



Government of the People's Republic of Bangladesh
&
United Nations Development Programme/
United Nations Capital Development Fund



Project for the Government of the
People's Republic of Bangladesh
Project Document

Project Title : Local Governance Support Project – Learning and Innovation Component (LGSP-LIC)
Project Number : 0 0 0 5 3 7 3 3 Proposal ID: 0 0 0 4 5 4 8 1
Implementing Agency : Local Government Division, Ministry of LGRD&C
Other Development Partners : EC, Danida
Start date : LGSP : 01-07-2006 Estimated end date : 31 December 2011
LIC: 02-04-2007
Management arrangement : National implementation

**GoB contribution through DPP: To
LGSP**

In Cash (Taka): 840 million
In Kind (Taka): 18.7 million

Summary of UNDP, UNCDF and cost-sharing inputs [as per attached budget]

| Source of Fund | US\$ |
|---------------------|-------------------|
| UNDP | |
| TRAC (1 & 2) | 1,793,047 |
| UNCDF | 2,510,000 |
| Cost-sharing: | |
| European Commission | 11,814,953 |
| Danida | 2,000,000 |
| Total | 18,118,000 |

Plus GoB/WB enhanced block grant funding Takas 800 million (approximate parallel funding), Takas 40 million (appr. US\$ 2.1m) to be applied to Social Protection TA activities from IDA loan proceeds, in-kind contribution of approximately Takas 3.7 million, and CDVAT for equipment amounting to approximately Takas 20 million from WB/GoB funded LGSP)

Brief Description

The Learning and Innovation Component (LIC) of the Local Governance Support Project (LGSP) aims to promote poverty reduction and MDG achievement through building the basic service delivery capacities of Union Parishads (UPs). LGSP-LIC is an integral part of the wider LGSP – a national project to promote better local governance and local service delivery – to be supported by a World Bank/IDA loan. LGSP will provide substantive support in five main areas: (i) UP performance-linked financing arrangements; (ii) local public expenditure management procedures; (iii) local accountability institutions; (iv) institutional framework for UP human resource development & training; and (v) national policy development and coordination. LGSP-LIC will field test in more realistic conditions the successful innovations already pioneered in the UNCDF/UNDP Sirajganj project and feed these "second generation" innovations into the national LGSP. The Local Government Division of the MLGRD&C will execute the LIC as part of the LGSP.

Agreed by : ERD, Ministry of Finance

DR. AHM MUSTAFA

Joint Secretary

Economic Relations Division

Ministry of Finance

Government of Bangladesh

Agreed by : Local Government
Division

MUHAMMAD ABUL QUASEM

Director General (Add. Secretary)

Local Govt. Division

Government of Bangladesh

Agreed by: UNDP & UNCDF

Date

17.9.07

Date

17.9.07

Larry Maramis
Country Director a.i.
UNDP-Bangladesh

UNDAF Outcome(s)/Indicator(s):
(Link to UNDAF outcome. If no UNDAF, leave blank)

The human rights of children, women, and vulnerable groups are progressively fulfilled within the foundations of strengthened democratic governance.

Expected Outcome(s)/Indicator(s):
(Those that are linked to the project, are extracted from the CP and are linked to the SRF/MYFF goal and service line)

Improved Local Governance for Poverty Reduction: Capacities and partnerships developed of local governance actors for policy formulation, service delivery and resource management.

Expected Output(s)/Indicator(s):
(Those that are linked to the project, are extracted from the CP and are linked to the SRF/MYFF goal and service line)

Output 1: Increased financial resources made available to UPs in equitable & appropriate ways
Output 2: Improved public expenditure systems for UPs are developed and used
Output 3: Enhanced mechanisms for local accountability are established & implemented
Output 4: More effective framework for capacity development support is established
Output 5: Policy development is informed by lessons of programme implementation





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Agreed by : Local Government : _____ Date _____
Division

Agreed by: UNDP & UNCDF : _____ Date _____

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Acronyms and abbreviations

| | |
|----------|---|
| ADC | Additional Deputy Commissioner |
| ADP | Annual Development Plan |
| ARDO | Assistant Rural Development Officer |
| BARD | Bangladesh Academy for Rural Development |
| BGCC | Block Grant Coordination Committee |
| CAG | Comptroller and Auditors General |
| CARE | Cooperative for American Relief Everywhere |
| CBO | Community Based Organization |
| CCF | Country Cooperation Framework |
| CEP | Community Empowerment Project |
| CIDA | Canadian International Development Agency |
| CLP | Chars Livelihood Programme (DFID supported) |
| CPD | Country Programme Document |
| DAE | Department of Agriculture Extension |
| DANIDA | Danish Development Assistance |
| DC | Deputy Commissioner |
| DDCC | District Development Coordination Committee |
| DDLG | Deputy Director Local Government |
| DFID | Department for International Development (UK) |
| DLRS | Directorate of Land Records and Surveys |
| DPHE | Department of Public Health Engineering |
| DRO | District Rural Development Officer (BRDB) |
| DSWO | District Social Welfare Officer |
| EC | European Commission |
| EGIS | Environment and GIS Support Project |
| EPI | Expanded Programme on Immunization |
| EU | European Union |
| FFW | Food for Work |
| FGD | Focus Group Discussion |
| FPR | Facilitating Poverty Reduction through Local Governance |
| GDP | Gross Domestic Product |
| GIS | Geographical Information System |
| GoB | Government of Bangladesh |
| IDA | International Development Association |
| IPRSP | Interim Poverty Reduction Strategy Paper |
| LCS | Labour Contracting Society |
| LCDI | Local Capacity Development Initiative (Sida supported) |
| LG | Local Government |
| LGD | Local Government Division |
| LGED | Local Government Engineering Department |
| LGSP | Local Governance Support Programme |
| LIC | Learning and Innovation Component |
| MDG | Millennium Development Goals |
| MIE Wing | Monitoring, Inspection and Evaluation Wing of LGD |
| MIS | Management Information System |
| MLGRD&C | Ministry of Local Government, Rural Development and Co-operatives |
| MP | Member of Parliament |
| MoU | Memorandum of Understanding |
| NGO | Non Government Organisation |
| NEMAP | National Environment Management Action Plan |
| NGO | Non Government Organisation |
| NILG | National Institute of Local Government |
| NORAD | Norwegian Agency for Development Cooperation |

| | |
|-----------|---|
| NPD/C | National Project Director/Coordinator |
| NSAPR | National Strategy for Accelerated Poverty Reduction |
| PA | Preparatory Assistance |
| PARC | Public Administration Reform Commission |
| PEM | Public Expenditure Management |
| PRA | Participatory Rural Appraisal |
| PRSP | Poverty Reduction Strategy Paper |
| PSC | Project Supervision Committee |
| QA | Quality Assessment |
| RCO | Rural Cooperative Officer |
| RDA | Rural Development Academy (Bogra) |
| REOPA | Rural Employment Opportunities for Public Assets |
| RR | Rural Roads |
| SDC | Swiss Agency for Development and Cooperation |
| SDF | Social Development Foundation (World Bank supported) |
| SIC | Scheme Implementation Committee |
| SIDA | Swedish International Development Agency |
| SLGDP | Sirajganj Local Governance Development Project |
| SSC | Scheme Supervision Committee |
| SSPD | Support Services for Policy and Programme Development |
| TA | Technical Assistance |
| Tk | Taka |
| TOR | Terms of Reference |
| UCCA | Upazila (or Thana) Central Cooperatives Association |
| UCO | Upazila Cooperative Officer |
| UDCC | Upazila Development Coordination Committee |
| UE | Upazila Engineer |
| UEO | Upazila Education Officer |
| UFO | Upazila Fisheries Officer |
| UFT | Union Facilitation Team |
| ULO | Upazila Livestock Officer |
| UN | United Nations |
| UNCDF | United Nations Capital Development Fund |
| UNDP | United Nations Development Programme |
| UNO (TNO) | Upazila (previously Thana) Nirbahi Officer |
| UP | Union Parishad |
| URDO | Upazila Rural Development Officer |
| UPC | Upazila Coordinator |
| USAID | United States Agency for International Development |
| USSO | Upazila Social Services Officer |
| UZ | Upazila or Sub District |
| UZE | Upazila Engineer |
| UZP | Upazila Parishad |
| VDC | Village Development Committee |
| VGD | Vulnerable Group Development |
| VGf | Vulnerable Group Feeding |
| VO | Village Organizations |
| WB | World Bank |
| WDC | Ward Development Committee |
| WFP | World Food Programme |
| ZP | Zila Parishad |
| 1 Lakh | 100,000 |
| 1 Core | 10 million |

Exchange rate as per April 2006: 1US\$ = 69 Takas

SECTION I

PART I: SITUATION ANALYSIS

COUNTRY PROFILE

Bangladesh is one of the most densely populated countries of the world with a population of 140 million and a land area of 144,000 square kilometers. The country extends from the Bay of Bengal in the south to the foothills of the Indian Himalayas in the north.

Poverty reduction is the overarching objective of the Government. This is embodied in its PRSP, the National Strategy for Accelerated Poverty Reduction (NSAPR) and its commitment to attain the MDGs. According to the NSAPR, between 40 and 50 percent of the population were poor in 2000, and the poverty rate fell by about 1 percent annually during the 1990s.

Annual GDP growth over the past decade has averaged nearly 5 percent, a noticeable increase from the average of less than 4 percent during the previous two decades. In FY05, GDP growth reached 5.4 percent, and even faster growth is expected in the next two years. This growth is largely attributable to good macroeconomic management with inflation rates declining and in the single digits, reduced fiscal deficits, and the rapid economic liberalization that led to higher investment and promotion of the private sector. Bangladesh has achieved near self-sufficiency in food production, reduced the rate of population growth, lowered the incidence of poverty, raised export income and improved on many of the social indicators of development.

Bangladesh is governed by a parliamentary system of government. The country is administratively divided into six divisions, and each division is divided into zilas (districts), totalling 64 in all. The zilas are divided into 490 Upazilas or Thana (sub-districts) of which 30 are in metropolitan cities. These Upazilas are further divided into 4,488 unions where local governance is entrusted to elected bodies called Pourashavas (municipalities) in urban areas and Union Parishads (UPs) in rural areas.

Bangladesh has a long history of local government and the post-independence constitution provides for the creation of local government bodies at every administrative level. But in reality, the only representative local government institution that has had a continuous existence since the 1880s is the Union Parishad (UP), which has its limitations and resource constraints.

POLICY CONTEXT

In post-independence Bangladesh, decentralisation policy has moved through different phases: the District Governorship (1972-75), the Gram Sarkar (1975-81), the Upazila system (1982-90), and the current (1991-2006) default policy and setup outlined below. Despite professed objectives of promoting democracy and development at the lower levels, all these approaches suffered from weak national commitment to democratic and accountable local government, with unclear responsibilities and small, unpredictable resources.

The current setup is described below. Presently, in rural areas, elected local councils are only operational at Union Parishad level. The table below presents an overview of the system in the rural areas.

Table 1: Rural LG Functions and Political Characteristics

| Sub-national level | Functions and autonomy | Political representations |
|---|--|---|
| 64 Districts or Zilas Average population: 1.9 mill Average area: 2,250 sq km | Implementation of Government development programme. Review and support for Upazila activities. Implementation and financing of some road construction, repair of UP and school buildings, maintenance of public properties, planting of trees, grants and scholarships. | No direct political representation. A Zila Parishad consists of a CEO, ZP Secretary, Accountant and in some districts an LGED Engineer. District Development Co-ordination Committee consists of Deputy Commissioner and line department heads. |
| 490 Sub Districts or Upazila Average population: 250,000 Average area: 300 sq km | Coordination, monitoring, and contribution to the planning of development activities of the Upazila Advice to UPs on scheme preparation Co-ordination of scheme preparation. | No direct political representation. Upazila Co-ordination Committee (UDCC) comprising: UP Chairmen, Upazila Nirbahi Officer (UNO - secretary), MP (adviser) Line dept officers (non voting) |
| 4,500 Union Parishads Average population: 27,000 Average area: 30 sq km | 38 functions, ill defined, including: Planning, coordination and monitoring of the Annual Development Plan (ADP) Construction and maintenance of small scale infrastructure Law & order, dispute settlement Registration of births & deaths. | 12 elected members (one for each of nine wards and 3 women members each representing 3 wards). Directly elected chairperson |
| 68,000 Villages Average population: 1,600 Average area: 2 sq km | Participatory planning & monitoring through Ward Development Committees (proposed) Local community mobilization. Support to the UP | No political representation. |

Each union is divided into nine Wards, and each Ward is composed of villages.

The lack of effective decentralization should be seen as part of broader governance problems in Bangladesh, which in turn impact significantly on the quality of service delivery and likely achievement of MDGs. This has been documented in numerous studies and documents such as "Improving Governance for Poverty Reduction" (World Bank 2002).

The Government's commitment to improving local governance is set forth in the National Strategy for Accelerated Poverty Reduction (NSAPR, Bangladesh's PRSP). Indeed, the NSAPR identifies local governance as one of eight priorities in the medium term strategic agenda for Bangladesh. It recognizes "the need for simultaneously pursuing the agendas of political and functional decentralization, putting the emphasis on partnership between local government bodies and other local actors, and, projecting the importance of newer agendas of decentralized service-delivery and promotion of local economies. The focus is not only on local governments as project implementing bodies but on local governance as a political and institutional process which can contribute to the required scaling up of the rate of poverty reduction through more effective resource mobilization and enhanced development choices available at local level and better inclusion of all social groups in these choices." The NSAPR also recognizes the

importance of “linking union parishads to critical new functional arenas such as micro-infrastructure, early child development, consolidated implementation of safety net programmes, and local economy promotion.” With regard to the financing of UPs, the NSAPR envisions potential “in consolidating a performance-linked second resource channel (outside of ADP) for union parishads.... Such a resource channel has already been initiated and substantial increase in resource allocation can be planned for with due lesson-learning from the experience so far.”

The indicators listed in the NSAPR for the strategic goal of promoting local governance include (a) enhanced block allocation to Union Parishads on due performance review; (b) participatory local government budgeting; (c) results-oriented training programmes developed and implemented; and (d) coordination and monitoring made effective and regular at local level.

The targets, policy agenda items, and future priorities set forth in the NSAPR’s Policy Matrix for the strategic goal of promoting local governance (and which will be addressed through the LGSP-LIC – see Part II below) include the following:

Key Targets/Concerns:

- Effective strengthening of Union Parishads and Pourashavas
- Strengthen resource position of Union Parishads and Pourashavas
- Innovate and expand performance-based budgetary support to Union Parishads
- Strengthen participatory space for non-state actors

Policy Agenda for FY05-07

- Develop revamped core training modules for UPs
- Remove existing limit on UPs for decision-making on project implementation
- Implementation arrangement for direct allocation to UPs to be made operational and budgeted amount to be substantially enhanced
- Existing rate of 1percent land transfer tax to UPs should be raised to 5 percent and given directly to UPs
- Streamline eligibility criteria
- Implement extra-ADP budgetary support for good performing UPs

Future Priorities

- Promote open budget sessions for UPs and Pourashavas
- Increased resource for LGIs
- Updated and comprehensive training strategy for UPs
- Promote preparation of annual plans and annual budgets by UPs
- Substantially increase ADP allocation for UPs
- Consolidate a performance-based second resource channel for UPs
- Strengthen GO-NGO coordination mechanisms at Union, Upazila and Zila levels

POLICY AND INSTITUTIONAL CONTEXT – CHALLENGES

In spite of policy commitments to decentralisation in the PRSP, the current policy and institutional framework at both Upazila and Union Parishad levels present a number of challenges to effective local governance and service delivery. These are detailed below.

Upazila level

There is no elected representation at Upazila level. Upazila line departments – which have substantial resource management responsibilities for the delivery of major services including education, health, nutrition, family planning, irrigation and agriculture – report upwards to District and central Ministry departments in a de-concentrated form of government.

Overall Upazilas are characterized by weak horizontal co-ordination and limited downward accountability. The primary co-ordination mechanisms include the Upazila Nirbahi Officer (UNO - a central government appointed office with responsibilities for administrative co-ordination) and the Upazila Development Co-ordination Committee (UDCC). The latter comprises the respective UP chairpersons. The role of the UDCC relates to planning, co-ordination and monitoring of development activities. GoB officials are non-voting members, while the Member of Parliament is designated as an advisor to the UDCC.

Union Parishad (UP)

Union Parishads – the longest standing form of elected local government - are broadly responsible for economic, social and community development and are mandated to fulfill 38 “functions”. In practice the main functions are: planning, coordination and monitoring of local development; construction and maintenance of small-scale infrastructure (roads, bridges, culverts, canals); enforcement of law & order and dispute settlement; and registration of births, deaths, and marriages.

The potential role of the UP – as the lowest tier of local government – in helping to achieve more effective local development as well as in contributing to the MDGs is being increasingly recognised. Elected councils at this level are long established and politically representative institutions. The Union, with an average population of 27,000 people, is also the most appropriate unit for more direct and participatory local governance. Nonetheless, the effectiveness of the Union Parishad is severely constrained by the broader policy context of devolution in Bangladesh, where the Union is subordinated to higher tiers of government and has little fiscal or functional autonomy.

Revenue and Fiscal Issues

The low levels of fiscal decentralisation are shown by the fact that local governments’ share of total public expenditure is estimated not to exceed 2 percent (GoB/ IPRSP 2003, Chowdhury 2003). The main source of revenue for local government at this level is through revenue transfers under the Annual Development Plan (ADP) “block grant,” amounting to an average Takas 600,000 per UP per annum and allocated on the basis of population and geographic area through the UDCC. But this ADP “block grant” mechanism is problematic in a number of respects:

- Although there is a formula for the allocation of funds among UPs, this is usually not followed in practice and there is no consistency in the allocations among UPs, and from year to year.
- There is great uncertainty about the level and timing of future grants, which makes the planning, and implementation of works difficult.
- ADP funds also do not flow directly to the UPs but are channelled through Upazila level.

- The actual use of resources under the ADP is influenced by national guidelines prescribing a set range of sectoral allocations, the maximum number of projects, and the amount that can be undertaken using community labour (Tk 75,000).

UPs may also be allocated financial resources for centrally sponsored schemes such as Food for Work, Test Relief, Vulnerable Group Development, Vulnerable Group Feeding, Rural Infrastructure Maintenance Programme, Old Age Pension, and Allowances for Widows and Freedom Fighters. However, as with the ADP “block grants”, funds for such schemes do not go directly to UP but are maintained at Upazila level and are all too often allocated and managed on a non-transparent basis.

The incentives inherent in this mechanism and the overall lack of fiscal autonomy and transparency at the local level have resulted in UPs being reluctant and/or unable to raise additional resources from own-revenue. As a result there is a widespread tradition of little or no contribution and an attitude of general non-compliance towards own-revenue funding of local development. The main sources of potential revenue include holding tax, market fees, and vehicle and trade taxes. Revenue from own sources has remained static over the years at no more than an average of TK 100,000 (US\$1,660) per annum, in part due to the reluctance of elected members to incur opposition and the lack of effective enforcement and penalties.

Local Infrastructure & Service Delivery

The limited size of the ADP allocation and the funds flow process greatly limit UPs' capacity for local infrastructure and service delivery. This in turn not only reduces the visibility and legitimacy of the UP in the eyes of the local community, but also fails to capitalise on the potential role of local self-governance to guide and manage more effective and accountable local service delivery. The very weak linkage between UPs and the Upazila line departments similarly limits the allocative and productive efficiency of infrastructure and service delivery at Upazila level.

Overall, public service delivery arrangements in Bangladesh remain highly centralised and strongly controlled by a complex process and system. Moreover, the quality and coverage of the resulting service provision are generally poor. Teachers and doctors are frequently absent from work. Available empirical reference indicates that Upazila health services are not performing to the satisfaction of community members. The courts suffer from a large backlog of cases, and the police are often perceived to serve the interests of the elite. There is often little transparency in planning and resource mobilisation at the Upazila level. This is reinforced by weak supervision and auditing systems as well as the fact that certain powers are centrally ascribed to the Chairperson rather than to the UP members as a whole and by the continued marginalisation of elected women members.

Representation and Participation

Whilst the reservation of one third of UP seats for women has served to increase their representation in elected office, the fact that women do not have clear Ward representation (but rather are elected to represent three wards, each of which has a parallel general – almost always male - representative) serves to reduce their legitimacy and democratic mandate. Moreover women members continue to face de facto marginalisation in the performance of their duties that makes a more gender focused approach to local development quite difficult. Whilst there are provisions for up to 13 standing committees to monitor local activities and development works, in practice standing committees are not formed in most cases. Even when constituted these are found often to be dysfunctional.

Summary of Challenges

The Union Parishads are currently prevented in a number of ways from being effective and participatory institutions for improved service delivery and good governance:

- The UPs do not have clear functional mandates. There is duplication with de-concentrated central government institutions.
- UPs have very limited financial resources and autonomy. This is aggravated by poor collection of own revenue.
- Procedures for planning, budgeting and management at UP level are poorly developed, and provide unclear guidance to UP officials.
- Public participation and community involvement in UP affairs is limited.
- The central government mechanisms for support, oversight and monitoring of UPs are weak. Capacity building is very limited, proper audits and functional inspections are not undertaken, etc.

POLICY & INSTITUTIONAL CONTEXT – OPPORTUNITIES

Against the background of the constraints outlined above there are also important opportunities to leverage in promoting the role of local government and more effective decentralized infrastructure and service delivery. These opportunities lie in:

- The success of the various innovations that have been piloted in Bangladesh recently. Notable amongst these is the Sirajganj Local Governance Development Project (SLGDP). Over the past five years, this project has demonstrated that many of the constraints outlined above are not inherent flaws but rather a reflection of systems, procedures and incentives that can change effectively and rapidly;
- Government's own recent announcement of direct block grant funding to UPs to allow them some modest resources of their own with which to fund schemes for which they have planned and budgeted. This announcement was itself to a large extent also triggered by the SLGDP experience outlined below.
- The Government's recent decision to proceed with a nationwide Local Governance Support Programme (LGSP, of which this project is an integral part) with substantial World Bank support. LGSP will roll-out, to all UPs on an incremental basis, expanded block grants, incentives for better UP financial management, improved frameworks for transparency and accountability, and a comprehensive capacity building programme.

Sirajganj Local Governance Development Project (SLGDP)

The Sirajganj project (described in the box below) has demonstrated the positive impact of devolved block grant funding on infrastructure and service delivery at the local level, as well as performance improvement of Union Parishads in areas such as planning, finance, resource mobilization and management. The intelligent piloting, tracking and measuring of project results has gained the attention and support of the Government, which is now willing to replicate the model using its own resources, support from the World Bank, and continued support from UNDP and UNCDF.

Box 1: Sirajganj Local Governance Development Project (SLGDP)

The Sirajganj pilot project (SLGDP) began in July 2000 and has a target completion date of end-2006. The project aims *to pilot systems and processes that will contribute to strengthening local governance through greater fiscal devolution, participatory planning and implementation and improved management and accountability of services in Bangladesh*. It demonstrates the potential benefits of decentralised funding for local development and poverty reduction combined with capacity development for participatory planning and delivery of local infrastructure and improved management and accountability for service delivery. The project is under implementation in Sirajganj District. Its strategies are as follows:

- The provision of block funding directly to Union Parishads on a transparent formula basis that provides greater financial autonomy and budgetary certainty and weakens patronage;
- The linking of these block grants to clear incentives (Minimum Conditions & Performance Measures) for the Union Parishads to improve their fiscal and managerial performance;
- The promotion of participatory planning, budgeting, implementation, and supervision of infrastructure and service delivery at Ward level;
- Provision of tailored training modules for UP staff in basic skills (office management, gender sensitivity, local revenue collection, policing, etc.);
- Support to networking and empowerment amongst elected women UP members;
- Analysis, documentation and dissemination of policy lessons to feed policy change and reform.

Recent independent reviews of the Sirajganj model have shown that – despite the overall unfavourable policy context – UPs can be participative, transparent and accountable to the community if funds are provided with the right incentives, some procedural changes are made, and a grassroots based participatory planning and monitoring system is adopted. Reviews noted that a) UPs can handle direct grants efficiently with participation of the community; b) direct grant projects are more durable and of higher quality; c) the effectiveness and efficiency of direct grants to UPs depends upon the extent and quality of participation and social monitoring of the project beneficiaries; and d) because of the technical assistance of the project, UPs tend to become more open, transparent and accountable under the grant system.

The key benefits associated with the SLGDP pilot can be summarised in terms of its main innovative processes:

- a) Devolved performance-linked funding
- b) Participatory planning
- c) Infrastructure and service delivery
- d) Enhanced accountability
- e) Improved measures for central government oversight of UPs,
- f) Innovative procedures for enhancing women's participation

Devolved performance-linked funding

The following benefits of the devolved funding mechanism piloted by SLGDP—a performance-linked grant directly to the UP—have been documented:

- Greater budgetary certainty in the allocation of annual development grants as compared to routine ADP “block grants”.
- Improved timing of funds flow allowing UPs to engage in more rational planning and budgeting and more efficient funds utilization.

- Incentives for enhanced UP performance reflected in several basic indicators, including own-revenue assessment and collection, which increased over 200 percent in one year in a number of UPs within the pilot.

Participatory planning

The benefits of the participatory planning processes adopted under the SLGDP pilot include the following:

- Strengthening democratic planning and decision-making by involving typically over 1,000-1,500 members of a Union population (approaching 10 percent of the typical adult population) in planning and monitoring activities (formerly, planning was confined to the 13 UP members and UP Secretary alone);
- Internally facilitated process (through local facilitation volunteers) of systematic mapping and problem analysis, scheme identification and prioritization;
- Opportunity to deepen local democratic structures through the inclusion of Ward Committees in the local planning process.

Infrastructure and service delivery

An impact study based on a sample comparison of culverts revealed the following benefits of the devolved funding and participatory planning innovations of SLGDP in relation to scheme implementation and operation:

- A substantial increase in the efficiency of infrastructure delivery: 10-15 percent lower cost estimates of SLGDP schemes relative to others implemented by Upazila functionaries on the basis of a standard schedule of costs, improved supervision of schemes during implementation resulting in greater adherence to established engineering/ service standards, and 40 percent higher value for money relative to similar non-SLGDP schemes.
- Twenty percent value addition to many SLGDP schemes through direct community contributions (cash or kind) as a result of increased community involvement in scheme identification, implementation and operation
- Twenty to eighty percent lower maintenance and repair costs through greater durability of assets and other means of enhanced scheme sustainability.

Use of Block Grants by Union Parishads Participating in SLGDP

Under SLGDP block grants are allocated for discretionary use by UPs to fund schemes identified and prioritized by the local planning process – provided that they fall within UPs' legal mandate. The sector breakdown of the 854 schemes funded in 2005 was as follows:

| | |
|-------------------------------------|-----|
| Roads, paths, culverts & bridges | 51% |
| School facilities | 15% |
| Water supplies & sanitation | 22% |
| Market infrastructure & electricity | 5% |
| Skills training | 7% |

The overall wage labour costs of these schemes averaged around 50-60 percent, with the wage component of some schemes approaching 80 percent, generating a significant degree of seasonal employment for casual labour.

Enhanced accountability

The impact study of the SLGDP pilot scheme revealed important gains in accountability arising from the devolved funding, planning, implementation, and participatory performance review processes:

- Significantly enhanced public awareness of UP annual development activities in terms of scheme locations, sizes, costs and quality. This was especially evident amongst women members of the community who spoke vociferously and articulately about the nature and character of local development activities.
- Establishment of functioning structures to improve accountability such as the Ward Committees, the Scheme Supervision Committees (SSCs) and the open Performance Assessment meetings.
- Improved technical knowledge and supervisory skills of community members (especially women) in relation to appropriate building materials and techniques resulting in more efficient and effective construction.
- Improved internal performance of UPs in relation to office access, timings and scheduling of meetings; functioning of standing committees for monitoring internal and external activities; and own-revenue generation.

Government oversight

Crucial to the success of improving UP performance was the introduction of incentives to UPs as part of the UNCDF funded development grant. UPs had to fulfil certain minimum conditions before they could access the grants. A system for scoring UPs according to their performance in key governance areas was developed and administered by project staff. The assessments are carried out in a participatory manner. How the system can be effectively integrated as a part of central government oversight measures for monitoring UPs and ensuring UP compliance to relevant rules and regulations remains a challenge.

Women's participation

There is substantial evidence from a variety of participatory and sector reviews in Bangladesh that government official and traditional elected leaders do not generally display a strong pro-poor or gender-sensitive orientation.

The approach to gender mainstreaming within SLGDP has been based on a two pronged strategy of supporting formal initiatives for gender equity, such as (1) enhancing the role of women UP members and (2) a strong focus on gender within both the participatory planning and implementation processes themselves. Women have played critical roles in scheme identification, prioritisation, implementation, supervision, and monitoring. The SLGDP impact study also revealed a high level of female involvement in community contracting activities. Innovative procedures have included the introduction of the Women Development Forum (WDF) for women UP members, linkages between the UPs and Women Development Officers at Upazila level, and a funding window for proposals originating from women (but ranked by everyone) in the Ward planning process.

Requirements for replication

Independent reviews of SLGDP noted that in order to replicate the Sirajganj model, the following capacities and skills need to be developed within UPs: (a) managerial skills for participatory planning, (b) technical competence and willingness to undertake open budget system, (c) social mobilization skills, (d) maintenance of financial records, (e) community monitoring, and (f) effective supervision and support of the Upazila based technical and professional staff of the line agencies of the Government. In the Sirajganj project these preconditions and institutional strengths were developed with technical assistance from project personnel. The Upazila Project Coordinator (UPC) played a significant role in assisting the UPs to develop their skills, linking the UPs with line agencies, helping the UPs in the social mobilization process through the Union facilitators, and overall technical guidance in record keeping and financial management.

Policy Response to SLGDP and UP Block Grant funding

On the basis of institutional learning from Sirajganj and increasing demand from the Union Parishads, in late 2004, GOB decided to introduce a direct ADP block grant allocation to each UP (averaging Tk 200,000 per UP). UPs formerly received the ADP grants through the Upazila Development and Coordination Committee (UDCC) with allocation criteria and sectoral bindings. Such an indirect allocation system has always been a critical concern for the UP officials because of high transaction costs and allocation issues, bureaucratic control of Upazila officials, and indirect control over funds by the Members of Parliament.

LOCAL GOVERNANCE SUPPORT PROGRAMME – LEARNING AND INNOVATION COMPONENT

LGSP as a national programme

More recently, and to complement the block grant initiative, the Government has decided to implement a major decentralization support programme, the Local Government Support Programme (LGSP), with support from the World Bank, UNDP, UNCDF, the European Commission (EC), the Swiss Agency for Development and Cooperation (SDC), and Danish International Development Assistance (Danida).

LGSP – as a nationwide programme – constitutes a replication of some of the principles applied in Sirajganj. Under LGSP, GoB fiscal transfers will be blended with external funds to establish a system of expanded block grants for UPs. The expanded block grants will be available to UPs on the basis of pre-defined eligibility criteria. Over a period of four to five years, the LGSP block grant scheme is intended to gradually replace the existing ADP scheme.

LGD has made a formal request for UNDP/UNCDF to support a Learning and Innovation Component (LIC) within LGSP, which will allow for piloting of “second generation” local government reforms in tandem with the wider roll-out of some of the basic/key principles tested out in Sirajganj.

There is general agreement that the time for basic piloting is over. A major lesson from Sirajganj and other experiences is that UPs can perform well and accountably, and so be entrusted with increased funds, as long as:

- These funds are transferred in a manner allowing genuine local discretion, but requiring local accountability, within clear guidelines;
- Some minimum guidance is provided as to how funds are allocated and managed;
- Arrangements are in place to ensure local people are aware and involved in the process, as far as feasible.

This lesson underlies the strategy for a rollout of UP support under LGSP. If basic safeguards are shown to be in place (through commissioned audits), UPs nationwide will have the opportunity to qualify for funding and capacity support.

The LGSP will provide GoB with (a) additional funds to augment the ADP UP block grant mechanism and (b) a set of capacity development and accountability-enhancing measures to ensure both that UPs are able to make good use of these resources and that central government is able to monitor performance, learn lessons and incrementally improve the overall national policy and regulatory framework for UPs.

The LGSP will have a national focus but will rollout its funding and capacity support to UPs in a stepwise manner, in line with a self-selection strategy tied to clear and simple measures of UP performance. Block grants will be channeled to a special account of MLGRD&C, which will then transfer them through the commercial banking system directly to the bank accounts of qualifying UPs.

The Results Framework of the broad national LGSP (as reflected in GoB's Development Project Proforma (DDP)) is as follows:

| LGSP – OVERALL RESULTS FRAMEWORK (GOB'S DPP) | |
|--|---|
| <i>Goal</i> | Mandate and responsibilities of local government institutions are promoted to address poverty |
| <i>Purpose</i> | More effective/efficient, accountable & transparent delivery of locally determined priorities & services by UPs |
| <i>Output 1</i> | Increased financial resources made available to UPs in equitable & appropriate ways |
| <i>Output 2</i> | Improved public expenditure systems for UPs are developed and used |
| <i>Output 3</i> | Enhanced mechanisms for local accountability are established & implemented |
| <i>Output 4</i> | More effective framework for capacity development support is established |
| <i>Output 5</i> | Policy development is informed by lessons of programme implementation |

The total cost of LGSP (including the LIC) is US\$ 208.01 million, with funding as follows (more detail further below under Costs & Funding):

| SOURCE | US\$ million |
|--------------------------|---------------|
| Government of Bangladesh | 78.40 |
| World Bank/IDA/SDC | 111.50 |
| UNDP/UNCDF/EC/Danida | 18.12 |
| TOTAL | 208.02 |

LGSP-LIC: An outline

Within this broad national LGSP, UNCDF, UNDP, EC and Danida will support a Learning & Innovation Component (LIC) to deepen the Sirajganj innovations and widen their scope.

Deepening the innovations. The following are areas where further development, testing and refinement is required before the Sirajganj innovations can be mainstreamed:

- The volume of block grant resources allocated in Sirajganj and to be allocated under LGSP (average Tk 600,000 per UP, equivalent to \$ 0.30 per person) is still very modest by international standards and when set against the service delivery role that UPs should be playing. In the PRSP (NSAPR), the Government acknowledges that the amount of the current direct allocation to UPs is quite small. It is therefore desirable to test how well UPs are able to manage an expanded block grant allocation;
- While LGSP will immediately introduce some minimal UP eligibility and performance criteria nationwide, there is need to further test a wider set of performance criteria and also the institutional arrangements by which these criteria are monitored and managed;
- Further development of UP public expenditure management (planning, budgeting, procurement, financial management, etc.) procedures and systems is needed;
- Innovations in local accountability arrangements, and especially the modus operandi of such institutions as the Ward Development Committees (WDCs), the Scheme Supervision Committees (SSCs), the standing committees, the Upazila level UP Chairmen Forum, and the women member bodies need further trialing;
- Underlying all this, the institutional framework by which the various capacity support & information messages are designed, imparted (to UPs, WDCs, SSCs, the public, etc., and to staff in Upazilas and Districts) and monitored needs development. There is considerable uncertainty and disagreement about the appropriate roles of the National Institute of Local Government (NILG), of other public, NGO and private service providers, and of the sub-national administration itself, in providing information, training support and mentoring to local

government; and, in turn, how these various potential providers should themselves be supported to undertake these roles. At the same time, while there is a widespread belief that such support should be more “demand-driven”, there is uncertainty as to just what this means.

The areas indicated above revolve around ensuring good use of unconditional block grants to promote more effective, efficient and accountable basic pro-poor public service delivery.

Widening the Scope of Innovations. A secondary element in the LGSP-LIC rationale lies in the scope for testing the potential role of local government in other more targeted planks of the PRSP (NSAPR), notably those related to food security and social protection. Currently a wide range of line agency and NGO channels deliver both “workfare” for seasonal employment, targeting the un/underemployed poor, and cash welfare transfers targeting specific needy persons or households. While UPs are associated in almost all these targeted programmes, their role is usually one of “agent” rather than “principal”, such that their potential contribution is usually missed and they enjoy only weak incentives for ensuring accountability and sound management of resources deployed.

The longstanding Rural Maintenance Programme (RMP) is a case in point. The RMP has a long and successful history in Bangladesh with combining the twin objectives of rural employment creation (for landless poor women) and the formation of productive public assets (such as earthen roads). For many years this programme was managed by NGOs, but the Government and development partners are increasingly interested in involving elected local government in these activities.

LGSP-LIC therefore proposes piloting of more targeted poverty-reduction strategies:

- To test the effectiveness of a simple UP block grant mechanism in generating seasonal employment through local public investments;
- To test the scope for entrusting a targeted safety net and food security programme to UPs, through conditional grant funding with technical support and monitoring.

Broadened Development Partnerships

LGSP-LIC offers an opportunity for greater development partnership in support of local governance in Bangladesh. UNCDF, UNDP, and the Government have four major partners in LGSP-LIC: the World Bank and the Swiss Development Corporation funding the broad LGSP, and, the EC and Danida co-funding the LIC.

The World Bank will be the lead funding agency for the broad LGSP, being the only agency with resources sufficient for national rollout of LGSP and to provide overall policy support and momentum for change. The inclusion of LIC as an integral element of LGSP lays the foundations for a future “sector-wide” approach to development partner support for decentralization in Bangladesh.

The EC and Danida will also be major partners in LIC. EC support will be provided from two programmatic sources:

- Reflecting its commitment to direct support for local governance, EC has approved in principle an allocation of Euros 5 million toward both the block grant facility and the technical assistance activities of LGSP-LIC.
- The EC also proposes to co-finance (cost-share) the UP block grant facility of LGSP-LIC directly from its Food Security Programme (Euros 4.8 million).

UNDP/UNCDF will accordingly enter into a co-funding partnership with EC and Danida in the six districts where LGSP-LIC will operate. In addition, under the Rural Employment Opportunities for Public Assets (REOPA) project the EC proposes to provide approximately Euros 2 million in parallel financing for the UP block grant facility that LGSP-LIC will support. (This REOPA funding will not be channeled through LGSP.)

In line with the Bangladesh Denmark Partnership – Strategy for Development Cooperation (2005-2009), Danish contribution of upto DKK 12 million (approx. US\$ 2 million) will be funded under the Human Rights and Good Governance Programme, Phase II in support of the Transparency and Accountability component objective viz. public institutions at the national and local level (Parliament, local government and sectoral service providers) are functioning better and are more responsive to public needs and demands

PART II: STRATEGY

OVERVIEW AND STRUCTURE

LGSP-LIC will contribute to a long-term effort to enhance decentralisation and local governance in Bangladesh. The expected project outcome is improved Union Parishad capacity for effective, efficient and accountable delivery of pro-poor infrastructure and services. Through its activities in six selected districts, the project will provide learning and innovation for application in the wider LGSP, and it will support achievement of the goals of the PRSP (NSAPR) and the Millennium Development Goals (MDGs). LGSP-LIC is a five-year project under national execution of the Ministry of Local Government, Rural Development and Cooperatives (MLGRD&C).

The project will field test “second generation” innovations in financing policy and procedures for infrastructure and service delivery by Union Parishads, building upon and going beyond what was piloted by SLGDP. In the six districts where it operates, LGSP-LIC will support the achievement of the five LGSP outputs:

- Output 1: Increased financial resources made available to UPs in equitable & appropriate ways
- Output 2: Improved public expenditure systems for UPs are developed and used
- Output 3: Enhanced mechanisms for local accountability are established & implemented
- Output 4: More effective framework for capacity development support is established
- Output 5: Policy development is informed by lessons of programme implementation

Support To Policy Reform:

Building on lessons from monitoring of programme implementation, LGSP-LIC aims to support Government in the development of a national decentralization policy framework over time and in the broader strategy for implementing LGSP nationally. Policy lessons will be monitored and discussed with national decision-makers, just as the lessons learned and best practices from SLGDP contributed to and expedited the Government’s decision to provide block grants to all the UPs of Bangladesh and introduce performance assessment of UPs. In collaboration with the nation wide LGSP, the Learning and Innovation Component will launch a series of studies and innovative activities in order to support the Local Government Division in its policy reform agenda. However, there needs to be flexibility to address issues as they emerge over time.

The matrix below depicts the relationship between the roles of LGSP-LIC, the World Bank supported components of the LGSP, and the expected outputs:

| LGSP OUTPUTS | WORLD BANK SUPPORTED COMPONENTS | UNDP/UNCDF/EC/DANIDA SUPPORTED L&I COMPONENT |
|--|---|--|
| <u>Output 1:</u> Increased financial resources are made available to UPs in equitable and appropriate ways | Component 1: Fiscal Transfers Component 5: Social Protection Conditional Grants | Supplementary capital budget allocations, performance-linked funding mechanisms and support for revenue collection |
| <u>Output 2:</u> Improved public expenditure systems for local government institutions (UPs) are developed and used | Component 1: Fiscal Transfers Component 2: Institutionalizing Local Accountability Component 3: Supporting Core Local Government Capacity Development | Local public expenditure management (PEM) piloting |
| <u>Output 3:</u> Enhanced mechanisms for local accountability are established and | Component 2: Institutionalizing Local Accountability Component 3: Supporting Core | Local PEM piloting Deepening downward and horizontal accountability |

| LGSP OUTPUTS | WORLD BANK SUPPORTED COMPONENTS | UNDP/UNCDF/EC/DANIDA SUPPORTED L&I COMPONENT |
|--|---|---|
| implemented | Local Government Capacity Development | |
| <u>Output 4:</u> More effective framework for capacity development support is established | Component 3: Supporting Core Local Government Capacity Development | Piloting demand-driven capacity development approaches Enhanced GoB support to UPs |
| <u>Output 5:</u> Policy development is informed by lessons of programme implementation | Component 4: Support to Performance Review and Policy Development Component 5: Social Protection Pilot | Feeding lessons of pilots into the national LGSP and into national policy reforms |

LOCATION

The project will be undertaken in at least six districts. The districts have been selected in order to achieve a wide geographical spread (one in each of the six divisions in Bangladesh) and synergies with existing development partner funded activities. Sirajganj will be one of the participating districts, continuing its role as “nursery”. A database was established with data on all 64 districts, which were weighted in the following manner to generate a ranking of districts within each division:

- Poverty prevalence in the district (35 per cent)
- Food insecurity (25 per cent)
- Performance of Union Parishads in the Government’s latest performance assessment (30 percent) and
- Existence of development partner programmes that will provide synergies (10 per cent)

| District | Division | Popn <i>million</i> | House-holds (<i>000</i>) | Upazilas | UPs |
|--------------|------------|---------------------|-------------------------------|----------|-----|
| Sirajganj | Rajshahi | 2.558 | 493 | 9 | 82 |
| Habiganj | Sylhet | 1.759 | 322 | 8 | 77 |
| Satkhira | Khulna | 1.809 | 390 | 7 | 78 |
| Feni | Chittagong | 1.278 | 213 | 5 | 43 |
| Barguna | Barisal | 0.880 | 179 | 5 | 38 |
| Narsingdi | Dhaka | 1.880 | 388 | 7 | 70 |
| TOTAL | | 10.164 | 1985 | 41 | 388 |

LIC may also be able to expand into additional districts, as additional partners join, and if LGD and partners feel that resources and overall management and implementation capacity are adequate. Any additional districts would be selected by LGD according to exactly the same criteria outlined above.

PILOTING

LGSP-LIC will not take a “horizontal” or homogeneous approach to piloting – what is trialed in one district may not, for example, be trialed in another district or in all districts. LGSP-LIC will use an iterative and flexible approach to piloting in its six districts, seizing opportunities for innovation as and when they present themselves and where they seem most appropriate.

LGSP-LIC will work to introduce a proper incentive framework for the 388 elected UPs in the 6 Districts and will strengthen existing mechanisms for accountability and participation. The strategy applied by LGSP-LIC will be 1) to support more inclusive planning procedures to strengthen downward

accountability and 2) to support central government oversight and upward accountability mechanisms. The results of the annual participatory performance assessments will determine the level of discretionary funding and are expected to stimulate greater citizen interest in how UPs perform.

The five project outputs (which are phrased to reflect GoB's LGSP outputs – as specified in the DPP) are set out below.

| |
|--|
| OUTPUT 1: INCREASED FINANCIAL RESOURCES ARE MADE AVAILABLE TO UPS IN EQUITABLE AND APPROPRIATE WAYS |
|--|

LGSP-LIC will seek to achieve this Output through two activity clusters:

- A. Testing and implementing a supplementary performance-linked funding mechanism;
- B. Supporting local revenue enhancement.

A. Supplementary performance-linked funding mechanism

Building on SLGDP experience and the Government's policy move to direct block grant funding, LGSP-LIC will introduce a supplementary performance-based funding mechanism within the six selected districts for infrastructure and service delivery by UPs.¹ The LGSP-LIC funding mechanism will be supplementary to, and go beyond, the conditions of access and performance-based incentives provided within the GoB/WB funded components of LGSP as a whole. By making supplementary budgetary resources available to UPs in the six LIC districts, LGSP-LIC will explore the limits of UPs' absorptive capacity and provide GoB with evidence for further fiscal reforms.

The main activities of LGSP-LIC are the following:

- To supplement the LGSP annual block grant to UPs (averaging Takas 650,000 per UP) with an additional grant averaging Takas 700,000 in order to monitor and test UPs' absorptive capacity. This will amount to total annual grants of about US\$ 19,565 per UP or US\$ 0.78 per capita. By international standards this is still a modest level of transfers and is at the low end of what UPs will require to undertake the developmental and service delivery role that the PRSP (NSAPR) envisions for them.
- To develop, monitor and test eligibility criteria and performance incentives associated with the enhanced transfers. LGSP-LIC will identify criteria and incentives that are robust and effective, and whose management is institutionally sustainable, for national rollout through the LGSP as they are validated.
- To explore the extent to which UPs are able to manage block grant transfers to implement targeted national programmes such as the food security/rural employment programme, for which funds are usually routed through other channels.

The supplementary performance-based grants will be available to qualifying Union Parishads for expenditure on any development-related investments or other activities that they are legally mandated to undertake, subject to the following criteria:

- They must be identified through the Union Parishad's participatory planning & budgeting process;
- They must be appraised by the Union Parishad as technically and financially feasible and pro-poor, and they must be ranked and selected in accordance – inter alia - with their likely poverty impact (including their seasonal employment-generating impact).

¹ This has recently been codified in detailed manuals developed in 2004.

The pattern of investments emerging from the Union Parishads' planning process in Sirajganj was such that the overall wage cost component of a typical Union Parishad investment budget fell in the range of 50-60 percent, with the wage component of some schemes approaching 80 percent, hence generating a significant degree of seasonal employment.

The funding mechanism will include a set of minimum conditions governing eligibility for funding and performance measures to adjust further funding. Minimum conditions are designed to ensure that each participating UP has an acceptable minimum capacity to receive and handle devolved funds, while performance measures are designed to provide incentives to enhance governance and service delivery. Minimum conditions and performance measures will be based on those already developed under SLGDP (see the inset below) and will aim to be simple, measurable, achievable, realistic, transparent, synchronised with the budget cycle and designed to reflect incremental and balanced performance improvement across a range of functions. LGSP-LIC allocations will only be made available to UPs if they qualify for the joint GoB/WB-funded basic block grants – UP compliance with LGSP conditional ties is therefore a pre-condition for entry into the LGSP-LIC funding window.

Illustration of the Performance-Based Funding Piloted under SLGDP

Minimum Conditions

- Regular opening of UP office to assess minimum administrative capacity
- Regular monthly meetings to assess minimum decision-making capacity
- Women participation in meetings to assess gender equity in decision making
- Updated cash book to assess minimum financial management capacity
- Specific bank account for development funds to assess financial capacity
- Public involvement of UP performance to ensure participatory assessment

Performance Measures

- Fiscal performance to improve tax capacity, revenue mobilisation and utilisation of funds for enhanced sustainability
- Performance of UP office to reward efficiency, effectiveness open access
- Performance of UP committees to improve accountability
- Gender performance to improve gender equity and inclusiveness
- Budgeting and financial management to improve compliance with statutory budgeting and financial management practices
- Scheme implementation to ensure efficient project preparation, implementation and supervision to enhance effectiveness and sustainability of services
- Transparency and communication to promote more open government with greater community involvement.

By field-testing a mechanism that incorporates robust performance incentives and accountability measures, LGSP-LIC aims to promote the potential role of UPs in basic infrastructure and service delivery for poverty reduction. This could happen through (a) the Government's replication of the mechanism nationwide such that all UP block grant funding encourages UP performance and accountability, which could then encourage an increase in the levels of Government budgetary transfers to UPs above the modest amounts currently allocated; and (b) attracting funds from other development partners who are concerned to improve local infrastructure and service delivery but are wary of channelling funds to UPs given the history of concerns about their accountability and performance.

The mechanism to be field-tested will complement the provisional block grant mechanism recently introduced by Government on a national basis and which is to be supplemented by WB funding within the framework of LGSP. The Government/World Bank/SDC grants constitute a basic funding allowance

to all UPs (or to qualifying UPs in the case of WB-funded “top-ups”) to allow them to undertake the bare minimum activities for which they are responsible; by contrast, the performance-linked block grant to be trialed under LGSP-LIC will allow UPs in the project area to undertake a much greater volume of activities. If field-testing under LGSP-LIC works well, and if the Government and/or other development partners are willing to allocate greater resources, the windows may later be merged.

The funding requirement estimates for the LGSP-LIC supplementary block grant facility are based on several considerations:

- The average level of supplementary block grants funding (Takas 700,000 per UP, or about US\$ 10,000), which is additional to the basic LGSP grant of Takas 650,000 (about. US\$ 9,500).² The resulting average total grant to eligible UPs of Takas 1,350,000 is still very modest by international local government funding standards (Takas 54 or US\$ 0.79 per person), and Sirajganj experience suggests that there should be no absorption problems at this level of funding.
- The estimated number of UPs that will qualify for supplementary funding over four fiscal years (from 2007-08 to 2010-11) from the six districts.
- Allowance for a performance funding pool to augment the supplementary block grant pool, to reward UPs who perform well on agreed policy objectives (e.g., improved local revenue mobilization).

The table below sets out projections for the numbers of UPs likely to be eligible in 6 Districts (Sirajganj and the 5 new Districts, based on trends in Sirajganj over the past five years).

| SUPPLEMENTARY BLOCK GRANT FUNDING PROJECTIONS | | | | | |
|--|-------------|--------------------|--------------------|--------------------|--------------------|
| UPs by District | YEAR | | | | Total |
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | |
| | 1 | 2 | 3 | 4 | |
| Sirajganj District (82 UPs) | | | | | |
| UPs Qualifying (number) | 75 | 78 | 80 | 80 | |
| Other 5 Districts (315 UPs) | | | | | |
| Percentage Qualifying | 25 | 50 | 75 | 90 | |
| UPs Qualifying (number) | 79 | 158 | 236 | 284 | |
| 6 Districts: Total Qualifying UPs | 154 | 236 | 316 | 364 | |
| Funding per UP (Takas) | 700,000 | 700,000 | 700,000 | 700,000 | |
| Total Funding (Takas) | 107,625,000 | 164,850,000 | 221,375,000 | 254,450,000 | 640,675,000 |
| Total incl performance add-on (Takas) | | 184,632,000 | 247,940,000 | 284,984,000 | 717,556,000 |
| <i>Total Funding (Dollars) Tk 69 = \$ 1</i> | | 2,675,826 | 3,593,333 | 4,130,203 | 10,399,362 |

On the basis of these projections, and including an additional performance grant window, the minimum total funding requirement would be approx. Takas 718 million or US\$ 10.4 million (rounding the totals in the Table above). These estimates are based on conservative assumptions, allowing scope for increased funding should it become available. Such an increase could be used:

- to augment the average UP supplementary grant funding level (above the average of Tk 700,000), given that - even when added to the enhanced LGSP grant allocation - the per capita revenues are still very modest by international standards; and/or

² Basic LGSP grant level to be funded by GoB with IDA loan; assuming US\$1 = Takas 69.

- to expand to one or more additional districts (using same selection criteria); and/or
- to augment the performance window (above 20%); and/or
- to cater to a faster-than-expected rate of qualification of UPs should this materialize; and/or
- to extend LGSP-LIC supplementary grant funding to a fifth fiscal year.

It is initially proposed to fund the facility with a combination of UNCDF, EC and Danida funding as follows:

| Development Agency | US\$ millions |
|-------------------------|---------------|
| UNCDF | 1.70 |
| EC (Euros 5.54 million) | 7.15 |
| Danida | 1.55 |
| TOTAL | 10.40 |

Note: assuming US\$ 1.29 = Euros 1.0

Should additional funds be forthcoming from these or other sources, there will be scope to augment the funding of the supplementary grant facility.

The LGSP-LIC supplementary grant funds will be channelled to qualifying UPs through the same mechanism to be adopted by LGSP enhanced block grants funded by GoB/IDA/SDC. UNCDF/ UNDP will transfer them to a special account of MLGRD&C, which will then transfer them through Sonali Bank directly to the bank accounts of qualifying UPs.

B. UP Revenue Enhancement

LGSP-LIC will provide active support for general management improvements in UPs and improvements of revenue collection in particular. SLGDP placed a strong emphasis on encouraging the improvement in own revenue generation to raise the efficiency of tax collection from the extremely low prevailing levels. The annual performance reviews and associated incentive schemes will provide strong incentives for the UPs to improve on their own revenue collections. Many UPs have an almost negligible own revenue flow due to a widespread reluctance to tax local residents on account of short term political expediency, coupled to the lack of any regular updating of tax assessment.

LGSP-LIC will thus build upon earlier work in Sirajganj – where revenue collection guidelines were developed for and disseminated (through training and workshops) to UPs, leading to significant gains in the effectiveness and efficiency of local revenue administration. For the LGSP-LIC districts, the programme will undertake further capacity-building in this area.

In addition, LGSP-LIC will seek to pilot modest changes in the revenue base of UPs – for example, by trialling (with GoB approval) an increase in the proportion of the Land Tax that UPs receive. The programme will retain a “process” approach to UP revenue enhancement, seizing opportunities for policy pilots as and when they arise.

OUTPUT 2: IMPROVED PUBLIC EXPENDITURE SYSTEMS FOR LOCAL GOVERNMENT INSTITUTIONS (UPs) ARE DEVELOPED AND USED

LGSP-LIC will utilise and build upon the enhanced local public expenditure management (PEM) approaches developed under the SLGDP, and field test them in the other five districts. (There is scope to extend coverage – following the same procedures – to other districts on a modular basis if other development partner agencies prove willing to co-fund or through LGSP as a whole.) The aim is to in-build more robust procedures to ensure that local public resources are used effectively, efficiently, equitably and accountably in delivering basic pro-poor infrastructure and services.

Technical support will be required to implement these new approaches but must be provided at a level that matches GoB capacity. The support is discussed under the following headings.

- A. Participatory planning and budgeting (including women's participation)
- B. Scheme supervision
- C. Operations and maintenance
- D. Promoting local partnerships
- E. Developing sustainable mechanisms by which GoB institutions support and monitor local PEM

A. Participatory Planning and Budgeting

Discussions in Sirajganj have confirmed that the SLGDP planning process is widely perceived by communities to be effective and a significant improvement over more informal consultative processes. The project has attempted to simplify the process wherever possible, but it remains resource intensive in terms of both time and money and requires considerable support.

The main proposals for ensuring greater institutional sustainability for the participatory planning and budgeting process are as follows:

- Shifting the focus of capacity building activities to core UP institutions (elected UP members, UP staff, mandated standing committees, etc.) so as to make them central to the local planning and budgeting process.
- Minimising external, project-funded facilitation of the planning and budgeting process. This implies that Union Facilitation Teams (UFTs) be transformed into trainers and keep away from direct involvement in participatory planning procedures themselves.
- Ensuring a high degree of transparency in the UP planning and budgeting process through the introduction of robust tools for appraisal and prioritization of investment proposals.
- Strengthening the role and responsibilities of Ward Development Committees (successfully established in Sirajganj) by institutionalising and supporting their planning (and scheme implementation) functions.
- Establishing UP-level Planning Committees, largely made up of elected UP members but – importantly – also including technical advisers (recruited on a contractual basis and paid for out of the general UP budget). UP Planning Committees will have the over-arching technical responsibility for appraisal, verification, initial design/costing and merit-based prioritization of investment proposals.
- Widening the planning process so as to allow for UP-level – and not just ward-level – investments by allowing selected standing committees (e.g., education) to submit public goods proposals that serve more than one ward.
- Strengthening Upazila-level coordination of UP planning/budgeting processes by formalizing the UDCC's role in ensuring that duplication is avoided, better O&M arrangements, and overall sector consistency.
- Introduction of Block Grant Coordination Committee (As in the broader LGSP) for better monitoring, support from line agencies & peer learning among the UP Chairman

These components – which build upon and go beyond the Sirajganj planning process – will be articulated within a single set of UP Planning & Implementation Guidelines.³ As they are tested and lessons are learned from their use, these Guidelines will be modified, improved and then rolled out nationwide within the framework of LGSP as a whole.

B. Scheme Implementation & Supervision

³ A first draft of these UP Planning and Implementation Guidelines was written in February 2006.

Overall responsibility for scheme implementation will lie with UP Scheme Implementation Committees (SICs) and Ward Development Committees (WDCs), with community oversight (where necessary) being provided by Scheme Supervision Committees (SSCs).

LGED staff at Upazila level will continue to provide technical training to UPs on construction techniques and contract supervision based upon a modest honorarium. Lessons on labour-based techniques from Rural Maintenance Programmes (RMP) will be incorporated. Since it will be important to ensure that such training can be sustained on a wider basis in the future, LGSP-LIC should coordinate this training through the UFTs who will then impart training directly to WDC and SSC members. This training will be supported and supplemented by the distribution of the existing Sirajganj manuals on construction techniques, incorporating where appropriate guidelines from RMP, REOPA, and other programmes.

Experimentation with different models will be required. There might be training for all WDC or SSC members or just a few members from each WDC (7) and SSC (3) on a cluster basis.

C. Improved Operations and Maintenance

LGSP-LIC will seek to improve the sustainability of local infrastructure by encouraging UPs to make (budgetary) provision for routine maintenance works within the annual action plan where required. Such provision may take the form of an annual maintenance budget or an ad hoc allocation as and when required from a general fund. Planned preventative maintenance can be undertaken in a systematic manner only if the UP and its planning/budgeting institutions appreciate the maintenance needs, implications and costs associated with different types of schemes and physical assets. Failure to address maintenance requirements would lead to the rapid deterioration of assets and increased capital burden on rehabilitation. Improved coordination (but not control) of UP investment plans at the Upazila level, through an annual UDCC integration workshop, will also contribute towards a more consistent focus on O&M issues.

D. Promoting Local Partnerships

LGSP-LIC will also promote greater partnership between UPs and other local organisations – primarily local NGOs and local private firms. Partnerships with local NGOs will be promoted in order that:

- UPs make use of NGO expertise and outreach in promoting local planning, monitoring and management of service delivery, etc. UPs may contract local NGO services to support participatory planning, or to provide specific training or other support.
- NGOs themselves are forthcoming and transparent as regards their own activities in the area, so as to avoid duplication. NGOs may be invited to discuss their plans and activities with UP sector standing committees.
- UPs make use of NGO expertise and experience in the management of more targeted programmes, such as workfare (cash-for-work) and welfare (cash payments). NGOs may be able to provide UPs with assistance in targeting and management of work- and welfare style programmes.
- UPs make use of specialized NGO expertise as needed to support the implementation of labour-based construction techniques in infrastructure building.

Partnerships with local private firms will be encouraged in order that:

- UPs make best use of their technical expertise in scheme design and construction and, in cases, in management of service facilities, through sub-contracting;
- UPs are better positioned to encourage local economic development, and to facilitate private economic activity.

Apex NGO organizations and local chambers of commerce and industry will be involved in order to devise and promote appropriate partnership arrangements in the six Districts.

E. Developing sustainable mechanisms by which GoB institutions support and monitor local PEM

Existing central government and deconcentrated institutions at national, district and Upazila levels are currently not geared towards supporting relatively autonomous UPs in their PEM functions. Instead these institutions directly implement programmes or issue directives for the management of UP affairs. LGSP-LIC will assist in modifying this and in trying to establish an overall GoB institutional environment that is supportive of UPs.

A major challenge for replication of the Sirajganj experience will be the integration of project-funded support structures within Government institutions. At Upazila level the so-called Upazila Program Coordinators (UPC) undertook intensive work in support of the participatory planning and scheme implementation process in Sirajganj, and the project maintained an office at district level with a District Coordinator, Accountant and support staff.

Support of this kind – in the form of direct project personnel – will be minimized under LGSP-LIC. Rather, government officers will be supported (through orientation, training and equipment) to undertake a more pro-active role with regard to UPs and supporting local PEM.

At District level, the Deputy Director Local Government (DDLG) will coordinate project activities and undertake monitoring and inspection of UPs in accordance with their job descriptions. The DDLG office in each district will be supported by LGSP-LIC with a vehicle and office equipment. The Government will assign staff for keeping project accounts and for logistical purposes (drivers, etc.) at district level. LGSP-LIC will – in an initial period of two years – assign a project officer to guide training and community mobilization procedures, primarily by supporting the Upazila Cooperative Officers (UCOs) (see below) and the gradual introduction of demand led capacity building (see Output 4 below). This capacity building will enable UPs to plan, budget, request and fund training activities to enhance their own capacities and gradually include costs for participatory community planning exercises in their own budgets.

At Upazila level, the Upazila Development Coordination Committee will coordinate LGSP-LIC activities under normal institutional arrangements. The UCOs will be given the responsibility at Upazila level for monitoring and support of UPs as well as for organising activities in support of community facilitation (i.e., selection of Union Facilitator Teams (UFTs)). The UCOs will also oversee supply-driven training in participatory planning and scheme implementation techniques. The UCOs in the programme areas will be given revised job descriptions to ensure that they undertake these new responsibilities and report on these activities within the LGD.

GoB technical officers (in particular LGED engineers) will continue their support to UPs as under current arrangements, but UPs will, as part of their block grant budgeting process, make budgetary provisions (e.g., travel costs and daily allowances for engineers) to facilitate timely technical inputs for design and certification.

With growing levels of funding and more autonomy of UPs, the importance of proper audits (both internal and external) is increasing. LGSP-LIC will support the development of cost effective modalities for internal audit by DDLGs and external audit.

External audits of UPs are currently managed rather superficially – as UP accounts are seen as relatively unimportant in view of the limited share of public funds that are now spent at this level. The Comptroller and Auditor General's (C&AG) office undertakes audits of UPs at Upazila levels, where UP accounts are brought and discussed. The capacity of the Audit Office allows only one-third of UPs institutions to be audited each year. Owing to the limited capacity of the C&AG, it is foreseen that private companies will undertake external audits of UPs on behalf of the C&AG. WB support to the wider LGSP includes a major UP auditing component, and this will include coverage of UPs in the six districts included in LGSP-LIC.

Timing and Phasing of Support Activities

The chronogram below indicates the timing and phasing of support to strengthen Government's role and oversight for all new districts, as well as on-going support for Sirajganj, broken down by key activities. The support activities are primarily concerned with assisting Government with the operation of performance linked funding through performance assessments, orientation of field staff, and audit processes. The chronogram includes the timing and phasing of external technical assistance with more substantial inputs in Years 1 and 2, and a declining level of external support thereafter.

Chronogram of Support to Government

| Activity | Y 1 | Y 2 | Y 3 | Y 4 | Y 5 |
|---|-----|-----|-----|-----|-----|
| Design of New Performance Assessment System | X | | | | |
| Orientation & Training on Performance Management | X | X | | | |
| Support for Assessment Process | X | X | X | | |
| Preparation & Dissemination of Assessment Manual | | X | | | |
| Training and Mentoring Field Staff DDLG, UNO & Upazila staff | X | X | X | | |
| Design and Support of Audit Process | | X | X | X | |
| Support to Policy Research (Programme Tracking and Policy Advocacy) | X | X | X | X | X |

OUTPUT 3: ENHANCED MECHANISMS FOR LOCAL ACCOUNTABILITY ARE ESTABLISHED AND IMPLEMENTED

Although enhanced accountability is a cross-cutting theme and thus integral to LGSP-LIC as a whole, a number of activities will be undertaken that are specific to this Output.

A. Local Government and Community Structures

LGSP-LIC will operate through the main local government institutions for participatory planning—primarily the elected Union Parishads but with the involvement of the Ward Development Committees for consultations at ward and village level—along the lines tested out under SLGDP. These WDCs are chaired by the UP (general) member from the ward and the UP woman member on a rotating basis (one is chair, the other vice-chair) and comprise five other local persons: a schoolteacher, a woman NGO member, and three persons of good standing in the community, at least one of whom must be a woman.

The Scheme Supervision Committees (SSCs) introduced under SLGDP will continue as a proven institutional innovation. The SSC is composed of seven persons chosen from amongst scheme beneficiaries, at least two of who must be women. It will monitor the quality of works and provide information on scheme costs and progress. LGSP-LIC must establish clear criteria for membership of this committee based on considerations such as residential proximity to the proposed scheme, commitment to the scheme, capacity, motivation and time to undertake the task of supervision.

Under LGSP-LIC the UP itself will be the key decision making body with advisory inputs from relevant standing committees - in particular for appraisal of project proposals. The Union Development Committee with extended UP membership, which was piloted under SLGDP, will not be implemented.

B. Accountability and Transparency

LGSP-LIC will continue to emphasise the importance of improving accountability and transparency over the devolved planning, budgeting and delivery of services at the UP level. The community structures and participatory processes established under LGSP-LIC will be designed to ensure accountability. In addition, there will be a range of other innovations that will strengthen accountability, transparency and sustainability of the LGSP-LIC reform process. In particular, support and incentives will be provided for UP ward members to provide regular feedback to their constituencies – on planning, budgets, and other aspects of UP management.

As with the larger LGSP, the LIC component will actively support public disclosure of information and strive to ensure that local citizens and civil society are better informed about the context and specifics of UP affairs (block grant allocations, performance outcomes, etc.).

LGSP-LIC will support the dissemination of scheme information by erection of notice boards, and budget allocations and information on UP accounts will be disseminated in similar ways. Open budget meetings and performance assessments of UPs by the community would be other ways of ensuring transparency and accountability. It may be useful to allow UPs to experiment with different modalities for communication to encourage innovation in terms of cost and impact.

In terms of “horizontal” accountability, LGSP-LIC will seek ways of operationalising the current legal provisions concerning the role of UPs in monitoring infrastructure and service delivery by Upazila level line departments. The aim will be to promote the monitoring of Upazila service delivery in the areas of education, health, water, sanitation, agriculture, etc., with a view to enhancing performance.

Several ways of doing this may be piloted – by encouraging a real and effective interface between UP sectoral standing committees and their local level service delivery counterparts, by supporting UDCC meetings that allow UP Chairmen to discuss service delivery in their jurisdictions, etc.

More widely, LGSP-LIC will support the UP Chairmen’s Upazila-level fora and UP women members’ fora in engaging with Upazila and district level officials as a general mechanism for enhancing “horizontal” accountability. Again, this will need to be undertaken in flexible and sensitive ways.

OUTPUT 4: MORE EFFECTIVE FRAMEWORK FOR CAPACITY DEVELOPMENT SUPPORT IS ESTABLISHED

Training is a key element of capacity building for local government institutions. Other elements underlying the capacity development strategy include procedural and systems development, including central government oversight and support mechanisms (Output 2) and the accountability and incentive framework (Output 3).

LGSP-LIC will provide training of trainers (ToT) with the involvement of the National Institute of Local Government (NILG) and other training institutions and NGOs. SLGDP assisted in the development of a range of standardised training manuals for UPs and communities which LGSP-LIC will utilise and build upon. Additional support will be provided to more sustainable institutional arrangements for training of UPs – strengthening NILG and gradually introducing a more demand led arrangement for training.

Illustrative Training Themes

- Roles and responsibilities of the UP (elected representatives, the UP standing committees, and UP staff);
- Rights and duties of local citizens in relation to UPs;
- UP council & committee meeting management;
- UP office management;
- The Public Expenditure Management cycle (as piloted under Output 2);
- Account-keeping and financial administration;
- Local tax and non-tax revenue collection and management (as piloted under Output 1);
- Management of civil registry functions (birth, marriage, death records);
- Management of local law and order by UP chowkidars

As far as possible, most of the supply-driven training and capacity development in support of local UP management structures (UPs, UP standing committees, SSCs, etc.) and committee members should be

provided by the Union Facilitation Teams (UFT), as tested under SLGDP. UFT members are selected from amongst the educated unemployed population in the Union on the basis of aptitude, interest, potential and commitment through a combination of interview and written test. Under LGSP-LIC it will be useful to strengthen the role of the UFT as an internally sustainable structure for the supply-driven provision of basic training and technical assistance as well as a mechanism to reduce the cost of external support. LGSP-LIC should consider expanding the role of the UFT to provide technical training in engineering construction, quality assurance and maintenance, and knowledge on agricultural and environmental management.

The current institutional framework for local government training in Bangladesh is performing poorly. The NILG is mandated to spearhead local government training and to undertake relevant local government studies, but it only marginally undertakes this function. Several development partner-funded programmes have supported UP training without effective coordination. UPs have in general limited or no influence on training curriculum or choice of training providers, as training is fully supply driven. A programme in support of NILG was recently formulated but suffered from a range of weaknesses, as the support was not linked to systemic reforms. The proposed LGSP-LIC seeks primarily to support the introduction of larger block grants for UPs but will also introduce a model for UP demand led training as funding for capacity building over time will be provided by the UPs from their block grants and own revenues.

As part of this process, LGSP-LIC will support NILG to undertake its new role within an updated (and more appropriate) framework for local government training as summarised in Table 4 below.

Table 4: Transformation of Local Government Training

| | Current Situation | Vision |
|-------------------------------------|--|--|
| Main modalities for training of LGs | Centrally defined, supply driven, training programmes, delivered by NILG, other training institutions or specific development partner projects | Training provided on demand by LGs according to local needs and priorities but centrally monitored and quality controlled. |
| Funding of training | Ad-hoc (and unpredictable) central government or development partner funding | Predictable long term financing of training controlled by LGs. Funding from LGs own revenue and central government transfers to LGs (possibly conditional grant funding for training). |
| Role of LGs (UPs) | Passive recipients | Actively defining training needs and responsible for procurement and management of training activities. |
| Role of NILG | Directly implementing training – often old-fashioned classroom style. | Research on training needs, curriculum development, coordination, quality assurance, and monitoring. |

The six districts supported under LGSP-LIC will serve as a “laboratory” for developing a more demand-led framework for UP capacity building (grounded in UNCDF experience in Uganda and Nepal). As the UPs receive increased funding in the form of block grants and as their own-source and other revenues increase, there will be scope for UPs to take on greater responsibilities for capacity building by self-financing of training (as already provided for in regulations, but so far not implemented in practice). In particular, LGSP-LIC will explore ways of using Upazila-level UP Chairmen’s forums as mechanisms for articulating and “pooling” local government demand for capacity development services – this may take the form of providing Upazila UP Chairmen’s forums with indicative annual “drawing rights”, with which they would be able to purchase capacity development services for their UPs, either on an individual basis or collectively (so as to capture economies of scale). If, as, and when the demand-driven capacity-building approaches piloted by LGSP-LIC prove both sustainable and positive, they will be progressively scaled up in the larger LGSP.

This approach to training will require the following:

- Development of a range of courses that cover all relevant needs of UPs, with some minimum standardisation;
- Creation of a network of trainers: training institutions, district trainers teams, NGOs;
- Raising the awareness of UPs on the availability of training courses and providers;
- Adequate funding at UP level to finance training.

The new role of NILG would require that it take a lead in developing the above. Such a substantial reorientation of NILG will require that the institute is supported with relevant technical assistance and exposed to relevant experiences in local government training management from other countries. LGSP-LIC support to NILG will be closely coordinated with that provided through WB funding for the larger, nationwide, capacity-building component of LGSP.

Support from LGSP-LIC will develop and test the procedures in the six districts and also provide support for a scaled up national capacity-building strategy through support to NILG and strong linkages with the larger LGSP.

Timing and Phasing of Support Activities

Support will be provided in two phases: (1) activities associated with training design and delivery of priority training essential for implementation and (2) subsequent training to meet UP needs. The experience in Sirajganj indicates a need to undertake a rapid review of existing needs and gaps and to provide select additional training. A work plan will be prepared during project inception.

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| OUTPUT 5: POLICY DEVELOPMENT IS INFORMED BY LESSONS OF PROGRAMME IMPLEMENTATION |
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Output 5 will focus upon strengthening overall policy analysis and policy development within MoLGRD/LGD.

Building on lessons from monitoring of programme implementation, LGSP-LIC aims to inform the development of a national decentralization policy framework over time and the broader strategy for implementing LGSP nationally. The following is an indicative list of key areas of policy where policy lessons will be monitored and discussed with national decision-makers, although there needs to be flexibility to address issues as they emerge over time:

1. Much clearer recognition and definition of the statutory roles and functions of UPs (currently listed rather loosely as 38 “subjects”) and their corresponding expenditure assignments (a) in basic infrastructure and service delivery; and (b) in targeted social protection and workfare programmes that UPs can realistically undertake.
2. An inter-governmental grant transfer mechanism anchored within GoB’s national annual development programme budgeting procedures that (a) provides an adequate amount of resources to UPs to allow them to meet their responsibilities; and (b) is equitable, stable, predictable and timely.
3. A robust, cost-effective and institutionally sustainable set of measures to promote UP performance, tied to the fiscal transfer mechanism, to promote compliance with basic statutory

requirements, better performance in managing expenditures and overall accountability and good governance. This mechanism will comprise (a) the eligibility & performance measures themselves, and (b) the most appropriate arrangements for assessment.

4. A clearer and expanded set of revenue assignments appropriate for UPs, to ensure that their own-revenue base is more substantial and that local taxpayer accountability mechanisms are promoted.
5. A set of officially endorsed procedures for management of public expenditure by UPs (i.e. planning, budgeting, procurement, O&M, reporting, audit, etc.) that promote transparent, pro-poor, and efficient use of local public funds and are sufficiently simple.
6. An institutional framework of supportive relationships between UPs and the UPZ administration that (a) promotes greater UP/UPZ coordination in planning; (b) feeds – where appropriate – community and UP plan priorities into UPZ department plans and budgets; (c) ensures greater technical support by UPZ line departments (especially from LGED and DPHE) for implementation of UP plans/budgets; and (d) ensures routine backstopping and advice by UPZ officials to UPs on basic regulatory, administrative and financial matters.
7. Formalized institutional arrangements at sub-UP level (e.g., Ward Development Committees) – that (a) generally promote expression of representative community voice and exert downward accountability on UPs; and (b) more specifically channel public input and priorities into the local PEM (planning, budgeting, etc.) process.
8. Procedures whereby UPs can hold accountable front-line service delivery staff (health workers, extension workers, etc) for their performance (in line with legal provisions).
9. A capacity development framework for periodic support to UP representatives and staff that (a) contains updated curricula and training messages relevant and useful to UPs; (b) makes use of the diversity of public and private agencies and NGOs in delivering this support; (c) re-orientates the role of NILG towards oversight, quality control and coordination of service providers; and (d) establishes arrangements whereby key UPZ staff (e.g., the Rural Cooperative Officer (RCO), with redefined job description, training, etc.) are able to provide routine backstopping and mentoring to UPs, as first port of call.

Experience has shown the need for strengthening the policy development role of LGD based, in turn, upon applied policy research and strengthened policy advocacy. The policy analysis/research function will aim to analyze the effectiveness and impact of the innovations introduced within LGSP-LIC, in regard to financing, public expenditure management procedures, capacity building and training arrangements, role of women members, etc. NILG will be closely associated with this work, thereby building its own capacity and policy-relevance.

Activities under this output will include commissioning of field research and case-studies to document and explore policy-relevant issues, the circulation of policy-relevant papers, the holding of workshops at national and local levels to discuss findings and recommendations, external technical assistance when necessary, and generally ensuring that lessons learned from pilot activities are widely disseminated and digested.

The larger, nationwide LGSP and its Learning and Innovation Component (LIC) will maintain a high degree of synergy. LGSP-LIC will ensure that any and all lessons learned from its pilot activities are fed into the Local Governance Consultative Forum (envisaged under LGSP as a whole), with a view towards informing “second generation” reforms that follow on from the initial roll-out of enhanced block grants, basic capacity-building and improved mechanisms for local accountability. In addition, LGSP-LIC – as a “process” style intervention – will provide the other components of the larger programme with

opportunities for exploring (in a more intensive way) any policy-level problems or issues that emerge during their implementation.

Under Output 5, LGSP-LIC will also support the Monitoring, Inspection and Evaluation (MIE) Wing of LGD to strengthen the *operational* aspects of programme implementation. This support will primarily focus on improving programme oversight, performance assessment, monitoring and field support functions.

GENDER STRATEGY: A CROSS-CUTTING THEME

The PRSP (NSAPR) gives special attention to issues of gender discrimination. Gender concerns will form an integral part of LGSP-LIC activities, with gender consideration in the improved planning and scheme implementation of UPs (output 2), in performance measures of UPs (output 1), in training (output 4), and in the research and advocacy component (output 5). Activities will be guided by a general Gender Strategy, which LGD will be supported to develop during the first year of implementation and which will be updated during the programme period. The inclusion of gender issues in activities will be ensured by developing gender sensitive terms of reference for all studies and by provision of gender expertise on a short-term basis where relevant – e.g., in the development of the Gender Strategy.

Specific gender-related activities under LGSP-LIC will include:

- Development of a Gender Strategy, which will address the design and implementation of gender development indicators within the programme monitoring system to be integrated into the LGD performance monitoring system and supported by LGSP-LIC.
- Replication of women's forums established at Upazila/District level in Sirajganj to other districts as a way to raise and respond to women's concerns on a collective basis, and strengthening of linkages between these forums and the women and child welfare departments at the Upazila levels and NGOs.
- Creation of a special fund pipeline routed through women councillors to fund projects specifically aimed at poor and vulnerable women. This pipeline may initially be funded under UNCDF/UNDP and the impacts tracked and reported to the Government at a later date for possible inclusion in the wider fiscal framework. UNCDF/UNDP may seek partner development partner funds for this component.
- Exploration of gender budgeting techniques as possible tools for improved local government planning and budget procedures.
- Special focus on gender sensitivity and gender development training as part of programme support to NILG extension training services, and discussions with Government on adequate female professional staffing levels at NILG.

RISKS & RISK MITIGATION

The LGSP-LIC faces a similar set of risks as apply to the wider LGSP itself. These are outlined in the Table below, along with the risk mitigation measures built into the project design and a "risk rating". The project will manage critical risks through simultaneously strengthening and embedding in the design:

- a) Mechanisms of community participation in decision-making and oversight of outputs;
- b) Complementary GoB regulation (through grant rules) and financial, procurement and social monitoring and independent auditing;
- c) Central policy evaluation capacity to continue to fine-tune approaches to risk management
- d) Extensive consultations with civil society in project design and implementation

| Potential risks | Risk Mitigation Measures | Risk Rating |
|--|---|-------------|
| Financial malfeasance | <ul style="list-style-type: none"> Build systems of financial management, oversight and sanctions, alongside training on reporting and spending procedures. Empower communities to demand accountability and make public information disclosure by LG a condition of grant disbursement. Support GoB's supervisory role in ensuring community participation Support independent audits and enforcement of penalties for mismanagement, and spot audits on the credibility of financial assurance process / outputs Engage civil society in project preparation / implementation so that voices of the communities are heard. | S |
| Delay or loss of funds in transmission | <ul style="list-style-type: none"> Transparent allocation and disbursement procedures for grants Direct transfer via commercial bank, with MoU and reports Mandatory UP reporting linked to disbursement cycle, with future releases dependent on receipt of reports | N |
| Capture of LGs | <ul style="list-style-type: none"> Strengthen inclusive mechanisms of community participation and oversight, and requirements for transparent decision-making. Central monitoring to guarantee participation and oversight at local level. Phased implementation to allow learning / redesign. Independent disclosure of allocations to UPs via the independent media; Mandatory, independent and public assurance process at UP level | S |
| Weak local government capacity and insufficient nationwide capacity support mechanisms | <ul style="list-style-type: none"> UP capacity building activities in financial management, planning, project management and reporting, provided within an incentives framework alongside information dissemination to communities to hold UPs to account Annual work program with benchmarks to strengthen NILG coordinating and monitoring capacity to utilize innovative and competitive means of obtaining IEC & capacity support services through regional service providers Phased implementation to allow learning / redesign. | S |

| | | |
|---|--|---|
| Weak financial management capacity in UPs and MLGRD&C | <ul style="list-style-type: none"> Financial management improvement plan will be in put in place, including capacity support from project and simplified, consolidated FM procedures. Predictable, transparent allocation and disbursement of block grant synchronized with UP budget cycle and MTBF Grant conditions create incentives for compliance with requirements Dedicated financial management capacity to be installed in MLGRD&C "Insourcing" of audit capacity, establishment of audit review panel | S |
| Integrity of the audit process | <ul style="list-style-type: none"> UP annual allocations dependent on receipt of audit opinion that is unqualified or with non-fundamental exceptions Mandatory requirement for local public disclosure of audit findings contractually imposed on independent CA CAG to pre-qualify the list of CAs, establishment of audit review panel, CAG sample audit of 20% of independent audits, with additional IDA supervision Enhanced self regulation by ICAB | S |
| Weak procurement capacity and experience | <ul style="list-style-type: none"> Training and community awareness programs at UP level, adoption of standard procedures outlined in simplified procurement manual, and regular supervision Procurement unit established in Ministry with adequate personnel, regular training workshops, and regular supervision | H |
| Policy uncertainties in intergov. System | <ul style="list-style-type: none"> Strengthening UPs as accountable tier of government reduces this uncertainty and will support community voices in policy debates. Involving and supporting national-level civil society in project preparation and implementation. Providing support for policy analysis and development to LGD. | M |
| Reduced oversight by UNO | <ul style="list-style-type: none"> One set of quarterly reports to UNO, with opportunity to transparently recommend withholding of grants for non-performing UPs BGCC with UP and Upazila level officials as members for collective monitoring and grievance redress | M |

| | | |
|---|--|---|
| Mis-targeting of social protection | <ul style="list-style-type: none"> • Independent continuous monitoring by an external agency. • Regular open community meetings on beneficiary selection at ward and UP levels. • Complaints and grievance mechanism where concerns can be raised. • Empower communities to demand accountability and make public information disclosure by LG a condition of grant disbursement. • Support GoB's supervisory role in ensuring community participation • Support independent audits and enforcement of penalties for mismanagement, and spot audits on the credibility of financial assurance process / outputs • Engage civil society in project preparation / implementation so that voices of the communities are heard. | S |
| Leakage of social protection benefits during delivery | <ul style="list-style-type: none"> • Mandated three party signature process for benefit transfer to each beneficiary (women member for the ward, ward representative and UP chairperson or designee.) • Complaints and grievance mechanism where concerns can be raised. | S |
| LIC does not exert influence over broader LGSP | <ul style="list-style-type: none"> • Adoption of a single, unified LGSP/LIC management & monitoring framework • LIC PEM and other innovations to be rolled out through LGSP capacity-building activities • Joint WB/UNCDF/UNDP supervision | M |

Rating: H (High); S (Substantial); M (Modest); N (Low or Negligible)

PART III: MANAGEMENT & FINANCING ARRANGEMENTS

General Management Arrangements

LGSP-LIC will be implemented as an integral component of the broader, nationwide LGSP. In order to provide for national level oversight and inter-institutional coordination of the programme, GoB ownership and oversight of LGSP (including LIC) will take two principal forms: (i) an operational Programme Steering Committee, comprising the relevant heads of department/government officers directly involved in programme execution, and including development partner (World Bank, UNDP, UNCDF, EC, Danida, and SDC) membership; (ii) the organization of twice-yearly national LGSP workshops to be held by MLGRD&C, with a broad range of stakeholders participating, to review progress in strengthening local governance. These workshops will provide an opportunity for Government to present progress, monitoring and evaluation reports generated through LGSP activities (including those of the Learning and Innovation Component), identify and discuss implementation issues, and receive inputs to the policy making process from UP representatives, civil society, and development partners in a manner that encourages broader ownership of the reform agenda.

DG, LGD will be the National Project Director (NPD) and Joint Secretary (Admn) LGD will be the Focal Point for the LIC with the responsibility for providing substantive guidance and support in achieving the outputs and assist the National Project Director in formulation of policy relevant to Union Parishads based on the proven learning from LIC implementation.

The LGSP Steering Committee will play the role of Project Board (PB) for the LIC in accordance with UNDP NEX / Revised NEX Manual. As described above, the Steering Committee (Board) will be chaired by the Secretary LGD. UNDP will be represented on the Steering Committee by the Country Director or Deputy Country Director.

The Project Executive Group (PEG) will consist of the National Project Director, LIC-Focal Point, the National Project Manager/Project Monitoring Adviser, the UNDP/UNCDF Local Governance Adviser (in a project assurance role), and representatives of implementing partners (e.g., NILG, UPs). The PEG will be responsible for implementation of the annual work plan endorsed by the Steering Committee (Board). The PEG will endorse the quarterly work plan, which will be an instrument of authorization for the Project Manager to deliver results. The project assurance role will be the responsibility of UNDP/UNCDF.

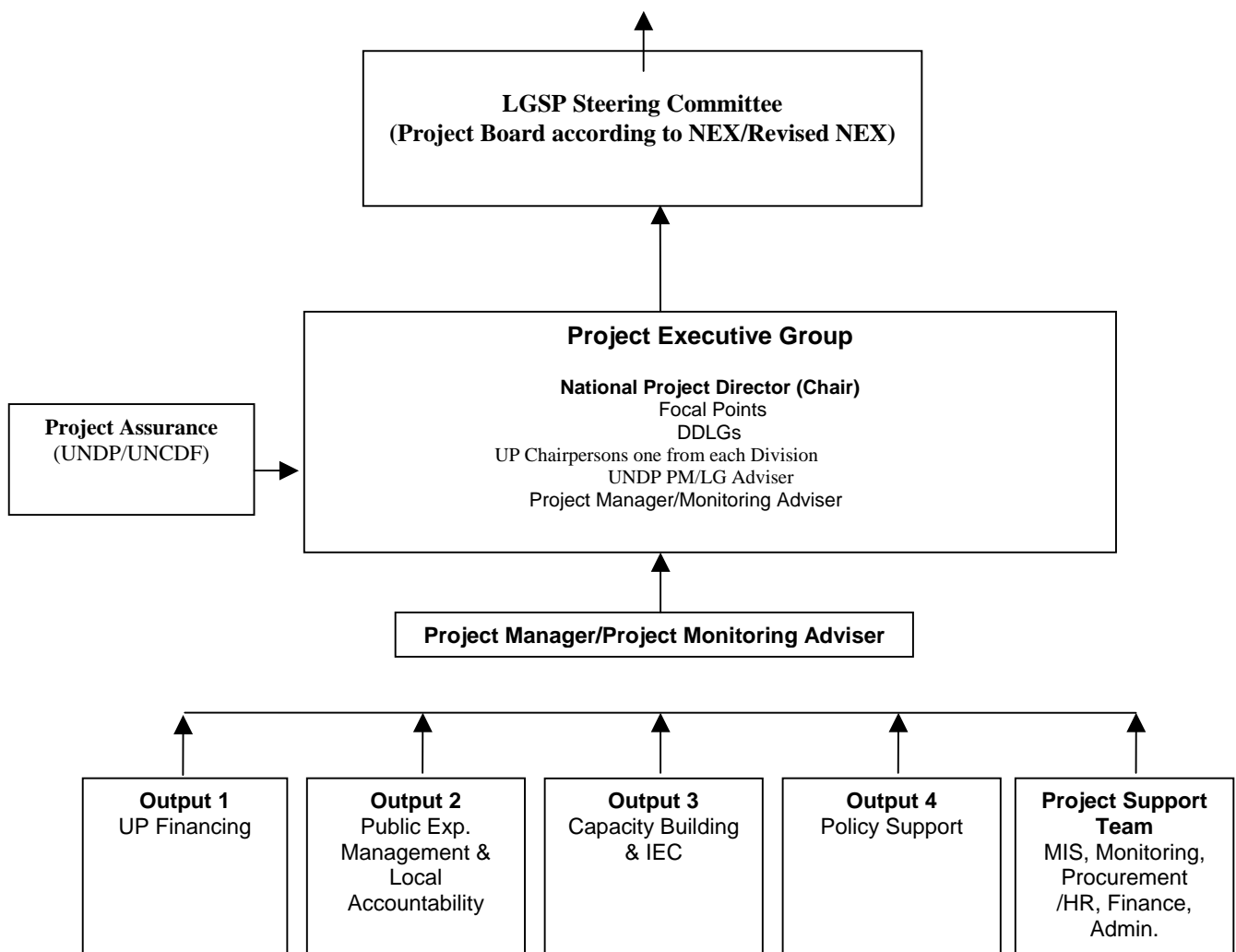
The Government's representative in the PEG will be the National Project Director (NPD), who will chair the PEG. The NPD will be responsible for coordinating and providing project inputs to the Project Steering Committee (Board) and to relevant Government bodies for incorporation into national policy and institutional changes. The NPD will report to the Project Steering Committee (Board).

The National Project Manager/Project Monitoring Adviser will be responsible for delivery and management of technical expertise, ensuring high quality and timely international and national inputs, and for ensuring that the project maintains its strategic vision and that its activities result in the achievement of its intended outputs in a cost effective and timely manner. S/he will head the Project Team and will be responsible for delivering the outputs. The Project Manager/Project Monitoring Adviser will report to the NPD through the focal point in respect to the programmatic issues.

The NPD and the Project Manager/Project Monitoring Adviser will benefit from networking opportunities available to them as members of UNDP's Programme Implementation Team.

Figure 1

LGSP-LIC PROJECT MANAGEMENT STRUCTURE



Technical Assistance - The Project Team

In order to give LGD/MIE and NILG the support that they need, LGSP-LIC will provide a range of technical assistance:

- One (1) full-time national Project Manager /Project Monitoring Adviser (based in LGD/MIE), with primary responsibility of assisting the NPD in overall management & coordination of LIC activities and for providing LGD with advice and monitoring support in the light of LIC and wider LGSP implementation; will be responsible for delivery and management of technical expertise and for ensuring that LIC maintains its strategic vision and that its activities result in the achievement of its intended outputs in a cost effective and timely manner. S/he will head the LIC Project Team and report-to the NPD through Focal Point in relation to the programmatic issues.
- One (1) full-time national Monitoring and Evaluation (M&E) Officer (based in LGD/MIE), who will be responsible for assisting in the management of data and information concerning LIC activities in the six LIC Districts. S/he will also liaise closely with the World Bank supported MIS position in monitoring the overall progress of LGSP implementation;
- One (1) full-time national Local Public Expenditure Management (PEM) Adviser, based in NILG and responsible for assisting in the development of appropriate PEM systems and procedures for UPs and other elements of the sub-national framework. S/he will work closely with any other NILG technical assistance;
- Two (2) full-time national Financial Assistants;
- Two (2) full-time national Computer Operators/Secretaries;
- Two (2) full-time national Data Keepers;
- Nine (9) full-time national Project Drivers;
- Short term (international) technical assistance in two key areas:
 - (i) Local PEM, with responsibility for assisting the national Local PEM Adviser in the development of innovative and improved systems and procedures for UP planning, budgeting, implementation, financial management, and oversight. Any such technical assistance for local PEM in the six LIC Districts will be closely coordinated with the World Bank-supported Public Financial Management (PFM) Unit in LGD;
 - (ii) Capacity building, with specific responsibilities for providing strategic advice on capacity development for the UPs and other GoB institutions in the six LIC Districts and for assisting in the design of a demand-driven mechanism for UP capacity development. S/he will also be generally responsible for providing backstopping to the full-time, LIC Local PEM Adviser and the National Capacity Building Adviser (funded through the World Bank) who will both be based in NILG.
- Flexible, short term (international and national) technical assistance to LGD and to NILG to respond to emerging policy, training, systems development and other issues.

At district level, LGSP will – during an initial period of two years – assign a District Facilitator to guide training and community mobilisation procedures and to act as focal point. In each of the six LIC districts, a District Programme Committee may also be established (although this may also be merged with the statutory District Development Coordination Committee (DDCC)). Below district level all coordination will take place through normal existing local government structures.

In agreement with LGD and the World Bank, UNCDF/UNDP will also hire and manage the technical assistance support to the US\$ 2.1m Social Protection component of LGSP to be implemented in Sirajganj district, in view of the efficiencies and coordination advantages which result. See Social Protection Annex 11 to this document.

Development partners (UNDP, UNCDF, EC, Danida) Inputs:

UNDP, EC, Danida through a cost sharing partnership will fund the national technical assistance inputs (Project Team, advisors, consultants, training, workshops, etc.) and associated office hardware and vehicles (for use in the project activities by the project related government officials & project personnel/advisers) for Outputs 2-5. These costs are specified in the Budget attached.

UNCDF/EC/Danida will co-fund the costs of Output 1, the enhanced and performance-linked block grant mechanism, plus minor hardware items for UP offices, and will also fund costs of international advisors and consultants for other Outputs. These costs are specified in the budget attached.

UNCDF will provide the technical backstopping support.

Equipment & Vehicle

1. Vehicle 4WD – 10 Nos. (NPD, PM, NILG, FP, 6 LIC districts) - 6 to be procured and 4 vehicles will be transferred from SLGDP.
2. Motor Cycle- 41 Nos. (For UCOs)
3. Photocopier- 10 Nos
4. Computer with accessories- 50
5. FAX Machine- 06
6. Multimedia with Laptop –03
7. Air Conditioners –10
8. Office Furniture

GoB INPUTS:

GoB (through MLGRD&C, NILG and participating UPs) will:

- Allocate development funding to UPs in the form of base block grant funding;
- Provide office space, furniture, telephone for LGSP-LIC's full-time technical advisers/assistants in LGD/MIE and NILG;
- Provide office space, furniture, telephone for the capacity-building adviser in NILG;
- Provide office space, furniture, telephone to six District Project Facilitators close to DDLG's office;
- Ensure that DDLGs are posted in all six Districts,
- Ensure that Rural Cooperative Officers (RCOs) are posted in all Upazilas of the six districts;
- Provide accountants to support the DDLGs for LGSP-LIC implementation in all six districts;
- Provide funding for annual national assessments of UP performance;
- Assign new working and reporting responsibilities to the Upazila Cooperative Officers (UCOs) and/or Assistant Rural Development Officers (ARDOs) (see Annex 3);
- Provide CDVAT for imported equipment and vehicles.

GoB will also allocate IDA loan proceeds to LIC to cover the costs of the LGSP Social Protection Component technical assistance team.

IMPLEMENTATION ARRANGEMENTS

Along with LGSP, Local Government Division will implement the day to day activities of LIC.

UNCDF, given its specialized capacity in the area of LG, will provide overall technical direction. Specifically, it will support for those activities requiring International Inputs, and undertake recruitment of International consultants and related international technical assistance services for which it has expertise and advantage.

UNDP will support procurement of International / national consultants, Project staff and related nationally-sourced goods and services applying NEX / Revised NEX Manual .

SUMMARY OF LIC COSTS & FUNDING

| BY EXPENDITURE CATEGORY | US \$ |
|---|-------------------|
| UP BLOCK GRANTS | 10,400,000 |
| TRAINING | 3,500,000 |
| NATIONAL PROJECT STAFF | 908,000 |
| S/T NATIONAL EXPERTISE | 520,000 |
| S/T INTERNATIONAL EXPERTISE | 675,000 |
| UP PHYSICAL SUPPORT | 600,000 |
| STUDY, RESEARCH, COMMUNICATIONS | 150,000 |
| VEHICLE & EQUIPT | 665,000 |
| LOCAL TRAVEL | 150,000 |
| BACKSTOPPING, SUPERVISION & EVALUATION | 450,000 |
| MISCELLANEOUS | 100,000 |
| TOTAL | 18,118,000 |
| BY OUTPUT | US\$ |
| Output 1: UP FINANCING | 10,970,000 |
| Output 2: IMPROVED LOCAL PUBLIC EXPENDITURE MGM | 2,075,000 |
| Output 3: ENHANCED LOCAL ACCOUNTABILITY | 1,000,000 |
| Output 4: MORE EFFECTIVE LOCAL CAPACITY DEVELOPMENT FRAMEWORK | 1,400,000 |
| Output 5: POLICY DEVELOPMENT INFORMED BY PROGRAMME LESSONS | 350,000 |
| Output 6: PROJECT SUPPORT | 2,323,000 |
| TOTAL | 18,118,000 |

The amount of GMS has not been included in this budget.

The Table above presents costs over a 5-year project period, including 4 annual cycles of performance block grant funding. These costs are detailed in Annex 10. Of the total costs of US\$ 18,118,000, funding will be provided as follows:

FUNDING BY DEVELOPMENT PARTNER – US\$ (Direct Costs)

| RESULTS/Inputs | COSTS | FUNDING | | | |
|---|-------------------|------------------|------------------|--|------------------|
| | | UNDP | UNCDF | EC | DANIDA |
| RESULT AREA 1 - Block Grants | 10,400,000 | - | 1,700,000 | 7,150,000 <i>NIP 1,363,084</i> <i>FS 5,786,916</i> | 1,550,000 |
| RESULT AREAS 1-6 Technical Assistance-related inputs & minor hardware | 7,718,000 | 1,793,047 | 810,000 | 4,664,953 <i>NIP 4,664,953</i> | 450,000 |
| TOTAL | 18,118,000 | 1,793,047 | 2,510,000 | 11,814,953 | 2,000,000 |

EC funding will be provided from two sources:

- National Indicative Programme – NIP (SLOG - supporting local governance), divided between support to TA-related activities (\$ 4,458,000 or E 3.5 million) and for block grants (\$ 1,542,000 or E 1.2 million);
- FS (Food Security) entirely devoted to block grant support (\$ 5,608,000 or E 4.35 million).

DANIDA funding (*US\$ 2,000,000 or DKK 12,000,000*) will be provided from its *Human Rights and Good Governance* Programme in Bangladesh for support to block grant (\$1.55 million) and for training and TA related activities (\$.45 million)

In addition, GoB (with World Bank support) will provide approximately US\$ 10.12 million to qualifying UPs in the 6 Districts as parallel funding in the form of basic LGSP block grants.

LIC WITHIN THE OVERALL LGSP BUDGET

Below is the overall cost and financing structure for LGSP, of which LIC is one component:

Cost Structure

| LGSP Component | Estimated and rounded up cost (US\$ millions) | Estimated and rounded up cost (millions Tks) |
|--|---|--|
| 1. Fiscal Transfers (GoB and WB) | 165.50 | 11,419.50 |
| 2. Institutionalizing Accountability (GoB and WB) | 3.20 | 220.80 |
| 3. Support Core LG Capacity Development (GoB and WB) | 16.40 | 1,131.60 |
| 4. Support to Performance Review and Policy Development (GoB and WB) | 2.70 | 186.30 |
| 5. Social Protection Pilot (GoB and WB) | 2.10 | 144.90 |
| 6. Learning and Innovation (GoB and UNDP/UNCDF/EC/Danida) | 18.11 | 1,249.50 |
| Total | 208.01 | 14,352.60 |

Financing Plan

| Source of funds | Amount (millions US\$) | Amount (millions Tks) |
|--------------------------|------------------------|-----------------------|
| Government of Bangladesh | 78.40 | 5,409.60 |
| IDA/SDC | 111.50 | 7,693.50 |
| UNDP/UNCDF/EC/Danida | 18.11 | 1,249.90 |
| Totals | 208.01 | 14,352.60 |

LIC FUND FLOW ARRANGEMENTS

The main part of LIC funding is comprised by the Block Grant investment transfers – the arrangements here will be the same as those adopted for LGSP as a whole.

UNDP/UNCDF under standard UNDP/development partner contribution agreements and a Memorandum of Understanding between UNDP and UNCDF will manage all LIC funding. All UNDP and UNCDF-funded expenditures will be managed and audited in accordance with standard UNDP and UNCDF procedures. All block grant funds (from UNCDF, EC and Danida) will be transferred semi-

annually to a special MLGRD&C account, and from there they will be released to UPs through the commercial bank system in two releases within a fiscal year as follows:

- MLGRD&C will instruct release of the first half of the total block grant for all the eligible UPs and have its Chief Accounts Officer (CAO) issue a single check for the total amount for depositing to a designated account of MLGRD&C in a commercial bank (Sonali Bank).
- The commercial bank (Sonali Bank) will be instructed by MLGRD&C to affect onwards transfer to all the eligible UP bank accounts in the six LIC Districts.
- Receipt of the financial/utilization report for the first quarter ending October 31st from UPs at the MLGRD&C's monitoring wing will be a pre-condition for transfer of the second annual release to the UPs.
- The commercial bank will provide a report to the MLGRD&C on the actual transfer of the funds to the UPs.
- The UPs will also confirm receipt of the funds through the quarterly reports submitted to MLGRD&C.

The Upazila Nirbahi Officer (UNO) will receive a copy of the quarterly reports from UPs and will continue to carry on the monitoring and supervision of the UP activities including use of block grants. UNOs will have the authority to advise MLGRD&C to stop disbursing the second release to a UP if there is evidence of serious irregularity in utilization of the block grant. MLGRD&C will advise transfer of second release to all the UPs that received the first release unless a UP failed to submit the second quarter report or a stop disbursement advice was issued by the UNO. A valid legal agreement between the MLGRD&C and the UP will be a requirement for disbursements of the grants.

PART IV: MONITORING & EVALUATION

Monitoring and evaluation of project activities

The national Project Manager/Project Monitoring Adviser and the national M&E Officer will ensure the design of a robust monitoring and evaluation system. This M&E system will:

- Provide stakeholders (GoB, local authorities, UNDP, UNCDF, other co-funding partners, etc.) with information on project progress against assigned outputs and activities. This will ensure that corporate reporting requirements are adequately met. This will be based on the corporate UNCDF MIS system.
- Ensure that there are adequate “process” indicators, which will track the *quality* of the processes and procedures being piloted by the project, and their likely impact on service delivery. This aspect of the M&E system will be based on the applied research supported under output 5 of LGSP-LIC.
- Provide information on the capacities and functional performances of UPs – in order to assess the impact of capacity building activities and target further interventions. This will be based on the annual assessments of UP performance as supported under output 4.

Semi-Annual, mid term and final evaluations/reviews

The LGSP – including the LIC – will be subject to semi-annual joint supervision missions, to be conducted by the World Bank and UNCDF/UNDP, in close partnership with LGD, which will review overall implementation progress and recommend adjustments in strategy or focus where needed. These missions will be prepared and conducted in close consultation with other funding partners.

A mid term evaluation/review (MTE/R) of the project will be undertaken 24 months after project start-up, thus coinciding with completion of the first allocation of block grants to UPs, and in conjunction with the MTR for LGSP as a whole. The review will:

- Assess overall project progress to date;
- Evaluate and (if necessary) fine tune arrangements for planning, budgeting, financing and implementation of UP block grants with particular emphasis on guiding the strategy for up-scaling – to determine whether the annual assessments system is sufficiently robust to use as a basis for national demand-led up-scaling or if the up-scaling should proceed by inclusion of a specific number of additional districts.
- Examine project management and institutional arrangements to ensure that they are adequate for and consistent with the attainment of expected project results and the implementation of agreed project activities.

A final outcome evaluation will take place approximately three months prior to the expected completion of the project.

Monitoring and supervision of LGSP-LIC will be undertaken as a joint GoB/World Bank/UNDP-UNCDF process, associating also EC, DANIDA and other partners, encompassing all components of LGSP as a whole.

PART V: LEGAL CONTEXT

This Project Document (Prodoc) shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Bangladesh and the United Nations Development Programme, signed by the parties on 26 November 1986. The National Executing Agency and Implementing Agencies shall, for the purpose of the Standard Basic Assistance Agreement, refer to the government cooperating agency described in that Agreement.

The following types of revisions may be made to this Prodoc with the signature of the UNDP Resident Representative/ Country Director only, provided he or she is assured that the other signatories of the Prodoc have no objections to the proposed changes:

- (i) Revisions in, or addition to, any of the annexes of the Prodoc;
- (ii) Revisions, which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangements of inputs agreed to or by cost increases due to inflation; and
- (iii) Mandatory annual revisions, which rephrase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility.

The Prodoc is, for all purposes related to implementation, the legal document by which UNDP and GoB will be bound. The Government of Bangladesh may prepare for its own internal planning and approval purposes a matching document such as Technical Project Proforma (TPP) or Development Project Proforma (DPP). All efforts must be made to ensure that the provisions of the concerned TPP or DPP prepared for the project are identical to those in the signed Prodoc. However, in the event of any discrepancies between the Prodoc and a related GoB document (including, but not limited to, discrepancies in terms of financial provisions), the provisions outlined in the signed Prodoc are to be upheld.

SECTION II – RESULTS AND RESOURCES FRAMEWORK

| |
|--|
| Intended Outcome as stated in the Country Programme Results and Resources Framework: 1.5 Local governance capacities enhanced |
| Outcome indicator as stated in the Country Programme Results and Resources Framework Number of UPs allocated performance-based bonuses Number and size of block grants transferred Number of schemes implemented via to community plans |
| MYFF Service Line: 1.2 Pro-poor policy reform to achieve MDG targets 2.1 Policy support for democratic governance 2.6. Decentralisation, local governance and urban/rural development 2.7. Public administration reform and anti-corruption |
| Partnership strategy The Project will be executed by MLGRD&C LGD and implemented by LGD MIE Wing, UPs and NILG LGSP-LIC will be an integral component of the national LGSP (funded by GoB and WB) UNDP, UNCDF, EC Danida and GoB will jointly fund the Project in accordance with pre-determined modalities Cooperation under the LGSP is pursued with other development partners (in particular WB, EU, Danida, DFID, SIDA and SDC) engaged in related activities. Locally, partnerships will be promoted between UPs and local NGOs and private firms |

| |
|---|
| Project title and ID: Local Governance Support Project - Learning & Innovation Component (LGSP-LIC) |
| <p>Project outcome: Improved Union Parishad capacity for effective, efficient and accountable delivery of pro-poor infrastructure & services.</p> <p>Indicators:</p> <ul style="list-style-type: none"> • Improved access to public infrastructure (no of schemes) • Improved quality of service delivery (scheme/asset value, cost, durability, transparency) • Improved legal and regulatory framework for decentralised service delivery at UP level. |

| Intended Outputs | Output Targets (yrs) | Indicative Activities | Inputs |
|--|---|--|--|
| <p>Output 1: Increased financial resources are made available to UPs in equitable and appropriate ways</p> <p><i>Indicators:</i></p> <ul style="list-style-type: none"> Predictable formula based allocation mechanism developed Increased discretionary funding Timely flow of funds Procedures for incentivising Union Parishads performance improvement institutionalised No of schemes implemented by UPs Improved revenue collection by UPs | <ul style="list-style-type: none"> Guidelines developed for ADP funding to UPs as block grant for 6 pilot districts (2007) Performance assessment arrangements established and assessment teams trained Performance assessments undertaken in a satisfactory and timely manner each year for all UPs in the 6 Districts UPs qualify for performance funding in increasing numbers from year to year: 40%-60%-75%-85% GoB adopts the performance-based methodology for UP funding nationwide Other funding agencies cost-share and/or replicate the performance-based funding approach Average annual increase of own revenue collection in all UPs 25% | <ol style="list-style-type: none"> Draft guidelines (formula, access conditions, performance measures, menus of investments, co-funding requirements etc) Disseminate guidelines to GoB officials, UPs and the public Disburse (quarterly/semi-annual) allocations Monitor and report progress in funds disbursement and utilisation Support local revenue collection processes | <p>TA</p> <p>UP Performance-based Block grant budget support funds</p> |

| Intended Outputs | Output Targets (yrs) | Indicative Activities | Inputs |
|---|--|---|---|
| <p>Output 2: Improved public expenditure systems for local government institutions (UPs) are developed and used</p> <p>Indicators:</p> <ul style="list-style-type: none"> UP prepared pro poor and gender sensitive 5 year Development Plans and annual action plans and budgets Special budgetary allocation for addressing vulnerability and gender Improved procurement practices Effective Scheme implementation system in place UDCCs technically coordinate UP plans UP budgetary provision for O&M Timely technical support from Upazila (LGED) for technical design and certification of works Upazila (UCO) giving support for community mobilisation at Union and ward levels | <ul style="list-style-type: none"> Planning & Implementation guidelines developed and disseminated (2007) Participatory planning operational in 30% of UPs in 2007 increasing to 100% by 2010. All plans include provision for O&M and 30% of schemes are exclusively identified by women's groups (2007+) Tendering undertaken at UP level and threshold for tendering increased to T100,000 (2007+) Scheme Supervision Committees operational for 100% of all works (2007+) Weatherproof notice boards covering 100% of schemes modified to include O&M requirements Development of guidelines to DDLG and UNOs for UP supervision, mentoring and internal audit (2007) Reduction of waiting time for in LGED approvals and design reduced by 30% (2007), UCO support UFTs and UPs in 30% of UPs (2007) gradually increasing to 100% by 2009. | <p>2.1 Develop Planning & Implementation guidelines</p> <p>2.2 Recruit and train UFTs</p> <p>2.3 Modify procurement guidelines</p> <p>2.4 Train and support UPs on tendering procedures and tender evaluation process</p> <p>2.5 Train UFTs on construction techniques & works monitoring</p> <p>2.6 Support UFT roll out of technical training for WDCs & SSCs</p> <p>2.7 Review experiences of DDLG and UNOs in undertaking UP supervision, mentoring and internal audit –</p> <p>2.8 Develop manual and training materials for DDLG and UNO support to UPs</p> <p>2.9 Study bottleneck in LGED support to UPs – introduce procedures for UP reimbursement of LGED expenses</p> <p>2.10 Train UCOs in participatory planning and scheme implementation procedures.</p> <p>2.11 Support regular mentoring/oversight of UPs by DDLGs</p> <p>2.12 Support regular oversight/mentoring of UPs by UCOs</p> <p>2.13</p> | <p>Local TA</p> <p>Workshops and training sessions</p> <p>UFT ToT</p> <p>TA for by UFTs at community level,</p> <p>Training on tendering to UPs,</p> <p>UFT training & roll-out of technical training on construction techniques to WDCs and SSCs</p> <p>Vehicle and equipment for 6 DDLGs</p> <p>Motorbike for UCOs in six districts</p> |
| Local Governance Support Programme: Learning & Innovation Component | | | |

| Intended Outputs | Output Targets (yrs) | Indicative Activities | Inputs |
|--|---|---|---|
| <p>Output 3: Enhanced mechanisms for local accountability are established and implemented</p> <p><i>Indicators</i></p> <ul style="list-style-type: none"> Public dissemination of UP budgets, accounts and scheme implementation arrangements Regular feedback to Ward constituents by UP members UP standing committees interact on a regular basis with line departments Upazila level fora for UP Chairmen monitor service delivery UP women members' fora interact with line departments on service delivery issues | <ul style="list-style-type: none"> Dissemination of UP budgets and accounts in 30% of UPs in 2006⁷ increasing to 100% by 2010 Scheme notice-boards erected for all UP-funded projects (2009) Regular (quarterly) Ward meetings facilitated by UP members in Xx% of UPs (2009) Xx% of UP standing committees meet on a regular basis with relevant line departments Xx% of UP Chairmen Fora meet on a regular basis with line departments (2009) Xx% of UP women members' fora meet on a regular basis with line departments (2009) | <ul style="list-style-type: none"> 3.1 Support IEC campaigns 3.2 Train UPs in communications skills 3.3 Train UP standing committees on roles and responsibilities 3.4 Support UP Chairmen's' Fora at Upazila level 3.5 Support UP women members' fora | <p>Public awareness campaigns, posters, notice boards, publicity & leaflets</p> <p>Training & workshops</p> <p>Facilitation</p> |

| Intended Outputs | Output Targets (yrs) | Indicative Activities | Inputs |
|---|---|---|---|
| <p>Output 4: More effective framework for capacity development support is established</p> <p><i>Indicators:</i></p> <ul style="list-style-type: none"> • Strategy for LG Training • Strategy for NILG capacity enhancement • Standard training modules • UPs planning and financing own capacity building • Training evaluations | <ul style="list-style-type: none"> • Strategy developed on LG Training, TNA procedures involving UPs, funding mechanisms, oversight, M&E and QA (2007) • Strategic plan for capacity enhancement of NILG (2007) • Xx NILG and DLG staff with skills and experiences in HRD for autonomous LGs (2007+) • Xx Standard training modules reviewed and improved as appropriate for TOT delivery and responding to LG demands • Procedures developed and implemented for UP demand led training funded through share of block grant (2008) • UPs plan and budget for training and other capacity building (xx UPs implement own funded capacity building 2008+) • Training evaluation mechanisms developed and implemented (2008+) | <ul style="list-style-type: none"> 4.1 Provide consultancy for development of strategy for gradual introduction of demand led training in UPs 4.2 Organise consultancy and workshop for development of strategic plan for NILG, 4.3 Conduct TNA of NILG and DLG staff for improved skills in HRD management in LGS, 4.4 Train NILG/LGD staff 4.5 Organise study tours and peer-learning activities 4.6 Support TOT by NILG and DLG staff for District and Upazila personnel | <p>International and national TA</p> <p>Workshops</p> <p>Training</p> <p>Institutional linkages/ academic link for NILG and DLG staff & exchange visits</p> <p>Strategic study tour/s</p> |

| Intended Outputs | Output Targets (yrs) | Indicative Activities | Inputs |
|--|---|--|--|
| <p>Output 5: Policy development is informed by lessons of programme implementation</p> <ul style="list-style-type: none"> Improved legal and regulatory framework for UPs Documented experiences of UP block grant funding Proposals for refined policy, legal and regulatory framework MIE Wing with reliable UP performance data DDLG performing LG MIE effectively, Sharing GOB policy papers on LG with the region through the UNDP regional centres | <ul style="list-style-type: none"> Block grant regulations (2007), UP Procurement Regulations 2007), Research findings on UP block grant funding (2007+) Proposals for refined policy, legal and regulatory framework for UPs (2008+) Gender strategy for LG Adequate LGD/MIE database on Xx% of UPs Establish knowledge networking with UNDP regional centres | <ul style="list-style-type: none"> 5.1 Develop research methodology and work plan 5.2 Conduct field research based on quantitative & qualitative analysis 5.3 Support LGD/MIE policy analysis functions 5.4 Monitor LGSP implementation 5.5 Organise national and local-level workshops 5.6 Organise study tours 5.7 Backstopping support from UNCDF/UNDP regional centres 5.8 GOB participation in policy workshops at the regional centres | <p>International and local TA for policy advice and policy research</p> <p>Field researchers & research costs</p> <p>Policy seminars and meetings</p> <p>Study Tours</p> |

| Intended Outputs | Output Targets (yrs) | Indicative Activities | Inputs |
|--------------------|--|---|---|
| 6. Project support | <ul style="list-style-type: none"> • Project support team recruited • Equipment/vehicle(s) procured • Operations & maintenance costs covered • Timely reporting and accountability of project funds • Mid Term Reviews (2009) | 6.1 Establish project support team 6.2 Procure equipment/vehicle(s) 6.3 Ensure operations and maintenance 6.4 Provide financial reports 6.5 Conduct Mid Term review | Salaries Travel Equipment Office costs Recurrent expenditure Consultants Fee |

Annual workplan for 2007 & onward

| | | | | | | | | AMOUNT YRS 2-5 | AMOUNT - TOTAL | |
|--|----|----|----|------------------------|------------------------|-------------|---------------------------------------|-------------------|-------------------|-------------------|
| INDICATIVE ACTIVITIES | Q2 | Q3 | Q4 | RESPONSIBLE PARTNER | DEVELOPMENT PARTNER | ACC CODE | BUDGET DESCRIPTION | AMOUNT YR1 | | |
| OUTPUT 1 (FINANCING) | | | | | | | | | | |
| 1.1 Draft/ review guidelines | | | | LGD | UNCDF/EC/DANIDA | 72600 | INVESTMENT GRANTS | 600,000 | 9,800,000 | 10,400,000 |
| 1.2 Disseminate guidelines | X | | x | LGD | UNCDF/EC/DANIDA | 71200 | INTERNATIONAL CONSULTANTS | 30,000 | 120,000 | 150,000 |
| 1.3 Assess compliance & performance | | | x | LGD | EC/DANIDA | 71300 | LOCAL CONSULTANTS | 30,000 | 340,000 | 370,000 |
| 1.4 Disburse semi-annual allocations | | x | | UNCDF/LGD | EC/DANIDA | 72100 | CONTRACTUAL SERVICES (TRAINING/WSHOP) | 20,000 | 30,000 | 50,000 |
| 1.5 Monitor and report progress | | x | x | LGD | | | | | | |
| 1.6 Support local revenue collection processes | X | x | | LGD | | | | | | |
| | | | | | | | SUB-TOTAL | 680,000 | 10,290,000 | 10,970,000 |
| OUTPUT 2 (PUBLIC EXP MGM) | | | | | | | | | | |
| 2.1 Develop/adjust PEM guidelines | | | | LGD | UNCDF/EC/DANIDA | 71200 | INTERNATIONAL CONSULTANTS | 30,000 | 45,000 | 75,000 |
| 2.2 Recruit and train UFTs | X | | | LGD | UNDP/EC/DANIDA | 71300 | LOCAL CONSULTANTS | 10,000 | 40,000 | 50,000 |
| 2.3 Modify procurement guidelines | | | | LGD | UNDP/EC/DANIDA | 63400 | CONTRACTUAL SERVICES (TRAINING/WSHOP) | 600,000 | 1,300,000 | 1,900,000 |
| 2.4 Train and support UPs on PEM | X | | | LGD | UNDP/DANIDA | 63400 | CONTRACTUAL SERVICES (STUDY/COMM) | 10,000 | 40,000 | 50,000 |
| 2.5 Review roles of DDLG and UNOs | X | | | LGD | | | | | | |
| 2.6 Develop DDLG & UNO training materials | | x | | LGD | | | | | | |
| 2.7 Review LGED support to UPs | X | | | LGD | | | | | | |
| 2.8 Train UCOs in PEM | X | | | LGD | | | | | | |
| 2.9 Support regular oversight by DDLGs | X | x | x | LGD | | | | | | |
| | | | | | | | SUB-TOTAL | 650,000 | 14,25,000 | 2,075,000 |
| OUTPUT 3 (LOCAL ACCOUNTABILITY) | | | | | | | | | | |
| 3.1 Support IEC campaigns | X | x | x | LGD | UNCDF/EC/DANIDA | 71200 | INTERNATIONAL CONSULTANTS | 25,000 | 75,000 | 100,000 |
| 3.2 Train UPs in communications skills | | x | | LGD | UNDP/EC/DANIDA | 63400 | CONTRACTUAL SERVICES (TRAINING/WSHOP) | 350,000 | 500,000 | 850,000 |
| 3.3 Train UP standing committees | | | x | LGD | UNDP/EC/DANIDA | 71300 | LOCAL CONSULTANTS | 10,000 | 40,000 | 50,000 |
| 3.4 Support UP Chairmen's' Fora at Upazila level | X | x | x | LGD | | | | | | |
| 3.5 Support UP women members' fora | X | x | x | LGD | | | | | | |
| | | | | | | | SUB-TOTAL | 385,000 | 615,000 | 1,000,000 |

| | | | | | | | | AMOUNT YRS 2-5 | AMOUNT - TOTAL | |
|--|----|----|----|-------------|------------------------|-----------------|---------------------------------------|-------------------|-------------------|-------------------|
| INDICATIVE ACTIVITIES | Q2 | Q3 | Q4 | RESPONSIBLE | DEVELOPMENT PARTNER | ACC CODE | BUDGET DESCRIPTION | AMOUNT YR1 | | |
| | | | | PARTNER | | | | | | |
| OUTPUT 4 (CAPACITY DEV) | | | | | | | | | | |
| 4.1 Strategize for demand led training in UPs | | x | | LGD | UNCDF/EC/DANIDA | 71200 | INTERNATIONAL CONSULTANTS | 60,000 | 140,000 | 200,000 |
| 4.2 strategic plan for NILG, | X | | | LGD | UNDP/EC/DANIDA | 72100 | CONTRACTUAL SERVICES (TRAINING/WSHOP) | 280,000 | 320,000 | 600,000 |
| 4.3 Conduct TNA of NILG and DLG staff | X | | | LGD | UNDP/EC | 72105 | EQUIPMENT & FURNITURE FOR UP OFFICES | 200,000 | 400,000 | 600,000 |
| 4.4 Train NILG/LGD staff | X | x | x | LGD | | | | | | |
| 4.5 Organize study tours and peer-learning | | | x | LGD | | | | | | |
| 4.6 Support ToT for District and Upazila personnel | | x | x | LGD | | | | | | |
| | | | | | | | SUB-TOTAL | 540,000 | 860,000 | 1,400,000 |
| OUTPUT 5 (POLICY) | | | | | | | | | | |
| 5.1 Develop research methodology and work plan | | x | x | LGD | UNDP/UNCDF/EC/DANIDA | 71200 | INTERNATIONAL CONSULTANTS | 30,000 | 120,000 | 150,000 |
| 5.2 Conduct field research | | | x | LGD | EC/DANIDA | 72100 | CONTRACTUAL SERVICES (TRAINING/WSHOP) | 00 | 100,000 | 100,000 |
| 5.3 Support LGD/MIE policy analysis functions | | | x | LGD | UNDP/EC/DANIDA | 71300 | LOCAL CONSULTANTS | 10,000 | 40,000 | 50,000 |
| 5.4 Monitor LGSP implementation | X | x | x | LGD | UNCDF/EC/UNDP/DANIDA | 63400 | STUDY, COMMUNICATION, RESEARCH | 10,000 | 40,000 | 50,000 |
| 5.5 Organize national and local-level workshops | | x | x | LGD | | | | | | |
| 5.6 Organize study tours | | | x | LGD | | | | | | |
| | | | | | | | SUB-TOTAL | 50,000 | 300,000 | 350,000 |
| OUTPUT 6 (PROJECT SUPPORT) | | | | | | | | | | |
| 6.1 Establish project support team | X | | | UNDP | UNDP | 71300, 71400 | REGULAR STAFF COSTS | 181,549 | 726,451,000 | 908,000 |
| 6.2 Procure equipment/vehicle(s) | X | | | UNDP | UNDP/DANIDA | 71600 | LOCAL TRAVEL/SUBSISTENCE | 24,000 | 126,000 | 150,000 |
| 6.3 Ensure operations and maintenance | X | x | x | LGD | UNDPDANIDA | 72215 | PROCUREMENT OF VEHICLES/EQUIPMENTS | 513,000 | | 513,000 |
| 6.4 Provide financial reports | X | x | x | LGD | UNDP | 73410 | O&M OF VEHICLE/EQUIPMENTS | 20,000 | 132,000 | 152,000 |
| 6.5 Technical supervision & backstopping | X | x | x | UNCDF | UNDP/EC/DANIDA | 63400 | STUDY,RESEARCH,COMMUNICATION | 10,000 | 40,000 | 50,000 |
| 6.6 Conduct Mid Term & Final reviews | | | | UNCDF | UNCDF/EC/DANIDA | 71200 | INTERNATIONAL CONSULTANTS | 130,000 | 320,000 | 450,000 |
| | | | | | UNDP/EC | 74500 | MISCELLANEOUS EXPENSES | 20,000 | 80,000 | 100,000 |
| | | | | | | | SUB-TOTAL | 898,549 | 1424,451 | 2,323,000 |
| | | | | | | | GRAND TOTAL | 3203,549 | 14,914,451 | 18,118,000 |

Annexes to Project Document

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Annex 1: Terms of Reference for National Project Director (NPD)

The DG, MIE Wing of the Local Government Division, MoLGRD and Co-operatives will be the National Project Director (NPD). The National Project Director (NPD) who is responsible for overall management of the project will assume responsibility for day to day management of the project activities including substantial financial & administrative matters. The NPD will be responsible for the oversight and reporting of the project progress on behalf of the Project Executive Group to the Project Board (programme steering committee of LGSP) and will supervise the project operations and staff.

The NPD with the help of the focal point along with the Project Manager/Project Monitoring Adviser will take direct responsibility for managing LGSP-LIC activities which reflects the innovative nature of the project in testing and demonstrating practices for more effective local government, and the activities to build the MIE Wing of LGD into a more effective monitoring unit which generates findings and lessons on policy issues, institutional arrangements and procedures related to the local government reform.

In consultation with the Secretary, Local Government Division and in close cooperation with the focal point and LGSP-LIC's Project Manager/PMA the NPD will have the following responsibilities:

- a. Chair the Project Executive Group;
- b. Guide the project manager in preparing the inception report;
- c. Supervise the implementation of the work plan;
- d. Supervise the preparation and implementation of in-country training and workshops;
- e. Supervise the technical and other reporting of the project staff;
- f. Approve/clear the progress reports, the project performance evaluation reports and the project terminal report prepared by the project manager and the project team;
- g. Select study tour participants following prevailing government rules and provision in the project document and ensure timely implementation of these activities in accordance with the agreed project work plan;
- h. Ensure that all pre-requisites and prior-obligations are met;
- i. Ensure fulfillment of counterpart Government commitments with respect to staffing, facilities and funds;
- j. Establish and maintain close working relationship with other collaborating institutions/agencies, and other supporting projects, especially, maintain a close functional linkage with the concerned district and Upazila administration to facilitate and enhance application of available resources towards project goals. Also maintain a close linkage with the other similar projects activities;
- k. Ensure that the relevant policies for local governance are being formulated/revised according to the learning from LIC implementation.

Annex 2: Terms of Reference for Deputy Director Local Government (DDLG)

The Deputy Director Local Government (DDLG) will be supported by LGSP-LIC and will be expected to undertake his/her normal responsibilities, i.e.:

Normal duties for DDLGs

- (i) Act as the Officer in Charge of Local Government Wing under the Deputy Commissioner (DC);
- (ii) Conduct Inspection in at least 4 UPs and 3 "C" category Pourashavas. If there is no "C" category Pourashava, then visit another additional UP. Send the Inspection report to UNO & LGD-MIE wing;
- (iii) Participate in monthly meetings of 4 UPs and provide suggestions / feedback to them;
- (iv) Organize (or assist the District administration in conducting) capacity building training for UP Chairmen/members;
- (v) Conduct inspection (as directed) of the activities of UP Chairman, members, secretaries based on any allegation lodged by anybody and submit report to Deputy Commissioner (DC) & Local Government Division;
- (vi) Assist the Deputy Commissioner (DC) in disbursing honorariums of elected representatives and salaries of LGs' staff;
- (vii) Receive different proposals (if any) from Union Parishads and present them to concerned authorities;
- (viii) Assist Upazila Parishads, "C" category Pourashavas & Union Parishads to enhance their resource mobilization and ensure efficient use of their existing resources. S/he also will support/train the LGs in budget preparation;
- (ix) Assist & support the UPs, "B" and "C" category Pourashavas in monitoring the implementation of their plans;
- (x) Assist the DC in holding UP, Pourashava, Upazila & national elections;
- (xi) Collect different monitoring reports on development/resource mobilization related activities of Zila Parishads, Upazila Parishads, Pourashavas, and Union Parishads according to the needs of LGD;
- (xii) Ensure regular monitoring of UP tax collection progress and take necessary measures to enhance the tax collection efficiency of UPs;
- (xiii) Visit schemes under implementation or already implemented and provide reports to the LGD-MIE wing according to their requirements;
- (xiv) Undertake other activities as determined by LGD;
- (xv) Accomplish other LG related activities assigned by the DC.

Additional responsibilities for DDLGs under LGSP-LIC

- (i) Act as the focal point for all activities of LGSP at district level.
- (ii) Participate in the performance assessments of UPs as well as in UP selection process;
- (iii) Receive different funds from the NPD/LGSP-LIC and disburse the funds to those concerned in accordance with annual / quarterly plans;
- (iv) Prepare quarterly financial reports (along with relevant bills/vouchers) and advance requests and send them to the PM/NPD (DG-LGD) within the 1st week of the starting month of the quarter in question;
- (v) Participate in the preparation of the LGSP-LIC Annual Plan and follow-up on its implementation;
- (vi) Assist Upazila level officials (UCOs) in organizing / conducting different capacity building training for UPs, Ward-level institutions & UFTs;
- (vii) Organize project progress review meetings and compile reports received from the field. Send the reports to the NPD through focal point for further compilation & analysis;
- (viii) Assist UNOs in monitoring project activities at field level;

- (ix) Present the progress of the project in District Development Committee meetings;
- (x) Assist the project advisory team by providing relevant information;
- (xi) Participate in different studies/evaluations conducted by consultants/NILG and LGSP-LIC Project Manager/advisers.

Annex 3: Terms of Reference for Upazila Cooperative Officer (UCO)

In line with the agreed re-orientation of the UCO in the 6 Districts to perform the role of front-line support and mentoring officer for UPs, on behalf of LGD, the UCOs will perform the following duties:

- (i) Assist and advise UPs on all information dissemination activities;
- (ii) Train UPs in the use of planning and implementation guidelines and the procedures for monitoring and reporting;
- (iii) Advise and assist the UPs in managing the implementation of their development-related schemes;
- (iv) Conduct training, workshops, and provide advisory support to UPs in preparing participatory, resource-based plans for development activities;
- (v) Report regularly to the DDLG and UNO on the progress of activities in the UPs within their jurisdiction;
- (vi) Assist UPs and Ward-level institutions in conducting participatory planning sessions;
- (vii) Train UFTs on the LGSP-LIC planning and implementation guidelines and the procedures for monitoring and reporting on progress (including financial progress);
- (viii) Advise and assist UPs and Ward-level institutions in monitoring and reporting;
- (ix) Assist UPs in calling for tenders (where necessary) for scheme implementation.

Note on alternative staffing options for support to Union Parishads:

The UCO option has been selected as the most appropriate, in light of the alternatives. A cursory review of the functional responsibilities of the Upazila based GoB officials reveals that the following two officers (both employed by RD of MLGRD&C) do not seem to have a heavy workload, indicating that their services could be used for the proposed project:

- (i) Upazila Rural Development Officer;
- (ii) Upazila Cooperative Officer.

| Officer | Job description |
|------------------------------------|--|
| Upazila Rural Development Officer, | Formation and supervision of Farmers' Cooperative (KSS) Disbursement and recovery of credit programmes Training of KSS/ Destitute Women Cooperative members Implementation of special projects of BRDB. |
| Upazila Cooperative Officer | Formation and supervision of cooperatives Registration of Cooperatives Audit of cooperatives |

Annex 4: Terms of Reference for Project Manager (Project Monitoring Adviser)

The Project Manager will be responsible for delivery and management of technical expertise, ensuring high quality and timely inputs, and for ensuring that the project maintains its strategic vision and that its activities result in the achievement of its intended outputs in a cost effective and timely manner. S/he will head the Project Team and will be responsible for delivering the outputs. The Project Manager will be accountable to the NPD through the Focal Point of the LIC Component..

S/he will assist the FP and NPD in overall coordination, implementation, and monitoring and policy advocacy of the component as well as for establishing an effective M&E system for Local Government to be implemented by the MIE wing. S/he will provide technical assistance input to the MIE wing to strengthen its capacity. S/he will accumulate the lessons & findings of the project in relation to existing policy and best practices and assist the NPD in policy change and reforms. S/he will track, measure and compare the impact of devolved funding, participatory planning and implementation arrangements with alternative service delivery arrangements in other districts as well as in relation to a programme baseline. S/he will be based in the project office.

Job Description:

- a. Prepare an Inception Report which will include the detailed project work plan;
- b. Prepare the Annual Work Plan (AWP) each year for LIC activities;
- c. Assist in Implementation of the AWP and monitoring the implementation progress;
- d. Prepare quarterly reports on LIC progress based on monitoring reports of project activities;
- e. Design M&E system for LIC and for the MIE wing (in collaboration with other LGSP advisers/officers);
- f. Assist the M&E Officer in implementing the M&E plan of the project;
- g. Prepare Issues Log and Risk Log for the project;
- h. Prepare the annual progress report, the project performance evaluation reports and the project terminal report;
- i. Preparation of reports on findings and lessons from project innovations;
- j. Assistance to the NPD and international experts in organizing workshops/seminars/policy dialogues;
- k. Regular reporting to the NPD through the concerned Focal Point on the progress of the project;
- l. Design and assist in action research activities related to Local Government;
- m. Facilitation of international / national consultants to conduct studies related to project activities;
- n. Organize capacity building activities for MIE wing staff related to MIS and M&E;
- o. Assist in organizing , workshops, seminars and other such events;
- p. Providing a regular link with LGSP-supported technical assistants in LGD and NILG;
- q. Report to the FP/NPD on the implementation of other LGSP components;
- r. Support for the activities of other LGSP components in order to ensure coherence with LGSP-LIC;
- s. Adjusting (in consultation with the NPD) LGSP-LIC activities in order to take into account activities of other LGSP components;
- t. Support to DDLGs and District Facilitators in the implementation of project activities;
- u. Assist NPD in coordinating and managing project activities in six pilot district;
- v. Assist the FP and the NPD in PEG activities as and when necessary.

Required Qualification and Competencies:

- Post Graduate degree
- At least 15 years' experience in planning, implementation, management & designing /monitoring development projects in social sectors;
- At least 3 years of experience in working closely with LGIs will be preferred;
- At least five years of relevant working experience in National / international NGOs/UN bodies;
- Good understanding of local governance and local development issues in Bangladesh and elsewhere will be an added qualification;
- Have proven ICT skills

Annex 5: Terms of Reference for Monitoring and Evaluation Officer

The M&E officer will be responsible for designing and implementing the M&E activities of the LGSP-LIC. S/he will assist the Project Manager in preparing Quarterly/Annual reports on project progress and will monitor the project activities on a regular basis. S/he will work under the supervision of the Focal Point and assist PMA. S/he will work closely with the District Facilitators as well as the MIS specialist of LGSP. S/he will redesign and maintain the MIS of LGSP-LIC and will be responsible for the collection & analysis of different socio-economic data in relation to the project activities. S/he will keep track of the performance assessment of the UPs and will contribute to the refinement of the performance assessment tools and strategy. S/he will assist the Project Manager and the NPD in organizing different training events, workshops, and seminars related to local governance issues.

Job Description:

- (i) Design, implement, and maintain the MIS of the project and contribute to the preparation of MIS reports as required;
- (ii) Collect, enter and analyze different data related to project implementation and socio-economic conditions of the project area;
- (iii) Participate in annual project reviews and planning workshops and assist the Project Manager in preparing relevant reports;
- (iv) Assist DDLGs, District facilitators & Upazila Cooperative Officers in the effective implementation of LGSP-LIC M&E activities;
- (v) Support monitoring and evaluation of the effects and impact of the project;
- (vi) Assist the Project Manager in preparing Terms of Reference and designing the methodologies for different studies related to LGSP;
- (vii) Organize and conduct training on M&E/MIS for project and government staff
- (viii) Assist in the preparation of reports on the findings and lessons learned from project innovations;
- (ix) Assist in coordinating with other components of LGSP to ensure effective implementation of M&E/MIS;
- (x) Provide continuing support to the MIE wing for monitoring and evaluation of UPs and prepare reports;
- (xi) Assist the MIE wing in providing DDLGs with M&E tools and in supporting them in their use.

Required Qualification and Competencies:

- Post Graduate Degree preferably in Statistics, Economics, Development Studies or Social Sciences;
- At least 10 years' experience in the design and implementation of M&E/MIS in development projects implemented by national/international NGOs/UN bodies/ Government ;
- Have extensive experience in designing tools and strategies for data collection, analysis and production of reports;
- Have significant skills in ICT, especially in the development of MIS software using database software (e.g. Access);
- Have expertise in analyzing data using statistical software;
- Have strong training & facilitation skills.

Annex 6: Terms of Reference for Local PEM Adviser (national position)

The Local Public Expenditure Management (PEM) Adviser will be responsible for assisting NILG in the design of a robust set of PEM systems and procedures for the UPs covered by LGSP-LIC. S/he will be based in NILG and will be expected to provide significant input into the project's capacity development activities. S/he will report to the Director Training of NILG and liaise closely with FP/NPD

Job description:

- (i) Assess existing GoB procedures for PEM (planning, budgeting, implementation, procurement, monitoring, accounting, reporting, etc.) in terms of their transparency, accountability and institutional appropriateness;
- (ii) Assist in the development of sound UP Planning and Implementation Guidelines and UP Financial Management Guidelines, to be based upon existing models
- (iii) Assist in the development of Performance-Based Funding Guidelines for LGSP-LIC (including the development of a rigorous methodology for assessing UP performance);
- (iv) Develop training materials for UP Planning and Implementation Guidelines;
- (v) Develop ToRs for any specialist training activities;
- (vi) Provide trainers with ToT (either directly or through specialist ToT agencies);
- (vii) Participate in LGSP-LIC annual and periodic work-planning exercises;
- (viii) Provide the NPD with regular activity reports;
- (ix) Assist LGSP-LIC's DDLGs/FP in supporting District Facilitators and other project-related staff in carrying out activities;
- (x) Liaise closely with the LGSP Capacity Building Adviser in NILG;
- (xi) Work closely with the international Training Adviser in designing capacity development strategies for local government institutions.

Required qualifications and competencies

- Post Graduate degree, preferably in Commerce or Social Sciences;;
- At least 7 years' experience in working with rural institutions in Bangladesh, preferably local government institutions;
- Sound knowledge of the PEM cycle at local levels;
- Have experience in designing user-friendly guidelines for local level planning, budgeting and related PEM activities;
- Have excellent writing skills in Bangla and English;
- Have strong facilitation and communications skills;
- Have a proven track record of being able to work in a team;
- Have experience of working with GoB officials.

Annex 7: Terms of Reference for Training Adviser (international)

The Training Adviser, who will be a part-time international specialist, will advise NILG and LGD on the development of strategic activities in support of sustainable and demand led LG training and defining and strengthening the appropriate functions of NILG within such a framework. S/he will provide LGSP-LIC's Local PEM Adviser and the LGSP Capacity Building Adviser (funded through an IDA credit) with regular technical support.

His/her tasks will cover four distinct but inter-related areas:

(1) Demand-driven capacity building for UPs

- (i) Assisting the DG NILG and Director (Training) in designing and carrying out a comprehensive strategy for demand led capacity building of LGs with particular emphasis on Union Parishads. This will include an (update of) Training Needs Assessment (TNA) of the Local Government bodies in Bangladesh and analysis of how training can be funded, planned and requested by LGs themselves;
- (ii) Designing modalities for testing the demand led approach under LGSP by partial funding of training through the UP block grant;
- (iii) Assisting the Director Training to review, update and develop various training curricula in the light of the above with a view of establishing standard modules that can be purchased by LGs and provided by a range of different training institutions.

(2) Supply-driven capacity building for UPs in six LGSP-LIC Districts

- (i) Preparing training modules and methodology:
 - Review LGSP-LIC Guidelines and Manuals;
 - Prepare Training Modules and supporting training units for each of the following Manuals: I) UP Planning and Implementation Guidelines, II) UP Financial Management Regulations, and III) UP Procurement Regulations;
 - Prepare Training Modules and supporting training units for: I) Basic local government institutional arrangements, II) Basic administration, III) Financial management/accounting;
 - Prepare trainer guides for each Training Module.
- (ii) Prepare implementation strategy for LGSP-LIC's Capacity Building Programme"
 - Prepare the LGSP-LIC training curriculum
 - Draft recommendations for follow-up training activities;
 - Develop analytical tools for capacity development assessments, and follow-up need assessment of key stakeholders.

(3) Institutional support for NILG

- (i) Assisting NILG in establishing institutional links with local and international training and research institutions on local government and development studies;
- (ii) In close cooperation with LGD and its Policy Analyst/Adviser, assisting NILG in undertaking research and consulting assignments to address issues related to capacity building;
- (iii) Assisting in the development of a strategic plan for NILG, including TNA of NILG staff;
- (iv) Initiating a ToT programme for NILG staff.

(4) Support to LGSP Component 3 (Capacity Building)

In addition to these specific LGSP-LIC responsibilities, the Training Adviser will also be responsible for assisting and backstopping LGSP's full-time national technical adviser in NILG (to be supported out of World Bank funding) in carrying out his/her tasks (as defined in the LGSP Terms of Reference) and for ensuring that lessons learned from capacity building activities undertaken by LGSP-LIC are fed into Component 3 of the wider LGSP.

Required Qualifications and Competencies

- Post Graduate degree;
- Academic background in teaching and/or adult education;
- Professional teaching experience with children and/or adults;
- Professional experience in preparing teaching/training material/modules/curricula;
- Sound practical knowledge of teaching/training methodologies;
- At least 5 years of extensive experience in LG Training, HRD management, and institutional aspects of LG training (LG Training Policies etc);
- Strong training and facilitation capacity;
- Strong analytical skills;
- Strong computer skills.

Note on Training Adviser

It may prove necessary for the functions of the Training Adviser to be divided up among more than one person – one specialist, for example, might be assigned functions (1) and (2), linked to demand- and supply-driven capacity building for UPs, whilst another might be assigned functions (3) and (4), which are somewhat more institutional in nature.

Annex 8: Terms of Reference for District Facilitators

District facilitators will work under the technical guidance of the Project Manager/PMA and supervision of DDLGs and will be deployed to each of the six districts. As the title suggests their role will be very much to “facilitate” activities to be managed by others – namely government staff and UPs in the District. They will work within the District administration, attached to the DDLG.

Their tasks will include:

- (i) Acting as a channel – on behalf of LGD – to introduce and explain the various LGSP-LIC innovations to key District and Upazila staff and to UPs themselves;
- (ii) Generally, working under the supervision of DDLGs coordinating with Deputy Commissioner, the DDLG, the UNOs and other key District and Upazila personnel in planning and implementation of LGSP-LIC activities;
- (iii) Regular travel to all Upazilas and UPs in the District and communication of LGSP-LIC strategies and activities to UPZ staff and to UP chairs, members and secretaries;
- (iv) Monitoring the activities and their effectiveness and impact and reporting back to the NPD through the Policy Analyst/Adviser and the M&E Adviser;
- (v) Acting as secretary to District Technical Committee meetings (and/or to District Development & Coordination meetings), preparing agenda and inputs as regards LGSP-LIC activities, and recording agreements and decisions on behalf of the DC;
- (vi) Organizing periodic exchange meetings between UPs and government staff in the District.

Qualifications:

- Graduate with at least 5 years extensive experience in development activities;
- Sound knowledge of local government in general and
- Excellent inter-personal, training, and communications skills;
- Excellent written and spoken Bangla;
- Ability to travel in rural areas;
- Good command in English;
- Proven computer skills.

Annex 9: Overview of LGSP Committees

Overview

The Director-General, Monitoring Evaluation and Planning will take on the role of National Project Director (NPD) in addition to his ongoing responsibilities. He will be responsible for the overall management and reporting of the project on behalf of the national executing agency. The DDLGs will report on district level activities to the NPD.

At national level a Programme Steering Committee will be established for LGSP as a whole (It will act as the project Board for LIC), to ensure periodic oversight and review, to assess emerging policy issues and raise them with appropriate authorities, and to endorse any changes in strategic direction.

For LGSP-LIC a Project Executive Group (PEG) will be established, for more routine operational purposes – to review on a regular basis the progress of implementation and to (re-) plan. At District level a District Programme Committee will be established – although this may be merged with Statutory DDCC functions. Below District level all coordination will take place through normal existing LG structures.

At District level, LGSP-LIC will – for an initial period of two years – assign a District Facilitator to guide training and community mobilisation procedures.

| Committee | Function |
|---|--|
| Project Board (Programme Steering Committee) | Policy Guidance and monitoring of all the components comprising the programme supporting local government – chaired by Secretary LGD (see ToR) |
| Project Executive Board (Project Technical Committee) | Quarterly planning and review of overall LGSP-LIC activities – chaired by NPD (see ToR) |
| District Development & Coordination Committee (statutory) | Monthly planning and review of District activities – chaired by Deputy Commissioner |
| Upazila Coordination Committee (statutory) | Detailed local planning and review of activities – chaired by UNO |
| Union Parishads (statutory) | Implementation |

TOR for Project Board (Steering Committee of LGSP)

The LGSP Steering Committee will play the role of Project Board (PB) for the LIC as per the existing rules and regulations. The Steering Committee (Board) will be chaired by the Secretary LGD. UNDP will be represented on the Steering Committee by the Country Director or Deputy Country Director and comprise representatives from other concerned Ministries, UNDP, UNCDF, Danida, EC, SDC and the World Bank. It will meet twice a year, and will also be consulted during review missions. The Project Board will:

- Provide overall guidance and direction for the programme.
- Approve Annual Work plan and Budget
- Ensure that programme implementation continues to be consistent with developments in the local government reform process.
- Make recommendations on up scaling of the LGSP-LIC block grant system to other districts as deemed appropriate from LGSP-LIC experiences.

- Promote coordination with other development activities and partners.
- Make recommendations regarding the application of other project lessons and methodologies more widely to local government reform in Bangladesh.

TOR for Project Executive Group

A Project Executive Group (PEG) will be established as a management instrument specifically for LIC. It will consist of the National Project Director, al FPsthe Project Manager, the UNDP/UNCDF Local Governance Adviser (in a project assurance role), and representatives of implementing partners (e.g., NILG, DDLGs, UPs, UCOs, UNO's). The PEG will be responsible for implementation of the annual work plan endorsed by the Project Board (Steering Committee). The PEG will endorse the quarterly work plan, which will be an instrument of authorization for the Project Manager to deliver results. The project assurance role will be the responsibility of UNDP.

The National Project Director (NPD), who will chair the PEG who . will be responsible for coordinating and providing project inputs to the Project Steering Committee (Board) and to relevant Government bodies for incorporation into national policy and institutional changes. The NPD will report to the Project Steering Committee (Board).

Operating Procedures:

- The PEG will meet quarterly. Meetings will be held in the field on a rotating basis within the six divisions of Bangladesh (the six pilot districts) and include two days of work: one day of field work where selected implementation issues will be reviewed and one-day meeting/traveling.

Divisional arrangements

It may also be useful to institute an information-exchange arrangement at Divisional level, to allow both UP officials and LGD and other staff in each of the 6 LIC Districts to engage with their peers and colleagues from the other Districts on a periodic basis, and to share experience and lessons.

This might be in the form of annual or semi-annual workshops, which could be hosted by the Divisional Director of Local Government, and which could be attended by:

- DDLGs from each of the District;
- Selected UP Chairmen, general and women members from each of the Districts;
- Selected UNOs;
- The UCOs from the LIC districts;
- Etc.

The District facilitator could support the DDLG in organizing this event.

Issues and recommendations from these workshops could be channeled up to the bi-annual LGSP national workshops to be organized by LGD.

Annex 10: National Institute of Local Government

The forerunner to the National Institute of Local Government (NILG) was the *Local Government Institute (LGI)* established in 1969 as an autonomous body⁴ under the then East Pakistan Government Educational and Training Institution Ordinance, 1961. NILG is the only institute of its kind in Bangladesh with a special responsibility for local government. It is a part of the Local Government Division of the Ministry of Local Government, Rural Development and Co-operatives (MLGRD&C). NILG has the following mandate to:

- Provide training in different aspects of local government administration and development to the officials and elected public representatives of Pourashavas, Zila Parishads, Upazila Parishads, Union Parishads;
- Conduct research on specified problems and issues related to local government and related areas;
- Provide consultancy services to: a. local government divisions of MLGRD&C on policy issues related to local government, b. Pourashavas in preparing Master Plans, Urban Land Use Planning and human settlement;
- Provide training to the officials of various Government agencies connected with local government;
- hold workshops, seminar, conferences on policy, programmes and problems related to local government bodies;
- Monitor, collect, and evaluate data occasionally in relation to local government;
- Provide documentation facility and build a national Documentation centre on local government related issues;
- Publish journals, research studies and evaluation reports on local government matters;
- Coordinate activities in the matter of training research etc. and develop a national institutional network on local government training, research, publication and documentation;
- Establish linkages with similar institutions in country and abroad.

The current institutional framework for LG training is performing poorly. The National Institute for Local Government is mandated to spearhead LG training and undertake relevant LG studies, but it is only marginally undertaking this function.

NILG needs to be supported to carry out its mandated role by building the capacity of the institute in LG course developments, training evaluations, ToT approaches and networking with relevant national training providers. More specifically the following needs to be put in place:

- Development of a range of skills courses that cover all relevant needs of UPs. Some minimum standardization needs to be in place,
- Creation of a network of trainers: various training institutions, district trainers teams, various NGOs,
- Sensitization of UPs on the availability of training courses and providers,
- Adequate funding at UP level for financing training.

⁴ NILG became a semi autonomous statutory body through an Act of Parliament in 1992 (The National Local Government Institute Act, 1992). The Act vested the administration and direction of the Institute in a Board of Governors and gave it its own seal and powers to own, possess and transfer moveable and immovable property and to sue and to be sued. The DG was been made the Chief Executive Officer of the Institute. He was authorized to implement all Board decisions, to administer the Institute and to take all other actions in accordance with the direction of the Board. The Board, once appointed can act independently.

From NILG's own records it appears that the number of training programmes delivered each year has averaged around 20 programmes and 1,000 participants over the 32 years history. In the past few years the programmes appear to have stabilized at around 500 participants per annum although this increases in some years (once in five years) to cover the newly elected Chairpersons through a crash course programme shortly after elections. Although the precise number varies, over a 5-year period it represents only about 5% of the total training client group of over 60,000.

NILG has the capacity to undertake considerably more training than it does at present. One of the main limiting factors affecting the quantum of training output would appear to be the budget allocation for training delivery (according to NILG this is just Tk 10 Lakhs or 8% of the total budget after all other establishment costs have been met).

Almost all training materials at NILG have evolved over the years as the written output of individual faculty members. A comprehensive Training Needs Assessment (TNA) is still not carried out to cater for the wide range of training demands. Moreover the training materials have not been supplemented by research and consultancy outputs.

The published research output of NILG is extremely limited. Although the Institute has published 77 books over the years, there has been very little output in recent years. Many of the latest published reports available in the Institute library appear to date to 1987 and 1988. Although the Institute has a bi-annual journal this does not appear to be published in a regular and timely manner.

At present the overall performance of NILG in training, research and consultancy is very weak. The high turnover and impermanency of the DG has led to a lack of strong leadership and direction. There has been a gradual erosion of aspects of its autonomy which combined with poor direction has prevented the emergence of a new vision for the Institute. There are vacancies for faculty and an increasing age profile. Little motivation and few incentives are available for staff and the low budget allocated to NILG further inhibits activity. All this has led to poor performance and a training and research output well below capacity.

For NILG there is the potential role of leading the provision of training, research and consultancy in new ways. NILG could be the lead provider of training materials and training for trainers; the major provider of central training for DDLGs, PS chairpersons, CEOs, lead trainers etc., the co-ordinator and a major provider of research and consultancy drawing on good practices arising from the process.

The following are the most critical issues that affect the overall performance of NILG:

- a. NILG lacks a long-term strategic plan for its training, research and consultancy programme.
- b. Training strategies appears to be ad hoc and responsive by nature, rather than based on any comprehensive plan or strategy.
- c. There are inadequate numbers of trained trainers.
- d. There appears to be no strategy for capacity enhancement for the NILG trainers.
- e. There are hardly any approach to undertake a comprehensive TNA for LG training and evaluation of the training.
- f. The overall capacity for research and consultancy is extremely weak.
- g. NILG lacks capacity to play its institutional role in the policy formulation process.

ANNEX 11 – LGSP: SOCIAL PROTECTION COMPONENT

OBJECTIVE, STRATEGY & ACTIVITIES

The objective of this component is to pilot a program of conditional fiscal grants up to US\$ 2.1 m for safety nets to be implemented in a limited number of UPs. Safety nets have been chosen because the global experience in safety nets indicates that this is an area, which is best, financed centrally but implemented locally. In Bangladesh this fact is already acknowledged in practice as beneficiary selection in existing centrally controlled safety net programs uses local governments for beneficiary selection but then keeps the final choice in the hand of central ministries. The experience of conditional fiscal grants in safety net programming can open the door in the future for further conditional fiscal grants in other areas where UPs have a comparative advantage.

Bangladesh currently has a range of safety net programs aimed at different risk groups and administered through a number of line ministries. Evaluation studies of these programs present a mixed picture on their impact. The programs reach only a fraction of those in need and are often poorly targeted with high levels of leakage. LGSP offers an opportunity to introduce two well-designed and better targeted safety net programs in some UPs as a precursor to a larger project planned for preparation starting spring of 2007. The programs will be so designed as to have built-in incentives for good performance. In particular, funds for the program will be released in a predictable and timely fashion to scheme providers (the UP) through a conditional fiscal transfer, on the same timeframe as other transfers in the program. A separate operating manual will be prepared for this component, which will be specifically targeted at beneficiary UPs. The UPs will implement the program according to its design parameters. The first year grant will be given on a flat rate basis. A performance incentive will kick in the following year with the performance-based proportion rising annually. The funds will be conditional upon being spent on agreed schemes with a pre-determined targeting formula. For this purpose, vulnerable households will be grouped into two types: those who cannot and should not work, and where no able-bodied unskilled labor is available for work, and households in which able-bodied labor are available for work. The former will receive a cash grant if such households are not currently in receipt of any other publicly or privately supported cash assistance. For the latter group of households, a public workfare fare program will be introduced.

Selection of the UPs. The pilot UPs will be in Sirajganj district where there already have been capacity building programs. The following poverty indicators – illiteracy, absence of a sanitary toilet, and lack of electrical connection, and the proportion of landless labourers to total population – will be used to construct a composite index of vulnerability at the UP level. To this will be added the information on the ranks obtained in performance criteria developed by the DGLG. Using both these sets of information, a list of eligible UPs will be drawn based on a combination of highest vulnerability ranking and highest management scores. From this list, those UPs, which are currently being assisted by various programs, will be excluded.

Performance Grants. During the first year, selected UPs will be given the grant based on their population. From Year 2 a proportion of the grant will be given conditioned on attainment of targets in the preceding year. During Year 2, the performance component will be 10%, increasing to 20% in Year 3, 30% in Year 4 and 40% in Year 5. The eligibility criteria for the performance grant will include number of beneficiaries reached the rapidity with which payments are received by beneficiaries, and an assessment of whether the actual beneficiaries are the target group.

Program choice. There will be two safety net program choices: (i) *Cash transfers* which are usually the preferred choice especially for households with no adult labor for work, such as women with many children, widows, and the disabled. Such households will normally not be in a position to engage in programs such as food-for-work or other income-earning activities. Cash transfers, however, are open to abuse more than other programs if not targeted well and based on transparent criteria. (ii) *Public workfare* is the preferred choice where communities in the past did not enjoy the opportunity to select project/activities that are of immediate importance to communities, adult male labor is available for work in poor households, and where seasonal shortfalls in employment are pervasive. In Bangladesh,

several workfare programs have been implemented including food-for-work and cash-for-work, such as the Rural Maintenance Program (RMP). However, evaluations have shown these programs to suffer from serious leakages. One of the main reasons for poor performance of public works programs is that contractors with little involvement of communities generally implement them. Under this project, the planned public workfare will be cash-wage-based and community-driven. It will be implemented by the UPs with significant community oversight and involvement in decision-making at all stages.

Level of benefits. Under the cash transfers, the proposed level of benefit is equal to those being offered under the current disability program. Adopting a scale of benefit (\$2.15 or Taka 150 per month) for this component that is currently being used for the disabled will avoid confusion at the level of implementers (i.e. UPs). In addition a small benefit will not create a future fiscal burden as we want these transfers to be replicated by the Government. Under the public workfare, the benefit will be based on the local wage rate for unskilled day labor. The RMP wage rate will be used because it has proven to be sustainable can be used as an acceptable benchmark, and research has shown that the RMP program has played an important role in reducing poverty in Bangladesh.

Targeting criteria. Bangladesh has rich and varied experience in targeting programs to identified vulnerable groups. UPs in particular have a lot of experience in targeting since they have worked with many programs. For purposes of beneficiary selection, objective indicator-based targeting (sometimes called proxy means testing) will be used to increase transparency. However, the list of selected beneficiaries in a village obtained from the proxy means test (PMT) will be finalized after a community meeting to reduce both inclusion and exclusion errors. The indicators selected are based on past experience by government and NGOs and are found to be statistically significant predictors of poverty in a PMT test conducted for a health project. A two-stage process will be followed by identifying beneficiaries for both programs. The first stage will use a single indicator -- whether or not a household has adult labor available for work. The households will be divided into two non-intersecting sets of households: those with adult labor for work -- Set A, and those without available adult labor resources -- Set B (mostly single women with many children, divorcees, widows with young children, and the elderly). Those in Set B who currently receive cash benefits from the old age program or widows program or the disability program will be excluded from Set B. The second stage is application of the proxy means test to both sets but only those from Set B will be eligible for cash transfers. The lists will be compiled and then discussed in open meetings in each ward. Once the community ward meetings have ratified the lists, beneficiaries will be finalized. All eligible Set A households that are selected by this process will be given the chance to benefit by rotating work opportunities among beneficiaries.

Monitoring and Evaluation. In order to double check on the accountability and transparency of the whole process, the criteria for selection and the individual scores obtained for beneficiaries and non-beneficiaries will be discussed in community meetings and posted. During the pilot phase, facilitators will evaluate and make recommendations to discrepancies found in the process. A complaints cell will be established as part of Component 2 of LGSP; this will also serve as a grievance redress mechanism related to the safety net programs for participating UPs. Space for complaints will also be discussed at the regular community meetings. Given that this is a small attempt to assess the feasibility of letting UPs exercise control over funds in order to target transfer programs to the very poor, impact evaluation will be relatively simple but will be supplemented by rigorous, continuous monitoring. The impact assessment will be carried out on the following: (i) beneficiaries selected against the targeting criteria; (ii) proportion of eligible beneficiaries missed out (exclusion errors); and (iii) selected household welfare indicators of families assisted with similarly placed families in the control group.

TECHNICAL ASSISTANCE

A team of full time facilitators and periodic experts (In safety nets, workfare, targeting, etc) will be employed to implement this component, in Sirajganj district. In light of the strong synergies with the activities of the LGSP-LIC team – also operating in Sirajganj – the SP TA team will be employed by UNDP/UNCDF and will operate under direction of the LIC PM/Monitoring Adviser and District Facilitator in Sirajganj. Costs of this team will be borne by LGD, using IDA loan proceeds for these inputs.

ANNEX 12 – LGSP-LIC COST TABLES

TABLE 1: COSTS BY OUTPUT & EXPENDITURE CATEGORY

TABLE 2: TABLE 2: LGSP-LIC –COST-SHARING BY DEVELOPMENT PARTNERS (US\$)

TABLE 1: LGSP-LIC – COSTS BY OUTPUT & BY CATEGORY (US\$)

| OUTPUTS | BUDGET CATEGORY | COSTS |
|---|--|-------------------|
| UP FINANCING | BLOCK GRANTS | 10,400,000 |
| | S/T INTERNATIONAL EXPERTISE | 150,000 |
| | S/T NATIONAL EXPERTISE | 370,000 |
| | WORKSHOPS & TRAINING | 50,000 |
| | <i>SUB-TOTAL</i> | 10,970,000 |
| IMPROVED LOCAL PUBLIC EXP MANAGEMENT | S/T NATIONAL EXPERTISE | 50,000 |
| | S/T INTERNATIONAL EXPERTISE | 75,000 |
| | WORKSHOPS & TRAINING | 1,900,000 |
| | STUDY, RESEARCH, COMMUNICATIONS | 50,000 |
| | <i>SUB-TOTAL</i> | 2,075,000 |
| ENHANCED LOCAL ACCOUNTABILITY | WORKSHOPS & TRAINING | 850,000 |
| | S/T INTERNATIONAL EXPERTISE | 100,000 |
| | S/T NATIONAL EXPERTISE- 60,000 | 50,000 |
| | <i>SUB-TOTAL</i> | 1,000,000 |
| MORE EFFECTIVE LOCAL CAPACITY DEVELOPMENT | UP PHYSICAL FACILITIES | 600,000 |
| | S/T INTERNATIONAL EXPERTISE | 200,000 |
| | WORKSHOPS & TRAINING | 600,000 |
| | <i>SUB-TOTAL</i> | 1,400,000 |
| POLICY DEVELOPMENT INFORMED | S/T INTERNATIONAL EXPERTISE | 150,000 |
| | S/T NATIONAL EXPERTISE | 50,000 |
| | WORKSHOPS & TRAINING | 100,000 |
| | STUDY & RESEARCH | 50,000 |
| | <i>SUB-TOTAL</i> | 350,000 |
| PROJECT SUPPORT | NATIONAL PROJECT STAFF | 908,000 |
| | STUDY, RESEARCH, COMMUNICATIONS | 50,000 |
| | LOCAL TRAVEL | 150,000 |
| | VEHICLES & EQUIPT. | 665,000 |
| | BACKSTOPPING, SUPERVISION & EVALUATION | 450,000 |
| | MISC | 100,000 |
| | <i>SUB-TOTAL</i> | 2,323,000 |
| GRAND TOTAL | | 18,118,000 |

**TABLE 2: LGSP-LIC –COST-SHARING BY DEVELOPMENT PARTNERS
(US\$)**

**Local Governance Support Project - Learning and Innovation Component (LGSP-LIC)
Estimated Project Budget (2007-2011)**

| Descriptions | TOTAL | UNCDF | UNDP | EC-NIP | EC-FS | DANIDA |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
| Investment Grants | 10,400,000 | 1,700,000 | 0 | 1,363,084 | 5,786,916 | 1,550,000 |
| International Consultants (S/T) Backstoppings/Evaluations | 1,125,000 | 810,000 | 100,000 | 140,000 | | 75,000 |
| National Consultants (S/T) | 520,000 | | | 430,000 | | 90,000 |
| National Project Personnel Professionals/Admin. Support | 908,000 | | 908,000 | | | |
| Workshop/Training/ Seminars/Study Tours | 3,500,000 | | 365,000 | 3,000,000 | | 135,000 |
| Study Research/ Communications | 150,000 | | 25,000 | 100,000 | | 25,000 |
| UP Physical Facilities | 600,000 | | | 600,000 | | |
| Local Travel | 150,000 | | 125,000 | | | 25,000 |
| Vehicle/Equipment O&M Vehicles/Office Eq. | 665,000 | | 200,000 | 365,000 | | 100,000 |
| Miscellaneous | 100,000 | | 70,047 | 29,953 | | |
| TOTAL: | 18,118,000 | 2,510,000 | 1,793,047 | 6,028,037 | 5,786,916 | 2,000,000 |