



Draft Design and Monitoring Framework

Project Number: 36172
July 2008

NEP: Governance Support Program Cluster (Subprogram I)

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

Asian Development Bank

PROGRAM FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p style="text-align: center;">Impact</p> <p>Contribution towards poverty reduction through inclusive, responsive, and accountable local governance and participatory community-led development</p>	<ul style="list-style-type: none"> • Reduction in poverty levels by 7% points among marginalized populations across the country¹ • HDI and human empowerment index of excluded communities increases by 10% • Gender Development Index goes up to 0.556² • 60% of marginalized communities and citizens surveyed in selected districts state that public services at local level have improved • Participation in leadership of women and disadvantaged groups in local governance system increased as compared to 2007-08 • Engagement of communities in participatory planning cycle in all local bodies improved as compared to 2007-08 • 20% of self-reliant local bodies plan and allocate their own resources for local development • GE/SI strategy operationalized in MLD and GE/SI focal persons activated in 80% local bodies 	<ul style="list-style-type: none"> • Relevant national surveys • Relevant reports by NGOs, meso-level agencies, MLD, and development partners • Program evaluation reports • Data from Central Bureau of Statistics • Reports of the UN and other international agencies 	<p>Assumptions</p> <ul style="list-style-type: none"> • Inclusive SD will directly impact poverty reduction • Political actors at the local level are able to work together • Viable and stable interim local councils established • Societal norms allow for social inclusiveness and gender sensitivity • DPs align themselves to a single framework of support for decentralization and community development • Local bodies are transformed into local governments with elected representatives <p>Risks</p> <ul style="list-style-type: none"> • Political uncertainty may persist for the foreseeable future, and may directly affect the development space at the local level • Government priority on local governance may not be matched by resources and donor funding
<p style="text-align: center;">Outcomes</p> <p>(1) Citizens and communities are empowered and engage actively with local bodies and can hold them accountable</p> <p>(2) Increased capacity of local bodies to manage resources and deliver basic</p>	<ul style="list-style-type: none"> • Year-on-year increase in the number of marginalized groups that utilize program resources to empower themselves • Number of formal interactions between COs and LBs increases, compared to 2007-08 baseline • Increase in instances when local bodies directly respond to concerns of community organizations, as compared to 2007-08 • Decrease in number of failures by local bodies to satisfactorily respond to concerns of communities • Increasing number of DDCs, VDCs, and municipalities that can demonstrate application of inclusiveness in service delivery, as compared to 2007-08 • Increasing degree of utilization of funds by local 	<ul style="list-style-type: none"> • MLD reports • Baseline and end-line survey reports • Meso-level agency and NGO reports • Survey reports • Joint Annual Review Report • Program evaluation reports • Parliamentary reports 	<p>Assumptions</p> <ul style="list-style-type: none"> • Government is not averse to having some services delivered by NGOs and private sector • Meso-level agencies are capable of playing a greater role in local service delivery issues • Enabling conditions are in place for local bodies to put to use their enhanced capabilities <p>Risks</p> <ul style="list-style-type: none"> • Public rhetoric of federalism may still not

¹ This performance target mirrors the Government target of 24% of population below the poverty line by the end of the IDP (current levels are at 31%).

² This is the target sought for the country as a whole in the TYIP.

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<p>services in an inclusive and equitable manner</p> <p>(3) Strengthened policy and national institutional framework for decentralization, devolution and community development</p>	<p>bodies on a year-to-year basis</p> <ul style="list-style-type: none"> Reduction in complaints by service recipients of the work of LBs, as compared to 2007-08 Relevant legal provisions for devolution are adequately provided for MLD better able to handle its responsibilities with respect to supporting local governance LB associations are more able to engage with, and advocate for, LBs, as compared to 2007-08 Decentralization SWAp functional 		<p>transfer effective powers to the local level</p> <ul style="list-style-type: none"> Local bodies may not exhibit the necessary political will to substantially reengineer their processes Local bodies may not be able to effectively utilize resources for capacity building purposes
<p>Outputs</p> <p>1.1. Empowered communities and community organizations that participate in local governance processes</p> <p>1.2. More capable citizens, communities, and marginalized groups that assert their rights and hold local bodies accountable</p> <p>2.1. Access to greater fiscal resources for local governments in equitable and appropriate ways</p> <p>2.2. Appropriate capacity building measures for all levels of the local government service delivery system</p>	<ul style="list-style-type: none"> At least 33% of the capital expenditure grant provided to municipalities and VDCs are spent on prioritized projects by communities Inclusive Integrated Planning Committee functional in all local bodies 90% of local bodies' annual plan prepared on the basis of participatory planning process Social mobilization reaches communities in 100% of VDCs and 50% of municipalities Increase in the number of women paralegal committees functional by the end of the program, as compared to 2007-08 Participation of women and disadvantaged groups increased by 50% in program activities as compared to the 2007-08 baseline 33% of community organizations turned into federations and cooperatives and linked to local bodies and other institutions 50% of DDCs/municipalities' and 10% VDCs' performance evaluated and feedback incorporated in local governance policy Grievance-handling mechanisms made functional at all levels Formula-based fiscal transfer (with equalization) system practised at all tiers of local government Local revenues increased by 50% as compared to 2006-07 MC/PM adopted in all DDCs and municipalities, and piloted in at least 33% of VDCs All anomalies in the roles of central government and local bodies (DDCs, VDCs, and municipalities) eliminated, and matters of fiscal flows made transparent 70% of DDCs that initiated MC/PM reporting to MLD on their own At least 50% of office bearers of all local bodies oriented/trained on local good governance All community organizations of disadvantaged groups have had least one opportunity to be 	<ul style="list-style-type: none"> MLD annual reports Baseline and end-line survey reports Reports of local bodies, local body associations, and NGOs Reports of development partners related to social mobilization and community-led development Joint Annual Review Report Ministry of Women and Children reports Survey reports on satisfaction with local service delivery Citizen report cards survey results MOF reports on fiscal transfers Reports from LDTA and other training 	<p>Assumptions</p> <ul style="list-style-type: none"> Continued commitment of Government for resourcing the local bodies adequately Local bodies have the capacity to effectively utilize the increased flow of resources Targeted and holistic social mobilization is accepted by marginalized communities Politicization of community organizations will be minimal Training providers are capable to handle the increased workload of training members from local bodies and community organizations <p>Risks</p> <ol style="list-style-type: none"> Case of reform becomes weaker if immediate gains are not forthcoming Low level of participation from marginalized communities in inclusive integrated planning committees will jeopardize inclusive service delivery Inherent gender biases may continue to inhibit participation of women (particularly from disadvantaged groups) in program activities Local bodies may not take up the grievance handling mechanisms

Design Summary	Performance Targets/Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks																				
<p>2.3. Fine-tuned local government service delivery mechanisms and processes</p> <p>3.1. Policy framework for decentralization to promote a more enabling environment for effective, transparent, and accountable local governance</p> <p>3.2. Strong central government and NGOs that provide appropriate support to LBs</p>	<p>trained in areas as resource mobilization, empowerment, accountability mechanisms, etc.</p> <ul style="list-style-type: none"> All local bodies have had at least three opportunities to be trained in areas as planning, coordination, resource mobilization, conflict resolution, administrative/financial management, competence in decision making, etc. LB associations involved in policy advocacy and local governance accepted that their capacity has been strengthened Periodic planning piloted in 200 VDCs 80% of vital events registered in local bodies <ul style="list-style-type: none"> Public hearings, public audits, codes of conduct, citizen report cards, and local bodies computer software institutionalized by 90% of DDCs, 75% of municipalities, and 40% of VDCs Conditional cash transfers piloted in 50 VDCs by 2010 Local PEM/PFM procedures fine-tuned by 2010 All development programs of the district/municipality reflected in DDC and municipal annual plans <ul style="list-style-type: none"> Restructured MLD fully functional by 2010 to manage local governance Decentralization SWAp adopted by MLD by FY 2009-10 Devolution coordination mechanism functional from 2009 Roles & responsibilities of local government staff delineated (job descriptions, performance evaluation system, etc.) <ul style="list-style-type: none"> HRD plans available in MLD and implemented in all DDCs and 30 Municipalities Decentralized and results-based monitoring system practised in MLD DMIS functional and linked with DPMAS Devolution strategy prepared and operationalized by 2009 	<p>providers</p> <ul style="list-style-type: none"> DDC/municipality annual plans Parliamentary submission on Local (Government) service HRD plans of MLD and local bodies 	<p>seriously</p> <p>5. Government's formula-based fiscal transfer methodology may not be scientific</p> <p>6. Parliament may not be able to debate on the Local (Government) Service Bill in time for implementation during the Program implementation period</p>																				
Activities and Milestones		Inputs																					
<p>1. Communities engaged actively to hold LB accountable</p> <p><u>For Output 1.1</u></p> <ul style="list-style-type: none"> Establish integrated planning committee in DDCs and VDCs and relevant procedures Develop SM strategy Define modality for the coverage of social mobilization activities Establish criteria for choice of VDCs for roll out Conduct social mobilization with community organizations <p><u>For Output 1.2</u></p> <ul style="list-style-type: none"> Identify core IEC messages to be disseminated, and contract key media for IEC activities Disseminate basic messages about local governance (policies, audit outcomes, etc.) Support (training and information) to media on local governance issues 		<p>Program contributions (\$millions)</p> <table border="1" data-bbox="1162 1514 1469 1801"> <thead> <tr> <th>Source</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Government</td> <td>260.8</td> </tr> <tr> <td>ADB</td> <td>106.3</td> </tr> <tr> <td>CIDA*</td> <td>11.0</td> </tr> <tr> <td>Denmark</td> <td>15.0</td> </tr> <tr> <td>DFID</td> <td>30.0</td> </tr> <tr> <td>Norway</td> <td>10.0</td> </tr> <tr> <td>SDC</td> <td>4.0</td> </tr> <tr> <td>UN group**</td> <td>25.0</td> </tr> <tr> <td>TOTAL</td> <td>462.1</td> </tr> </tbody> </table> <p><i>*CIDA is currently considering co-financing its contribution of C\$10m through ADB.</i></p>		Source	Amount	Government	260.8	ADB	106.3	CIDA*	11.0	Denmark	15.0	DFID	30.0	Norway	10.0	SDC	4.0	UN group**	25.0	TOTAL	462.1
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<p style="text-align: center;">Activities and Milestones</p> <ul style="list-style-type: none"> • Establish LG&AF • Provide support to local body associations for the operation of the LG&AF • Monitor and evaluate performance of LG&AF • Identify COs led by disadvantaged communities and assess their needs • Provide TA and advisory services to such COs 	<p style="text-align: center;">Inputs</p> <p><i>**Inclusive of \$5m (UNDP), \$2m (UNCDF), \$0.5m (UNV), \$8.5m (UNICEF), and \$9m (UNFPA)</i></p>
<p>2. Increased capacity of LBs</p> <p><u>For Output 2.1</u></p> <ul style="list-style-type: none"> • Review existing DDC/VDC/municipality block grant formula, and disburse • Prepare and pilot MC/PM, and design MC/PM assessment process for local bodies • Train local bodies, including DDCs, in use of VDC MC/PM assessment methodology • Support MLD/LBFC to contract out MC/PM assessments for DDCs/municipalities • Update LG revenue collection/administration manuals • Provide training to LG officials and elected/nominated representatives <p>3. Strengthened policy and national institutional framework for devolution</p> <p><u>For Output 2.2</u></p> <ul style="list-style-type: none"> • Prepare formula for community development grants, and disburse them to local bodies • Monitor the utilization of the grants and adjust (on an annual basis) • Elaborate capacity building block grant strategy and implementation arrangements • Prepare guidelines for DDC backstopping and mentoring of VDCs, and provide training • Support the HR units in the DDCs to develop CD plans and use the CD grants • Contract core CD service providers, and supervise and monitor their activities • Provide standard training for all DDCs and VDC secretaries • Elaborate training materials on various forms of service delivery production • Define certification process for service providers <p><u>For Output 2.3</u></p> <ul style="list-style-type: none"> • Fine tune procedures on: (i) procurement, (ii) bottom-up planning & budgeting, (iii) O&M and asset management, (iv) social inclusion mechanisms, (v) resource sharing mechanisms, and (vi) reporting, monitoring, and evaluation • Prepare reporting, monitoring, and evaluation software • Scope out safety net & social assistance programs and implement pilots • Monitor and evaluate safety net pilots • Scope out sector conditional grants, and implement relevant pilots • Monitor and evaluate sector conditional grant pilots and DDC coordination activities <p><u>For Output 3.1</u></p> <ul style="list-style-type: none"> • Prepare local body audit strategy • Develop aligned procedures for DP modalities (PFM) • Develop results framework, and reporting systems for the use of funds • Support development of appropriate staffing policy for key seconded civil servants • Support development of capacity development strategy <p><u>For Output 3.2</u></p> <ul style="list-style-type: none"> • Provide relevant TA and advisory services to program management units and LBFC • Support policy processes (e.g. consultations with ADDCN, MuAN and NAVIN) • Develop intergovernmental fiscal grant and development grant policies • Assess capacity of the LB associations, and needed support • Strengthen MLD's HR department including LDTA • Review and design monitoring indicators, encompassing results of MC/PM system • Prepare local governance reporting system, and regularly refine it 	

Activities and Milestones	
<ul style="list-style-type: none"> • Support DMIS development and functioning in MLD and linkage to DPMAS • Restructure MLD, including establishing a GE/SI section • Train staff in GE/SI issues for GE/SI sensitive budgeting, planning and monitoring • Conduct capacity development programs for relevant entities in local governance • Review OAG local government audit capacities, and provide needed support <p>4. Program supervision and management</p> <ul style="list-style-type: none"> • Establish steering committee (by ...) • Establish relevant Program Coordination Unit (by ...) • Recruit core technical support staff (...) • Ensure basket funds for procurement of short term TA 	
<ul style="list-style-type: none"> • Conduct reviews: <ul style="list-style-type: none"> (i) steering committee review (Sept 2008) (ii) ADB review missions (once annually) • Prepare and submit: <ul style="list-style-type: none"> (i) Program inception report (4th quarter 2008) (ii) First program interim report (2nd quarter 2009) (iii) Semi-annual program interim reports (2009-2011) (iv) Draft program final report (1st quarter 2012) (v) Program tripartite and final report (2nd quarter 2012) 	

Note: For detailed activities, please see the Government program document.

^a Data sources listed here will indicate performance of more than one target. Existing reporting mechanisms will guide the program performance review missions.

Source: Government of Nepal.