 2 and goal 5 is 27% and 20% respectively. Talking about the budget distribution by outputs, 25% budget is for output 1.1 (SDGs responsive medium-term expenditure framework piloted in select provinces and local government units), 30% is for output 1.2 (Capacities and knowledge of key government agencies strengthened to incorporate SDGs in intergovernmental fiscal transfer framework) and 45% is for output 1.3 (Development of expenditure tracking system for effective and accountable SDG expenditure).

##### 4.1 Budget per UNSDG categories

UNDG BUDGET CATEGORIES	PUNO 1: UNDP		PUNO 2: UN Women		PUNO 3: UNCDF		TOTAL	
UNDG BUDGET CATEGORIES	Joint SDG	PUNO contri	Joint SDG	PUNO contri	Joint SDG	PUNO contri	Joint SDG total	PUNO Contri total
Staff and other personnel	130,000.00	70,000.00	75,000.00	90,000.00	44,000.00	30,000.00	249,000.00	190,000.00

2. Supplies, Commodities, Materials	5,000.00		1,000.00				6,000.00	
3. Equipment, Vehicles, and Furniture (including Depreciation)	10,000.00		-				10,000.00	
4. Contractual services	356,390.00		95,000.00		79,000.00		530,390.00	
5. Travel	22,000.00		1,500.00		6,000.00		29,500.00	
6. Transfers and Grants to Counterparts	-		-				-	
7. General Operating and other Direct Costs	94,000.00		15,686.00				109,686.00	
<b>Total Direct Costs</b>	<b>617,390.00</b>		<b>188,186.00</b>		<b>129,000.00</b>		<b>934,576.00</b>	
8. Indirect Support Costs (Max. 7%)	43,217.30		13,173.02		9,030.00		65,420.32	
<b>TOTAL Costs</b>	<b>660,607.30</b>		<b>201,359.02</b>		<b>138,030.00</b>		<b>999,996.32</b>	<b>190,000.00</b>
<b>1st year [50%]</b>	<b>261,289.00</b>	21,000.00	<b>100,679.00</b>	27,000.00	<b>138,030.00</b>	9,000.00	<b>499,998.00</b>	57,000.00
<b>2nd year</b>	<b>399,318.30</b>	49,000.00	<b>100,680.02</b>	63,000.00		21,000.00	<b>499,998.32</b>	133,000.00

#### 4.2 Budget per SDG targets

SDG TARGETS	%	USD
-------------	---	-----

	2.a Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries	27	266,000
	5.c Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels	20	201,359
	17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection	29	288,594
	17.9 Enhance international support for implementing effective and targeted capacity building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North-South, South-South and triangular cooperation	24	244,043
TOTAL		100	999,996

#### 4.3 Work plan



Outcome - SDG implementation accelerated through SDG aligned planning and resource allocation-																		
Output	Annual target/s		List of activities	Time frame								PLANNED BUDGET				PUNO /s involved	Impleme nting partner/s involved	
	2020	2021			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Overall budget descrip tion	Joint SDG Fund (USD)	PUNO Contribu tions (USD)			Total Cost (USD)
Output 1.1: SDGs responsive medium-term expenditure framework piloted in select provinces and local government units	Referenc e book for SDGs alinged MTEF	SDG aligned MTEF prprepared for select provincial and local governments	Activity 1.1.1 Review national MTEF to deepen SDGs based criterion for project selection and prioritization										Worksh ops, Consult ancy, Travel , Contrac tual Services	218,486	55000	273,486	UNDP, UN Wome n, UNCDF	Direct , select national agencies/s ectors, contractua l services
			Assessment of current MTEF structure and use of SDGs based criteria of federal government															
			Consultation with relevant stakeholders at the federal level															
			Assessment of current MTEF structure and use of SDGs based criteria of two provincial governments															
			Consultation with relevant stakeholders at the sub-national level															
			Organize dialogue platform with women's groups at the national level															

Documentation of global best practices/case studies for gender analysis of MTEF '								
<b>Activity 1.1.2 Design resource allocation and expenditure performance for achievement of SDGs to present as addendum to MTEF</b>								
Preparing a 'draft' addendum for the current year MTEF of federal government based on the review study								
Training program for relevant government personnel on embedding SDGs indicators for resource allocation and expenditure performance into the MTEF framework								
Technical support to mainstream gender in MTEF								
<b>Activity 1.1.3 provide technical support to select provinces and local government to develop MTEF</b>								
- Consultation with relevant national entities and sub-national governments to prepare SDG aligned MTEF at subnational level								
- Preparation of guideline to prepare SDG aligned MTEF at subnational level								

[illegible]

[illegible]

Prepare a technical paper reviewing the different elements of fiscal transfer system on select SDGs across LGs and identifying SDGs to be used as a performance based criteria in the IGFT formula

Review and Provide inputs on the sectoral guidelines being prepared by NPC for the matching grants to incorporate SDG coding and tracking mechanisms

Review selected local government investment plans to mobilize private investment

Gather data on various agriculture related indicators for all 753 local governments and 7 provincial government and prepare SDGs reference manual for intergovernment fiscal transfer

Consultation with NNRFC and NPC on use of data for equalization grant distribution to subnational level

Documentation of global best practices/case studies from a gender lens

Output 1.3: Development of expenditure tracking system for effective and accountable SDG expenditure	SDG aligned budget coding manual	Expenditur e review report of select provincial and local governmen t	Activity 1.3.1 Prepare a comprehensive SDG aligned activity-level budget coding in national financial statistics manual												Worksh ops, Consult ancy, Travel , Contra ctual Services	425,604	60,000	485,604	UNDP, UN Wome n, UNCDF	Technical research agency ,Direct, Pilot provincial and LGs
			Assessment of current national financial statistics manual and practice of budget coding																	
			Workshop with Nepal Planning Commission and FGCO on SDGs aligned activity-level budget coding																	
			Consultation with Ministry of Finance (Budget Section), Line Ministries, PFM experts at national and select sub-national government																	
			Drafting a comprehensive SDG aligned activity-level budget coding manual (3 experts)																	
			Stakeholder consultations at national and subnational level.																	
			Develop supplementary technical paper on aligning GRB with SDG coding - based on lessons learned from the national and sub- national level																	
			Technical support to mainstream gender in SDG coding																	
			Activity 1.3.2 Prepare public expenditure tracking tool of Agriculture sector																	
			Consultation with stakeholders (NPC, Ministry of Agriculture, Ministry of Finance, FCGO and select provincial and local governments) about tracking public																	

expenditure reporting (1 event, 30 people)								
Prepare tracking tool and manual for agriculture sector								
Conduct expenditure review of agriculture sector of agriculture ministreis and selected province and local government								
Conduct one comprehensive Expenditure Review (ER) from a gender lens to inform the larger ER (for one sector) to assess impact on women' from most excluded communities								
Technical support to mainstream gender in overall ER guidelines (10000)								
<b>Activity1.3.3 Capacity building of government officials of ministry of agriculture and sub-national level</b>								
Training for personnel at budget section in agriculture ministries on SDG aligned budget coding manual and expenditure tracking tool/framework at national level								
On-the-job support to relevant personnel to take-up SDG aligned budget coding and public expenditure tracking at select subnational government								
Produce reports using tracking tool at federal and provincial level								



as a crucial sector for recovery and response in the budget plans of the FY2020-21. The focus on agriculture sector will create opportunity for collaboration and cooperation. Targeted advocacy with NPC and MOF will also support these efforts in terms of priority investments. With its focus on system strengthening, from the perspective of LNOB, this JP, will contribute significantly to the SDGs, in this emerging context of COVID-19

A similar approach applies to addressing the risk of other natural disasters that Nepal may experience during the implementation of this programme. In addition, risk management will be integrated into the finance strategy to ensure that the future risks of pandemics and other exogenous shocks are better mitigated. Further the programmatic risks, namely weak capacity of provincial and local governments, will be mitigated through dedicated technical and accompaniment support.

The CEDAW Committee<sup>28</sup> noted that patriarchal attitudes and deep-rooted stereotypes remain entrenched in institutions and structures of the Nepalese society. This may challenge the allocation of sufficient budget for gender equality and empowerment of women and girls. UN Women will work with the MoWCSC and relevant line agencies at the local levels, to build capacity and understanding of the importance of this prioritisation for sustainable development.

The engagement and buy-in of partners, including development partners and private sector finance will be essential for this project. The existing working relations and coordination mechanisms will be used for consultations and to ensure sharing of information on the programme, which will increase ownership.

As the federal structure of Nepal is still relatively new, some issues regarding clarity in the roles and responsibilities of different levels of government (federal, provincial and local) may arise, with an impact on the initial sense of ownership of the programme. However, as this programme has been discussed with and agreed to by the Ministry of Finance, the PUNOs will be able to work under this high-level government guidance to address any such concerns and ensure that commitment to the programme is communicated at and attained all levels. The risk assessment matrix will be periodically reviewed to reflect emerging risks/challenges and identify mitigation measures and strategies on a real-time basis.

Risks	Risk Level: (Likelihood x Impact)	Likelihood: Certain - 5 Likely - 4 Possible - 3 Unlikely - 2 Rare - 1	Impact: Essential - 5 Major - 4 Moderate - 3 Minor - 2 Insignificant - 1	Mitigating measures	Responsible Org./Person
<b>Contextual risks</b>					



COVID-19 to detract the focus on budget systemic reforms and to pre-determine the budget allocations for 2021 fiscal year towards health and social support without using SDG framework	12	4	3	'People' dimension of SDGs is anyway the top priority for Nepal and so investments for one year in specific SDG areas like SDG3 without using systemic solutions is not a major risk. However, the JP team will support the relevant government institutions in linking possible additional funding towards health care with specific SDG3 indicators and targets and embedding it in MTEF.	UNDP
Confusion and unclarity on the roles of three levels of government (federal, province, and local) may create some issues of ownership of this initiative.	8	2	4	This project will work in close consultation with all three levels of governments and will create an environment for regular dialogue and interactions among them.	UNDP
<b>Programmatic risks</b>					
Weak capacity of provincial and local government to formulate SDG-aligned MTEF and budget tracking.	8	4	2	The JP will provide additional technical support to mitigate the capacity gap at provincial and local levels	UNDP
The general lack of disaggregated data at newly-created local level (753 local governments) creates difficulties for NNRFC in applying for grant allocation formula	6	3	2	NNRFC has faced several data constraints for their existing grant distribution formulae and have accepted several statistical methods of extrapolating missing	UNDP

				data and/or using proxy variables and hence output of this joint programme would be value addition for their database.	
<b>Institutional risks</b>					
The legal provision on timeline for preparing MTEF at subnational level is three years, which may push the subnational government to postpone the MTEF preparation till the very end of the Joint Programme implementation period.	8	2	4	Efforts will be made select subnational governments that have started working on preparation of MTEF (well ahead of time) in current year's plan of actions.	UNDP