Subnational Governance Program Phase II
Mid-Term Review Report

August 2024

Acknowledgements

This report has been checked and structured for accessibility.

Executive Summary

After a long period of political and social instability, Nepal promulgated a new constitution in 2015. Framed around a three-tier federal system, the constitution has strong commitments on inclusion, and devolves substantial responsibilities and functions to province and local governments. There are now seven provinces and 753 local governments, including metropolitan and sub-metropolitan as well as urban and rural municipalities.

Australia committed to supporting the new federal system, making the Subnational Governance Program (SNGP) the flagship investment in the bilateral development program with Nepal. SNGP began in February 2017, with the overarching goal of:

> *"promoting an enabling environment for a stable, effective, and inclusive subnational government in Nepal that addresses the health and economic security of all, including women, people with disabilities, and other marginalised groups."*

SNGP is implemented by The Asia Foundation (TAF) through a strategic partnership agreement with the Australian Department of Foreign Affairs and Trade (DFAT). SNGP consciously and deliberately works in a politically-informed, adaptive and flexible way. It collaborates with implementing partners including civil society, organisations and non-government organisations (NGOs) professional associations, academic institutions, private sector, and individual experts. As such, SNGP aims to build a coalition of influence to facilitate and progress sustainable progressive change at the subnational level.

Phase I of SNGP concluded in early 2021, followed by a Bridging Phase and now Phase II, which continues until 2027.

The vision for SNGP since the start of the Bridging Phase is expressed in four end-of-program outcomes (EOPOs):

- EOPO 1: Strengthened systems and mechanisms for intergovernmental coordination and dispute resolution across the three tiers of government

- EOPO 2: Selected local governments have more inclusive and evidence-based policies and plans towards improved access to public health services

- EOPO 3: Selected subnational governments (Provincial and Local) formulate and implement inclusive and evidence-based economic policies and plans

- EOPO 4: Subnational policies, programs and service delivery are inclusive, equitable and respond to the needs of women and marginalised communities

At the end of 2023, in response to Australia's new International Development Policy and its significant commitments on addressing climate change, SNGP added a fifth EOPO:

- EOPO 5: Selected subnational governments incorporate climate change considerations into their prioritised policies, plans and programs

At this mid-point in Phase II, DFAT and TAF commissioned a midterm review to conduct an impartial assessment of the program, offering insights to both DFAT and TAF regarding the effectiveness and quality of the Bridging Phase and the initial half of Phase II, encompassing the period of April 2021 to mid-2024. The review focused on three key aspects: effectiveness, efficiency, and gender equality, disability and social inclusion (GEDSI). Additionally, the review was tasked with suggesting adjustments which could be made in the remainder of Phase II to strengthen its implementation, and to look beyond Phase II for possible approaches to future support for subnational governance and inclusive federalism.

There is evidence of effective progress towards the four long-standing end-of-program outcomes (EOPOs) and the program's intermediate results and outputs, to varying degrees. There has been

considerable achievement in intergovernmental relations, dispute resolution (including through Multistakeholder Dialogues, support for community mediation and local Judicial Committees), and clarification of roles and responsibilities between the tiers of government.

There has been strong progress towards the public health outcome, delivering tangible benefits to local governments and citizens in a key area of local concern. However program decisions to create a new area of work in climate change, and to close the health sector work to allow for this, raises significant concerns. This move risks undermining progress made to date, or missing opportunities to consolidate gains already made, while opening a new avenue of work quite late in the life of the program (7 years into a 10 year investment).

There is a positive, if mixed, picture of progress towards the economic development outcome. Work on economic policies, plans and budgets at the local level is going well, and citizen engagement in planning and budgeting is positive. There is interest in addressing budget execution as well, and it is difficult to isolate the contribution SNGP has made in fiscal reform and public financial management. There are good results from local economic development activities but these could be better targeted to catalyse larger-scale and sustainable initiatives within government, rather than initiating small scale activities alongside other enterprise development programs.

SNGP has made significant progress in gender quality, and demonstrates an strong approach to gender equality and inclusion. There is now a cohort of skilled GEDSI advocates at subnational levels, reflecting the program's significant investment and attention. There is good evidence on disability inclusion, albeit at an earlier stage of development, but SNGP (and Australia) are leaders in advocating and supporting disability inclusion in Nepal. There are still challenges to reach the most marginalised groups, and there are opportunities to continue enhancing the GEDSI work of the program, including its integration across all outcome areas.

SNGP has made sound investments in monitoring, evaluation, research and learning (MERL), in keeping with the requirements of an adaptive program working in a complex environment towards multiple outcomes. The MERL team is strong and demonstrate leadership across the program. The prominence of quantitative indicators in the MERL framework does not adequately capture program progress, and is not useful for program management and monitoring. A greater investment in more meaningful monitoring and evaluation, using more qualitative methods in routine processes, would deliver great value for the program, especially in its later years.

The Survey of the Nepali people is a valuable contribution to Nepal's limited national data, and the uncertainty of funding from SNGP has made it difficult to support its institutionalisation and use. A commitment to see at least two more rounds of the Survey would be well justified.

SNGP offers good value for money, is managed with a close attention to cost and budget execution, and is generally efficient. Management costs are reasonable and the team structure is largely appropriate, while the delivery model is fit for purpose and effective. Embedded personnel at the subnational level are a key success factor and have enabled many important outcomes. The main efficiency concern is 'scope creep' and the program being rather thinly spread in some areas. While the program is designed to work adaptively, some of the program adaptations appear to have been made on less than robust bases, and the program still appears somewhat scattered. At this late stage in a 10-year timeframe a program would generally be consolidating its focus rather than continuing to open new avenues of work (e.g. climate change. The decisions to close some activities reflect this intention (e.g. community mediation), but the MTR questions some of the choices that have been made.

In summary, the MTR concludes that SNGP is a strong and valuable program making important contributions to Nepal's young, inclusive federal system across a wide range of locations, sectors and functions. It is broadly an effective program, certainly efficient, demonstrating extremely good

outcomes in gender equality, with positive progress in disability and other social inclusion. It is a strong example of locally-led development and offers many excellent models for others to follow.

Where the program could be strengthened is in its adaptive rigour and clarity of intent, with a recommended return to focusing on stability, health and economic development, with climate change carefully mainstreamed in support of the primary aims of the program rather than taking on the status of a new intended outcome. There should be increased attention to catalysing replications and scaling up by other actors with more resources, including government, with more activity-level and technical cooperating and sharing with other development partners and PLGSP so they can take the lessons from SNGP piloting and experimentation to scale.

The MTR commends the SNGP team for its sustained, committed and principled work towards its intended outcomes, and to the aspirations Nepal has expressed for an inclusive federal system of government which benefits all citizens. The recommendations, summarised below and detailed in the report, are intended to help guide SNGP towards the greatest possible benefits by the end of Phase II, and provide some direction for future Australian support:

R1. Continue prioritising work with federal institutions but also address other aspects of intergovernmental relations, giving priority to supporting the Unbundling Report, engaging more with sector ministries (health and industry), and exploring opportunities to better link province and local governments.

R2. Reconsider the planned exit from community mediation and Multi-Stakeholder Dialogues.

R3. Reverse the decision to close down the work towards the health EOPO and the creation of the climate change EOPO, and instead integrate climate change as a cross-cutting issue in the existing sectors and areas of work for the program.

R4: Sharpen the focus of work in the economic development outcome area.

R5: Continue the excellent work towards gender equality, and further enhance work towards disability and social inclusion, as well as efforts to identify and reach the most marginalised.

R6: Sustain the strong commitment to MERL and adaptive management, but significantly refresh the MERL Framework to invest much more in qualitative data which genuinely shows progress towards intended outcomes and support effective adaptive decision making.

R7: Commit to two more rounds of the Survey of the Nepali People (biennially), and support its gradual institutionalisation as a key national dataset.

R8: Strengthen the process and practice of adaptive decision making to ensure there is a robust, documented, and evidence-informed rationale for program adaptation and management.

Looking beyond Phase II, the MTR recommends that DFAT explore the creation of a subnational governance innovation and partnerships program, more explicitly designed to provide a 'testing ground' for ways to strengthen subnational governance in Nepal. Ideally this would be linked with PLGSP and other development partner programs so there is a clear pathway to scaling and replication of successful approaches and activities. A lead organisation, well-versed in Nepal's political economy and the complexities of federalism, would be essential in making this model effective.

Table of Contents

Acronyms

ANCP	Australia NGO Cooperation Program
DFAT	Department of Foreign Affairs and Trade (Australia)
DPP	Development Partnership Plan
EOPO	End of Program Outcomes
EUSIF	EU Support for Inclusive Federalism Program
FC	Field Coordinators (SNGP)
GEDSI	Gender Equality, Disability and Social Inclusion
GRB	Gender Responsive Budgeting
GoN	Government of Nepal
IGR	Inter-Governmental Relations
INGO	International Non-Government Organizations
JAMS	Judicial Affairs Management System
LED	Local Economic Development
LGAs	Local Government Associations
MERL	Monitoring, Evaluation, Research and Learning
MOFAGA	Ministry of Federal Affairs and General Administration (Nepal)
NCC	National Coordination Council
NGO	Non-Government Organisation
NNRFC	National Natural Resources and Fiscal Commission (Nepal)
OECD	Organisation for Economic Cooperation and Development
OPD	Organisations of Persons with Disabilities
OPMCM	Office of the Prime Minister and Council of Ministers
PC	Provincial Coordinators (SNGP)
PHO	Public Health Officers
PLGSP	Province and Local Government Support Program
PRL	Partnership, Research and Learning
PSP	Provincial Support Program
SDC	Swiss Agency for Development and Cooperation

1   Introduction and background

After a long period of political and social instability, Nepal promulgated a new constitution in 2015. Framed around a three-tier federal system, the constitution has strong commitments on inclusion, and devolves substantial responsibilities and functions to province and local governments. There are now seven provinces and 753 local governments, including metropolitan and sub-metropolitan as well as urban and rural municipalities.

The constitution has significantly strengthened the fundamentals of democracy, human rights, inclusion and decentralisation in Nepal. The Constitution specifies a minimum allocation of sits in elected bodies for women, Dalits, indigenous people, and other key social groups. Accordingly, it requires that every political party must have at least one-third women candidates in the federal parliament and province assemblies . This should generally deliver a balance of power between women and men at the local level: e.g. one each in the Mayor and Deputy Mayor roles, and there should be at least 40% women, (including one Dalit woman) in all Municipal assemblies and Ward Committees.

The COVID-19 pandemic exposed and exacerbated some pre-existing challenges facing the operationalisation of federalism in Nepal. Unresolved issues with the allocation of functions, roles and responsibilities across the 3 tiers of government came to the fore, especially in health. The pandemic also had a significant deleterious effect on Nepal's economy and the incomes of many citizens as well as the incomes of subnational governments. This has constrained their capacity to deliver services and infrastructure, in health and across the board. The pressures on governments at all levels also risks undermining progress and commitments to gender equality and social inclusion, including disability inclusion.

In recent years there has also been a growing trend towards recentralisation of the constitutionally devolved functions, through ad hoc legislations and executive orders. While the second round of elections did proceed without issues in 2022, these trends are continuing, along with significant political instability. There have been four governments at the national level since the 2022 election: federal level coalition governments are not proving stable, with the most recent change of government in July 2024. And because the national political power balance tends to be replicated at the Provincial Government level, each change at the federal level catalyses parallel change in the Provinces too. Province level government is an entirely new tier in Nepal, and despite the years since the new Constitution, they have not become fully functioning. This is seeding doubt in some quarters about the relevance or value of the provincial structure and, by implication, the federal system.

Despite the challenges, combined provincial and local government expenditure accounts for more than 38 percent of total government expenditure in Nepal at all levels. This is comparable to the OECD average of 37 percent[1]. However there is a lack of the necessary institutional capacity to efficiently translate budgetary inputs into effective infrastructure and services. There are significant issues with the devolution of public administration and human resources to subnational levels, which is creating major obstacles for government effectiveness. There are also challenges with the way fiscal federalism is operating, a significant hurdle to service delivery and investment. There has also been mixed progress in activating intergovernmental relations mechanisms[2]. While the National Coordination Council did meet for the first time in July 2023, it has only met once since then and has not progressed key issues.

As such, there remains a long road ahead to institutionalise the inclusive federal system in Nepal, and to realise the aspirations of the 2015 Constitution. This is where development partners seek to

---

[1] https://www.oecd.org/en/topics/policy-issues/subnational-finance-and-investment.html
[2] These are specified in the Federal, Province and Local Level (Coordination and Interaction) Act, 2020

play a constructive supporting role. A more detailed description of the history, structure and political economy of federalism in Nepal is at Annex 1.

1.1   Project description

The Subnational Governance Program (SNGP) began in February 2017, with the overarching goal of:

> *"promoting an enabling environment for a stable, effective, and inclusive subnational government in Nepal that addresses the health and economic security of all, including women, people with disabilities, and other marginalised groups."*

SNGP is implemented by The Asia Foundation (TAF) through a strategic partnership agreement with the Australian Department of Foreign Affairs and Trade (DFAT). SNGP consciously and deliberately works in a politically-informed, adaptive and flexible way. It collaborates with implementing partners including civil society, organisations and non-government organisations (NGOs) professional associations, academic institutions, private sector, and individual experts. As such, SNGP aims to build a coalition of influence to facilitate and progress sustainable progressive change at the subnational level.

Phase I of the program concluded in early 2021 after five years of implementation. Because this was at the height of the COVID-19 pandemic, DFAT and TAF continued SNGP through a Bridging Phase from April 2021 to March 2022. This interim approach reflected the need for flexibility in the face of the pandemic, which diverted resources from governance and shifted priorities for subnational governments. The focus of the Bridging Phase was to contain the destabilising effects of the pandemic on the new federalised system of government, strengthen health security, and invest in economic recovery. Also, at a strategic level, the Bridging Phase worked to facilitate the resolution of functional and jurisdictional overlaps between the tiers of government.

During the Bridging Phase, activities included analysis, legislative review and drafting, surveys and research, political dialogues, and establishing citizen engagement platforms for more inclusive negotiation of legislation. SNGP also implemented targeted activities on gender equality, disability and social inclusion (GEDSI), and integrated GEDSI throughout other program activities and processes. Also during the Bridging Phase SNGP developed an updated theory of change/program logic, and confirmed 3 priority areas: stability, health security and governance, and economic recovery.

Phase II of SNGP commenced in April 2022, with a five year timeframe and a continued commitment to working with all three tiers of government to reinforce the stability of the federated state structure. The priority areas remained consistent, as did the overall approach. Activities continue to address the lack of established institutions, processes and mechanisms for coordination and collaboration between tiers of government, to formulate and implement inclusive policy and legislation, and resolve disputes between and within the tiers of government. SNGP also works to assist targeted provincial and local governments to strengthen planning, budgeting, and program implementation, while also facilitating citizens, including women, people with disability and other marginalised groups, to have a material role in local decision making.

The vision for SNGP since the start of the Bridging Phase is expressed in four end-of-program outcomes (EOPOs):

- EOPO 1: Strengthened systems and mechanisms for intergovernmental coordination and dispute resolution across the three tiers of government

- EOPO 2: Selected local governments have more inclusive and evidence-based policies and plans towards improved access to public health services

- EOPO 3: Selected subnational governments (Provincial and Local) formulate and implement inclusive and evidence-based economic policies and plans

- EOPO 4: Subnational policies, programs and service delivery are inclusive, equitable and respond to the needs of women and marginalised communities

At the end of 2023, in response to Australia's new International Development Policy and its significant commitments on addressing climate change, SNGP added a fifth EOPO:

- EOPO 5: Selected subnational governments incorporate climate change considerations into their prioritised policies, plans and programs

At the federal level SGNP works through relevant ministries, commissions, agencies, as well as local government associations which are expected to have an impact across the country. SNGP applies its flexible and responsive approach to its selection of geographic locations for its activities. However there is a set of seven targeted municipalities which have been the focus of more consolidated and multi-sectoral assistance, continued from the Phase I to test reforms to policies and processes for more effective, inclusive, and responsive service delivery: Damak, Mithila, Bhimeshwor, Waling, Tansen, Birendranagar and Tikapur: one from each Province (see Box 2).

In addition, as Phase II has progressed, the program has begun to direct more targeted support to Province Governments, particularly with Bagmati and Lumbini Provinces, with demand driven technical assistance and support to other provincial governments. The program has also been implementing provincial level dialogue on pertinent issues in five provinces: Sudurpashchim, Karnali, Lumbini, Madhesh, and Koshi.

Figure 1: Nepal's Provinces, showing SGNP geographic focus

Program management and implementation arrangements centre on the SNGP team in the TAF office in Kathmandu, which include specialist teams for each of the outcome areas, with a senior leadership team and a monitoring, evaluation, research and learning (MERL) team. A key feature is

also the cohort of eight Provincial Coordinators, who are embedded in the seven target municipalities (and known as Field Coordinators, until recently), and in Bagmati Province.

1.2   Development partner context

The national program of support for subnational governance in Nepal is the Province and Local Government Support Program (PLGSP). Led by the Government of Nepal through the Ministry of Federal Affairs and General Administration (MOFAGA), PLGSP is a USD79.23 million program which began in 2024 and continues until mid 2029. It is funded through contributions from the Government of Nepal, as well as development partners Norway, UK, Switzerland, European Union, UNDP and (to be confirmed) the USA. The goal of PLGSP is similar to that of SNGP: *Provincial and local governments are fully functional, sustainable, inclusive and accountable to the people*. The program targets outcomes at federal, provincial and local government levels, with the emphasis on the two subnational tiers, and works towards results which align with the aims of SNGP. That said, PLGSP operates very differently from SNGP, taking a more conventional and much less flexible approach. However its scale and reach outstrips SNGP, designed as it is to reach all 7 Provinces and all local governments.

Other development partners are also investing in complementary support for subnational governance. In addition to contributing to PLGSP, the Swiss Agency for Development and Cooperation (SDC) is financing the Provincial Support Program (PSP) in Koshi Province, and is also keen to contribute to TAF to extend the scope of SNGP. USAID is investing in public financial management in partnership with the World Bank, focusing on Madhesh and Lumbini Provinces. Other partners appear to be closing their bilateral programs in favour of PLGSP. For example, the EU Support for Inclusive Federalism Program (EUSIF) has had a focus on Karnali Province but concludes in 2024, and the GiZ program which supported activities including gender-responsive budgeting, revenue and inclusive planning has also concluded.

1.3   Policy alignment

The Subnational Governance Program (SNGP) is Australia's flagship development investment in Nepal. It reflects Australia's decision to make support for inclusive democracy and governance the highest priority in the development program. SNGP aligns with Australia's international development policy, released in August 2023, which seeks to meet the critical needs of partners supporting sustainable development through relationships based on respect and long term partnerships. The four pillars are a) building effective and accountable states b) enhancing state and community resilience to external pressures and shocks c) connecting with Australia and the regional architecture and d) generating collective action on global challenges that impact our region. SNGP contributes to the first and second pillars in particular of effective and accountable states and state and community resilience through more effective governance that reaches the people, including the most marginalised.

Australia's draft Development Partnership Plan (2024-2029) for Nepal identifies where Australia will add value to Nepal's national development priorities, how Australia will work coherently across the full spectrum of whole of government support and work with other development actors so that assistance well coordinated. The two key objectives are promoting good governance for inclusive and equitable public service delivery and enhancing institutional and community resilience to climate change and natural disasters. The DPP prioritises working at provincial and local levels, with provinces being the most recently created and least devolved tier of government. It also prioritises service delivery noting that this has also been largely devolved to local governments and is a unique opportunity to build stronger citizen state relations to enhance the effectiveness and inclusive nature of the Nepali state.

Inclusivity is a particular priority for Australia's development cooperation with Nepal. Groups such as women, religious minorities, indigenous communities, marginalised ethnic groups (eg Dalits and Madheshis) are severely underrepresented in leadership roles in politics and government, and their share in resource allocation. Hence the importance of SNGP to supporting participatory and demand side governance reform and inclusion at the same time as building responsiveness of the state through supply side interventions such as improving planning, budgeting, coordination and delivery.
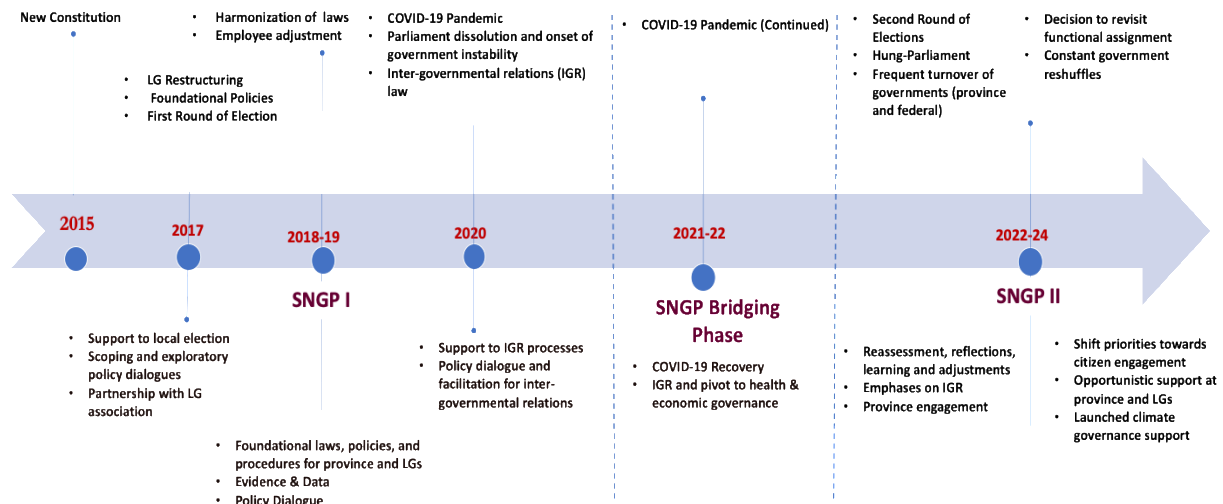

Figure 2: SNGP timeline[3]

1.4 Program pivots

As an adaptive program working in a somewhat volatile context, SNGP has rightly adjusted its program and priorities over time. The MTR team observed five main program adaptations, or 'pivots', since the start of the Bridging Phase. These are examined to throughout the report, and have been addressed in findings and recommendations. Broadly, these are:

1. *Increased Provincial focus*: SNGP has decided to shift focus progressively towards provincial governments, responding to the reality that many stakeholders view Provincial Governments as the weakest of the 3 tiers, and those at greatest risk to recentralisation. This is materially illustrated by the re-naming of Field Coordinators (FCs) to Provincial Coordinators (PCs) and shifting their focus towards more engagement at the Provincial level as well as the strategic partner municipalities.

2. *Multistakeholder Dialogues exit*: SNGP has supported 17 disputes to resolution through Dialogues during Phase II, with many more in Phase I. Dialogues have also broadened their scope to support policy and planning processes and as a key instrument for engagement between government and those outside of government. SNGP has decided to discontinue support for the Multistakeholder Dialogues.

3. *Community Mediation withdrawal*. A successful and well-regarded feature of SNGP's work at the local government level, the program has supported the constitutionally mandated community mediation system in target and neighbouring municipalities. Since 2017 SNGP has trained 2,273 community mediators and enabled the resolution of 9,894 local disputes. This has also taken the pressure off the formal legal system and benefited around 25,000 community members. However in 2024 SNGP decided to withdraw from supporting community mediation.

---

[3] Diagram prepared by The Asia Foundation

4. *New climate change EOPO*: In response to the new Australian International Development Policy and its strong committments on climate change programming, SNGP created a new EOPO establishing a pillar of work in climate change.

5. *Health closeout*: To accommodate the new body of work in climate change, SNGP determined that an early closeout of work in the health sector was necessary. It has indicated an intention to cease monitoring and reporting towards that EOPO after 2024.

SNGP has also undertaken a number of revisions to the program monitoring, evaluation, research and learning (MERL) framework, reflecting the ongoing adaptation within the program.

2   Review scope and purpose

The primary objective of the midterm review for the Strategic Partnership on Subnational Governance in Nepal is to conduct an impartial assessment of the program, offering insights to both DFAT and TAF regarding the effectiveness and quality of the Bridging Phase and the initial half of Phase II, encompassing the period of April 2021 to mid 2024.

The review focused on three key aspects: effectiveness, efficiency, and gender equality, disability and social inclusion (GEDSI). Additionally, the review was tasked with suggesting adjustments which could be made in the remainder of Phase II to strengthen its implementation, and to look beyond Phase II for possible approaches to future support for subnational governance and inclusive federalism.

2.1   Audience and users

The primary users of this mid-term review will be the SNGP team, TAF Nepal and DFAT Nepal. These partners will utilise the MTR findings and recommendations to adjust the implementation of SNGP, and to make strategic and operational decisions about its future. The MTR will also feed into future work to scope and design Australian support for subnational governance beyond the end of Phase II.

Secondary users, at least of the key elements in the MTR, will be key stakeholders in the Government of Nepal, SNGP partners and implementing agencies across Nepal. There are also potential users within TAF and DFAT more widely, and other development partners working to support subnational governance in Nepal, should DFAT chose to share it with them.

2.2   Review questions

The terms of reference for the MTR specify evaluation (review) questions, focused in the priority domains of effectiveness, efficiency, gender equality, disability and social inclusion, and the future of the program. These domains were drawn from the DFAT investment quality criteria, and the OECD DAC evaluation criteria.

1. **Effectiveness**

    1.1. How is the Program progressing towards achieving its outputs and outcomes?

    1.2. How has the Program's policy review and dialogue initiatives contributed to influencing Nepal's federalism and GEDSI agenda?

    1.3. Is the Program's MEL system generating sex /GEDSI disaggregated data and credible information to track progress and to inform decision-making, learning and accountability?

2. **Efficiency**

    2.1. Is the program making appropriate and efficient use of DFAT and the Foundation's time and resources to achieve outputs and expected outcomes?

    2.2. How has the Program's adaptive and flexible approach contributed to intended outcomes?

3. **Gender Equality, Disability and Social Inclusion (GEDSI)**

   3.1. How has GEDSI analysis informed and been mainstreamed across the Program and within the institution(s)?

   3.2. In what way has the Program made a difference to gender equality, empowering women, marginalized communities and people with disabilities?

   3.3. How are women, people with disabilities and/ or organisations of persons with disabilities (OPDs), and the most marginalised, meaningfully engaged in program cycle processes (e.g., design, monitoring, implementation, evaluation)?

4. **The future of the program**

   4.1. Are the Program's achievements likely to be sustained and how will good practices, including from GEDSI perspectives, be replicated and scaled up?

   4.2. What are possible options for support post-SNGP Phase 2 in terms of areas of focus and possible partnerships (i.e. delivery modalities, implementation mechanisms)?

2.3   Method and limitations

The method for the MTR is detailed in Annex 2, which provides the overall MTR Plan. It is a primarily qualitative assessment based on a review of the program's documentation and semi-structured interviews with relevant personnel and stakeholders, utilising individual or group interviews, physical and virtual meetings in Nepal and Australia. Document review and existing SGNP program data provided necessary quantitative data, as primary quantitative data collection is not included in the review design.

The MTR had limited time for data collection in Nepal; only two weeks in total. Therefore the team split into two groups, one team visiting sampled sites in the west, and the other in the east. This approach enabled the MTR to cover three of the five supported Provinces, and four of the seven municipalities:

- East cluster: Koshi and Bagmati Provinces, Damak and Mithila Municipalities

- West cluster: Lumbini Province, Birendranagar and Tikapur Municipalities

The team undertook a rolling document review process commencing before the preparation of the MTR Plan, and continuing throughout the mission and beyond, as additional documents were sought and provided in response to MTR team requests.

The main focus of the data collection phase was the program of individual and group interviews and discussions in Kathmandu and the province and local government areas sampled for the review. These mainly comprised semi-structured qualitative interviews, with careful prioritisation in order to focus on the highest priority individuals and organisations within the limited time available for data collection, and the use of group interviews in some cases. In total the MTR team was able to speak to 253 men and women, from the program team, implementing partners, governments at all levels, communities and development partners, including DFAT.

The MTR team individually and collectively analysed document and interview data, together with observational data collected throughout the mission in Nepal. The end of the data collection phase culminated in 1.5 days of joint analysis and sense-making before the initial presentation of findings to TAF and DFAT. The team followed DFAT's Ethical Research and Evaluation Guidance, which incorporates four key principles: respect for human beings, beneficence, research merit and integrity, and justice.

2.4   Limitations

Like all evaluative processes, the MTR faced a number of limitations. The in-Nepal data collection phase of the review was limited to only two weeks. This necessitated careful choices about how to target the limited time in the most effective way possible. It was necessary to accept that there may be some information or interviews which the team was not able to include in the review dataset. It also meant that some interviews (particularly group interviews) were shorter than ideal.

Splitting the team in two for much of the data collection did enable far more coverage than would otherwise have been possible, but did constrain some of the whole-team sense-making which would usually have taken place throughout the mission. That said, though, there was good provision for the team to reconvene in Kathmandu for analysis and conclusion-drawing, which was an adequate response to the implications of the time constraints.

The team did, however, appreciate the excellent forward planning and scheduling of the review. This enabled TAF to assemble a high quality team with complementary skills and knowledge, and to allow sufficient time for the preparation and analysis phases of the process.

On balance, the team is confident that the limitations do not undermine the analysis, conclusions and recommendations.

3 Findings

On the basis of program data and the additional data collected through the MTR process, the MTR team has assessed each of the end-of-program outcomes (EOPOs) below, along with the other key review questions addressing gender equality, disability and social inclusion (GEDSI), efficiency, monitoring, evaluation, research and learning (MERL), and the future of the program, including sustainability.

3.1 Effectiveness

- *How is the Program progressing towards achieving its outputs and outcomes?*
- *How has the Program's policy review and dialogue initiatives contributed to influencing Nepal's federalism and GEDSI agenda?*
- *Have climate risks and opportunities been identified, and are they being acted upon?*

There is evidence of effective progress towards the four long-standing end-of-program outcomes (EOPOs) and the program's intermediate outcomes and outputs, to varying degrees.

3.1.1 Stability

> **EOPO 1: Strengthened systems and mechanisms for intergovernmental coordination and dispute resolution across the three tiers of government** [4]
> IR 1.1 Dispute resolution systems and mechanisms are operational across the three tiers of government
> IR 1.2 Increased clarity on roles and functions across three tiers of government
> IR 1.3 Intergovernmental coordination mechanisms are operational across the three tiers of government
> Approved budget: AUD 3,889,987   (30.1% total activity budget)

Available evidence strongly suggests that the program has made clear progress towards EOPO1 and is on track. Building on its work during the first phase, SNGP has significantly contributed to Nepal's inter-governmental relations (IGR), which is complex for a number of reasons, including that the relations between the federal and local governments are non-hierarchical, and the Constitution has five schedules that deal with competencies and powers among the levels of government.

First, the Program supported the activation of the mechanism envisaged by the *Federal, Province, and Local Level (Coordination and Interrelation) Act* (popularly known as the *IGR Act*)[5], including the National Coordination Council (NCC) headed by prime minister, the highest level inter-governmental body, through its support to the Office of the Prime Minister and Council of Ministers (OPMCM)[6] and the Local Government Associations (LGAs). The first meeting of the Council made a host of important decisions having long-term implications in Nepal's federal system. They included reviewing the unbundling report, minimizing duplications in the grants being provided by three levels of government, removing similar kinds of administrative structures, formulation of remaining laws by the federal government, etc.

---

[4] The revised outcome statement is much clearer and concise compared to the original outcome: SNGP GON counterparts have equitable access to and use quality resources that support their needs to strengthen intergovernmental relations and coordination, inclusive policy-development, and/or dispute resolution.
[5] Which is considered by some of the respondents as Nepal's second constitution.

[6] It should be noted the OPMCM serves as the Secretariat of the Council and has the potential to influence other IGR mechanisms such as the Sectoral/Thematic Committees to be led by the sectoral ministers.

Second, the Program supported two province governments (Sudur Paschim and Gandaki) to enact laws on IGR which built on the *IGR Act* that was issued with significant technical support from SNGP Phase I. It facilitated the formulation of model operating procedures of the Province Coordination Council. As well, it supported convening the interactions between local and provincial governments of Lumbini province and Bagmati province to bring clarity on the unbundling report and all seven provinces on budget and planning process.

Third, through the Program's collaboration with the National Natural Resources and Fiscal Commission (NNRFC), the latter has devised a mechanism to transfer royalty from the radio frequency to the province and local governments. Accordingly, the province and local governments received NPR 3.3 billion from this source in fiscal year 2023-24. The Commission Officials commended the Program for the collaboration.

The MTR concludes that despite some indications in some areas (e.g. select thematic committee meetings) the federal system is some distance from *'government officials leading intergovernmental dialogues per the standard operating procedures without SNGP support'* as envisaged by the sustainability plan of SNGP, even in target locations. The IGR tools and mechanisms are still evolving but are greatly hampered by the political instability at both federal and provincial levels. How the Program navigates through this uncertain and unstable environment and builds on the gains made so far is a big challenge. Likewise, there are gaps in SNGP's engagement with the relevant sectoral ministries such as the Ministries of Health, and Industry at the federal level. Because of this, there is no upward linkage of what the Program is doing at the municipal level which is important for sustainability and upscaling of the local level initiatives. Given its positioning and relationships, the Program could have done more to strengthen IGR between the province and local governments.

Box 1: Unbundling the powers of the three levels of Government

Clarity in the roles and responsibilities is a fundamental first step for an effective multi-level governance. An unbundling is an unpacking or deconstructing of a particular public function (e.g., basic education) in a number of dimensions to the extent that particular sub-function could be assigned to a particular level of government exclusively. It is a way of minimizing concurrency in the division of functions among the levels of government and bring about clarity in terms of who does what.

The Constitution of Nepal has defined the roles and responsibilities ('power') to all three levels of government in the form of exclusive and concurrent powers through five schedules (schedules 5-9). In doing so, there are overlaps among the concurrent and exclusive functions in numerous places. So much so that some of the functions are included in all schedules (e.g. education, health, cooperatives, royalty from natural resource, environment, mines). Hence the criticality of the unbundling of exercise.

Following the promulgation of the Constitution (in 2015), the Government of Nepal carried out an unbundling exercise resulting in a comprehensive and detailed report in terms of which level of government should do what. This report served as a strong basis for all three levels of government to develop laws, policies and regulations. Had this piece of work not been in place, the implementation of the federal Constitution would have been even more challenging.

The initial unbundling was carried out before the elections for the province and local governments were held, meaning the report did not reflect the voices of the PLGs. Moreover, the unbundling was done purely on the constitutional interpretations of the division of powers among the levels of government and lacked any practical experience. As per a National Coordination Council decision, the Office of the Prime Minister and Council of Ministers in 2023-24 took the leadership to revisit the unbundling based on the experiences of implementing the federal system for more than six years.

A central feature of SNGP has been the work to bring increased clarity on roles and functions among the three levels of government, and this is potentially where the program has had the greatest policy influence. SNGP supported the secretariat of the NCC to revisit the unbundling report in a consultative and participative manner. To this end, the Program engaged representatives of more than 600 local governments, all seven province governments, and many representatives of the federal government. The Program heavily involved the LGAs in the process. In addition to providing process support, the Program contributed substantively by hiring several experts in different thematic areas. For details about the unbundling exercise please refer to the text box one.

Though the process to revisit the original unbundling report was participatory and robust, the quality of the revised unbundling report is yet to be confirmed. The quality of the report notwithstanding, the unbundling report is not a binding legal document. For it to be binding, all three levels of government, starting from the federal government, need to internalize the recommendations in their respective laws and policies. Before that, the new federal government leadership needs to own the report. It does not mean, however, that ownership of the province and local governments can be taken for granted.

The Program has made some important gains in supporting dispute resolution, especially at the province, local and community levels. At the province level, the Program contributed to resolving some pertinent issues through the Multi-stakeholder Dialogue[7]. In Koshi, the Program's engagement with the stakeholders might have contributed to averting the potential conflict following the naming of Province by the Province Assembly. Mobilisation of a locally grounded NGO, providing demand-based support, trust building among the forum members, offering neutral space, use of informal mechanisms, and research-based discussions are some of the approaches which have been effective.

The Multistakeholder Dialogues have also made valuable contributions to GEDSI. These can be seen from two perspectives: how the GEDSI agenda is being addressed, and how inclusive the representation has been. From the first perspective, the agenda appears to be inclusive as the topics have ranged from the promotion and protection of indigenous and minority culture and rights, to gender-responsive budgeting. However, the available evidence suggests that the representation could be even more inclusive. For example, there is only limited representation of people with disabilities despite the Program's commitment to the agenda. If SNGP continues to support the Multistakeholder Dialogues this is a key aspect which could be addressed.

There are two major challenges regarding this: how to make the dialogue forums more inclusive (from the point of view of representation) and sustain the initiative beyond the Program support. The inclusion aspect is highlighted above already. Regarding sustainability, the forums are mainly funded by the Program support, and sometimes the province and local governments complement through in-kind support. While the forums are important to help resolve many IGR and governance-related issues, it is most likely the forums will be discontinued after the Program stops supporting them if a viable option to continue the funding is not put in place. For this reason, the MTR has significant concerns about the plans to cease support in this area of work.

At the local and community level SNGP has notably contributed to resolving disputes through its support to local level justice delivery mechanisms, namely the Judicial Committees and Community Mediation Centers. These, in turn, have complemented the formal justice systems and mechanisms, and reduced judicial costs for service seekers. For example, stakeholders in Damak and Mithila highly appreciated that the support provided to the Judicial Committee members in the form of training, knowledge exchange, and (in Mithila only) the Judicial Affairs Management System (JAMS) has immensely contributed to their effective functioning. More importantly, the Program has gained trust of the Deputy Mayors, who chair the Committees, such that that whenever they confront any

---

[7] Now renamed as Expanding Provincial Policy Networking (EPPN) Program

problem/issues, they reach out to the Program through the Province Coordinators based in the municipalities.

The mechanism of community mediation needs to be fully institutionalised by the local governments. In this regard, the local governments need to allocate sufficient budget regularly to provide some allowance to the mediators at least to compensate for their opportunity cost. The exit plan prepared by the Program talks about exiting from this component by the end of 2024. However, given what was observed by the MTR team in Mithila and what is identified as one of the risks in the exit plan, it seems it is premature to exit from this component as planned.

Box 2: Community mediation takes off

Through partnerships with three key NGOs, SNGP has brought community mediation to its seven target municipalities, improving access to justice for at least 22,444 people, and taking pressure off the district court system by reducing the number of cases they are required to handle. Municipal Judicial Committees nominate people to become community mediators – SNGP have set targets of 50% women 10% people with disabilities 50% indigenous. As such, they can represent a community's diversity and offer a range of perspectives to support dispute resolution locally.

SNGP works through several local organisations to support community mediation and related components of the local justice system, including Community Mediators Society Nepal, Forum for Nation Building Nepal (FNBN), Natural Resource Conflict Transformation Center-Nepal (NRCTC-N) and Young Innovation (YI). Their activities include supporting partner municipalities by providing mediation training, assisting with the policy and legislative reform process on community mediation, delivering Master training of trainers, and conducting practice sharing. The partnership with Young Innovation is also supporting the case management systems behind community mediation and systemising it. Known as JAMS, it is Integrated with community mediation case management training especially record keeping and procedures.

The partners involved in community mediation and local justice support through SNGP have clear, strong visions for their work and the benefit it brings to Nepal's communities. For example, NRCTC-N sees itself as engaged in peace building, operating in 185 municipalities with 5000 mediators and 50-60 trainers. SNGP expanded their reach, supporting vision to scale their model nationally across 753 Municipalities and to bring access to justice for all.

Several factors are likely to have contributed to the achievements towards this EOPO:

- the support and resources provided by the Program are to a great extent grounded on the needs and priorities of the three levels of government. Several stakeholders mentioned that when they need any support, they approach the Program as they believe that the Program is flexible and able to respond promptly and creatively to their specific needs.

- the Program is equipped with staff conversant in federal governance, IGR, and dispute resolution.

- the Program's approach to carrying out political economy analysis has helped the Program to be aware of potential risks involved in the support provided.

- instead of delivering on its own, the Program has been delivering most of the activities through mainly local NGOs which might have helped the Program to navigate through many challenges associated with sensitive issues of federalisation.

The context for work towards this EOPO is challenging. As noted above, the federal government seem reluctant to devolve the powers as per the constitutional design and hence empower the province and local governments. Federal and province governments have been marred by political instability. Since the SNGP Bridging Phase, there have been four governments at the federal level

and more than four governments in some of the provinces. A further challenge is the fact that senior level civil servants are generally transferred more or less in line with the change in the governments. And, the overall environment for International NGOs (INGOs) and 'foreign assistance' is not favourable, especially at the federal level[8].

The Program has adopted some strategies to respond to the situation. As much as possible, it is working with the institutions rather than the individuals so that when the individuals change, the Program partnership and support is continued. To deal with the issue of reluctance of the federal government to empower the province and local governments, the Program has been working with the LGAs that are creating some level of pressure on the federal government.

Recommendations: Stability

R1. While SNGP needs to continue working with the federal level institutions such as the NCC and OPMCM, it should also prioritise the other windows of IGR within the scope of the program. Because of the program's experience and expertise in carrying out policy dialogues, it has a lot of potential to contribute significantly to improving the province-local relations within the areas and issues that the Program is addressing. Considerations include:
   a. Once the unbundling report is finalised and formally approved by the NCC, it will pave the way for a tremendous amount of work from internalising the recommendations by all three levels of government and educating the government levels and the public. The Program should be ready for the needed support so that the gains made through the revisioning process are sustained.
   b. The program should engage with federal Ministries of Health and Industry, including inviting them onto the Advisory Committee. The Ministry of Federal Affairs and General Administration is ready for this.
   c. Leveraging the policy dialogue, SNGP should explore opportunities to enhance intergovernmental relations between the province and local government, not least focusing on the sectors it is working on.

R2. Sustaining the gains achieved in dispute resolution and judicial services, SNGP should reconsider its planned exit from community mediation and the multi-stakeholder dialogues, and instead continue support until the end of 2025, while also:
   a. ensure the training being provided by the NJA is continued through government budgets either through the NJA itself or other relevant training institutions,
   b. continue working with municipalities until they allocate sufficient budget to provide remuneration to the community mediators and to support the necessary logistics for community mediation services, and
   c. invest in documenting the knowledge and experiences gained so far in knowledge products designed for, and targeted to local governments, to support the efforts to secure budget and other resource allocation for community mediation.

Box 3: Integrated support at Municipality Level: Tansen

SNGP has provided a range successful activities to support a multiple, interrelated functions in its seven target Municipalities, with the embedded Provincial Coordinators playing a key role. This

---

[8] For example, a new draft policy would impose considerable constrains on INGO operations such as a requirement for the GoN to approve any INGO reports to other governments, government approval of INGO budgets, and the prohibition of INGO work on laws and policies. https://kathmandupost.com/national/2024/08/02/government-pushes-for-tough-ethics-code-for-officials-i-ngos

example illustrates the positive results for Tansen Municipality, and its 50,792 residents[9], across planning, policy, health, enterprise development, gender and disability inclusion.

First Tansen was supported to develop its Municipality Profile using data from the census and DHS. This dataset then become the basis for a 20 year vision and plan, with support for long range and annual planning. Next, attention turned to funding the plan, so Tansen developed a revenue improvement plan, with an emphasis on revenue from sand mining and tourism.

Tansen also received SNGP justice assistance, including the package of new community mediation services (training six mediators per ward, across 14 wards and 84 mediators in total). The program also installed the Judicial Affairs Management System (JAMS), which records the mediation cases referred by the local Judicial Committee. Alongside this, Tansen received assistance to upgrade and institutionalise JAMS, as well as skills training for the relevant municipal staff. JAMS data shows that 12 out of 13 cases were resolved through community mediation, taking pressure off the district court.

Health is also a priority for SNGP. Tansen was supported with the provision of an embedded public health official, plus assistance to work at the policy level, develop and pass a new Health Act, and improve hospital management, policy and procedures. Now the focus has shifted from standard setting to implementation. In business development, program supported "Fair Price Shop Management and Promotion Guideline" helped to establish three small businesses during COVID, enabling them to produce supplies and are all still operating.

Awareness of GEDSI is growing in Tansen as a result of SNGP assistance, with a new Policy in place. The shift is now towards policy implementation through the new GEDSI unit and budget allocations. The municipality budget has been produced in braille so it is accessible by people with vision loss.

Overall the rolling package of support has been implemented with local variations to meet local priorities, building on the successes, relationships and opportunities as they develop over the course of a multi-year relationship[10]. This illustrates how targeted support through SNGP can achieve results across multiple outcome areas and contribute to wider local government strengthening.

3.1.2   Health and Climate Change

EOPO 2: Selected local governments have more inclusive and evidence-based policies and plans towards improved access to public health services

IR 2.1: Strengthened Health Management Committees in partner municipalities

IR 2.2: Citizens, including women and marginalised communities, have better access to, and are better able to participate in, selected local government health policy and planning processes

Approved budget: AUD 429,206   (3.3% total activity budget)

SNGP is demonstrating strong progress towards this EOPO, progressively building on the lessons in this and other sectors and engaging a range of partners and stakeholders to deliver tangible benefits to local governments and to citizens and residents.

There have been important, tangible achievements in health across the subnational governments where the program has been working, including a sizeable list of Acts, regulations, policies, standard operating procedures and operational guidelines in areas such as emergency health and ambulance services, pharmacy, hospital upgrades, drug abuse services, facilities for women and health outreach

---

[9] Source: National Planning Commission, National Population and House Housing Census 2021

[10] For instance another Municipality, Waling, has focused on developing its pharmacy services and has invested in a growth hub for micro and small businesses in its jurisdiction. Damak Municipality is also developing a similar enterprise development Growth Hub. Municipal study tours are occurring so that municipalities learn from each other.

in areas such as family planning. The 7 municipalities where SNGP has been supporting work in health also got a clear report from the Auditor-General regarding their expenditure of COVID-19 emergency funding, which was not the case for many other local governments.

Waling municipality upgraded its health post to a hospital, and has very significantly increased its own-source revenue as a result, although it is noted that the team could not determine whether this was revenue in excess of the cost of the upgrade and operations. It is also servicing the health needs of people from surrounding municipalities. Building on this initiative, Waling has now established a pharmacy and is developing targeted health insurance for disadvantaged citizens and residents, demonstrating significant progress towards this EOPO, including its focus on inclusive health access.

Also, in the west, the TLOs supported through the program are providing a platform for genuine citizen engagement, awareness and discussion, aligned with the second intermediate outcome. For example, in 2023 SNGP supported consultations with 307 TLOs, feeding into budgeting and planning of health progress addressing issues such as the availability of medicines in health posts, health worker professional development, and health insurance for vulnerable groups. The MTR received strong feedback that the work of SNGP is catalysing increased access to, and use of, local health posts, although the inclusiveness (or universality) of this access is less clear and may be a concern. This may particularly be the case for the more marginalised women and groups who are economically, socially and politically disadvantaged, such as poor Dalit women, and poor Janajatis like the Sonas and Badis, who lack political connections.

To further advance the aims of work in this program area, SNGP has deployed four Public Health Officers (PHOs) into the municipal health sections in Damak, Waling, Bhimeshwor and Tikapur. This approach reflects the program's positive experience with the seven municipal Field Coordinators, embedded in municipal governments. The PHOs are technical advisers to the local governments and ward representatives, supporting health policy work, facilitate legislative and regulatory development, and prioritisation, planning and service improvements. MTR interviews and observations identified these embedded PHOs as one of the most visible and valued elements of SNGP, which have been productive and well-supported by the governments they are supporting. Other partner municipalities would also welcome, and benefit from, embedded PHOs – at least Mithila expressed this to the MTR team.

> *"The Public Health Officer [embedded by SNGP] is so helpful, including her support for the Health Management Committee, for planning and policy work. We don't have anyone else with her expertise and qualifications. She is a huge asset" (Municipal Health Coordinator)*

However, despite this interest, and the strong positive evidence about the existing PHO placements, SNGP and DFAT decided at the end of 2023 not to expand this element of the program.

There are emerging signs of a valuable 'ripple effect' where by municipalities are taking up the opportunities – enabled by SNGP – to connect with other partner municipalities and share their experiences and aspirations. A number of local governments the team met referred to these initiatives in Waling and aspired to similar developments. Mithila municipality is observing the efforts of Damak in the health sector – emergency health services, pharmacy and hazardous waste disposal – and aims to establish similar initiatives themselves. SNGP is able to assist by facilitating this networking and by sharing resources and tools across partners, generating useful shared benefits despite the program's wide geographic spread.

There has been a significant shift in program priorities, with the decision to exit health sector work early, and this is concerning. With the creation of the new EOPO addressing climate change, SNGP and DFAT decided to close work towards EOPO 2 early. The 2024 Annual Plan outlines an approach for 'carefully managing' the exit, while also continuing to provide technical support on some policy areas, on a cost-sharing basis with partner municipalities. There is no ongoing commitment by SNGP

to support the PHO placements, only an intention to advocate for municipalities to sustain these roles through their own budgets. There is also a commitment to exploring 'integration of health initiatives into climate change'[11] as a means to continue some level of investment in health. Cost-sharing is encouraged and signs of some of this already occurring, and it is warmly welcomed as the logical pathway to sustainability, however the decision to pivot from health to climate change programming is momentous.

The MTR team has real concerns about this planned early exit from the work towards this EOPO. It represents an excessive and unnecessary course correction in response to the Australian policy[12]. Responding to climate change is not the purpose of SNGP. Rather, it is a governance program which recognises that it operates in a context of a changing climate, and which therefore should respond within the bounds of its areas of work. Both program data and the team's observations and interviews across Nepal indicate that the health sector work is demonstrating substantial indications of replication and horizontal sharing and learning. In other cases there has been progress with legislative reform (e.g.in Tansen municipality) but the early withdrawal risks missing the opportunity to support the *implementation* of these reforms, further risks backsliding or the non-realisation of the benefits of all the work by SNGP and its partners, including in local governments, to date.

Work in the government health facilities also represents attention to a sector that is characterised by high involvement of women, children and economically and socially marginalised families at all levels, and which generate visible and meaningful benefits to ordinary citizens. Health service delivery at the local level - devolving basic health to local governments - was also a significant shift which came with the new federal constitution. As such, addressing inclusive and effective health governance is a strongly-justified inclusion in SNGP. Likewise, for the interventions at the local level to be effective, there has to be strong intergovernmental coordination and cooperation among the levels of government. It appears to the MTR team that the SNGP's involvement in this regard has been only minimal.

EOPO 5: Selected subnational governments incorporate climate change considerations into their prioritised policies, plans and programs

5.1 Platforms are provided, and the coordination mechanism strengthened, to facilitate coordination and collaboration among key stakeholders for policy coherence and implementation

5.2 Expanded public participation (including women, vulnerable and marginalised communities) in climate policy and governance processes through structured consultation and engagement platforms

Approved budget: AUD 364,432   (2.8% total activity budget)

Scoping and planning is underway towards this new EOPO, but the MTR is concerned at its inclusion in the program.

In late 2023, this EOPO was added to SNGP, in response to Australia's new International Development Policy. Assessment of progress towards this EOPO was not included in the scope for the MTR, as it is such a new inclusion in the program. As already discussed, the inclusion of this

---

[11] SNGP Annual Workplan 2024, p2

[12] DFAT guidance regarding the application of the new policy committments advises that a climate change EOPO is only required if the *primary purpose* of the investment is addressing or responding to climate change. That is not the case with SNGP. Instead, the requirement is just that investments must properly mainstream climate change adaptation, and that this is best reflected as an intermediate outcome in the program logic/ theory of change.

domain of work was largely enabled through the decision to withdraw from health sector work. Work is still underway to scope and plan the activities which SNGP will undertake towards this aim, along with the necessary analysis and consultation. The program has employed two new climate change staff who have been doing broad scoping work, including examining the relative vulnerabilities of different local and province government areas in Nepal.

The new results chain for climate change / climate action indicates that the program will take a similar approach to that which has been successful in SNGP to date, focusing on ensuring that vulnerable and marginalised groups are able to participate in the formulation of climate policy and governance. Targeted results include building stakeholder knowledge and skills to understand 'climate change issues', and generating demand for data and evidence on climate change issues. These intended results are extremely broad. There is no intention to necessarily focus new climate change work in geographic areas where SNGP has existing activities, relationships, embedded TA, or other foundational arrangements. Neither is the program limiting (or focusing) its attention on areas where health had climate change directly intersect. Early ideas for work in climate change appear to be as varied as possibly doing foundational subnational policy work, as the program did in public health, or mapping water sources in Waling to inform policy and resource allocations in water supply, or exploring issues for agriculture in Tikapur.

While the team is not making a judgement on the quality of the initial work done so far in climate change, we do have concerns that, this late in a 10 year program, SNGP is exploring entirely new locations and sectors in which to consider developing climate change activities. Notwithstanding our larger concerns about the shift from health to climate change – discussed above – if the program were to proceed with climate change specific activities, it should consider whether the most progress could be achieved in existing target municipalities and provinces, and in target sectors (e.g. health, economic governance) rather than entirely new areas and sectors.

Recommendations: health and climate change

R3. It is strongly recommended that SNGP and DFAT reverse the decision to withdraw from the health area of work, and instead to stay the course through to the end of this phase. Climate change should be reframed as a cross-cutting issue rather than an EOPO. Specifically, SNGP should:

a. Work to embed sustainable gains in partner subnational governments, and on supporting the replication and expansion of successful pilots in health so that more municipalities can benefit from the lessons and experiences of the SNGP partner local governments. Otherwise there is significant risk that gains made to date may be lost, and opportunities for further progress and change in the remaining years of Phase II will be missed.

b. Clarify the program's ambition regarding climate mainstreaming with a revised outcome at the intermediate outcome level (and eliminate it from the end of program outcome level) in line with DFAT policy,

c. Create a new intermediate outcome for sustainability, replication and scaling which is cross cutting across all workstreams with M&E, and

d. Rather than seek ways to integrate health issues into climate change, the program should instead work to integrate climate change considerations into the ongoing body of work in health governance. Remaining focused on its work in the four existing EOPO areas, but introducing relevant climate change issues in meaningful ways would demonstrate its response to the new Australian policy priorities while sustaining its focus on an existing body of work, existing relationships, networks and profile.

3.1.3 Economic development

> **EOPO 3: Selected subnational governments (Provincial and local governments) formulate and implement inclusive and evidence-based economic policies and plans.**
>
> IR 3.1 Strengthened Provincial and local government public financial management systems and processes
>
> IR 3.2 Favourable business environment created by Provincial and local governments to stimulate local economic development
>
> IR 3.3 Increased citizen engagement in annual planning and budgeting processes
>
> Approved budget: AUD 1,439,759   (11.1% total activity budget)

Progress towards this EOPO is evident and broadly in line with expectations, but overall the picture of progress is mixed. There may be opportunities to strengthen progress here, or to redirect the program's efforts to other areas of work which more closely support the overall focus of SNGP, and which bring less risk.

There is convincing evidence that work on economic policies, plans and budgets is progressing well and is on track. Provincial leaders confirmed that economic development is their key priority and supported by the prevailing political economy which prioritises infrastructure (at 60% of spending). Economic development appears to be widely regarded as the economic dividend of the enhanced federalist structure, and that economic development and political reform should be balanced rather than lopsided towards political reform which is seen as expensive to run and sustain. At the provincial level, long term plans and budgets have been supported, including medium term expenditure frameworks.

Provinces indicated they require more support with inter-provincial and intra-provincial economic development particularly around shared revenue and larger cross boundary economic investments, but new sources of revenue are still to be found and some subnational governments are making good progress. SNGP efforts led to a new inter-governmental transfer avenue from radio frequency which was later distributed 50:50 between national government, and the provincial and local governments). This has been highly valued by stakeholders including the National Natural Resources and Fiscal Commission (NNRFC). Bagmati province was supported by SNGP with a transport management information system that led to an upgrade of the digital vehicle registration system which led to a "huge improvement" in revenue[13].

There are challenges with capability, particularly as federal government is charged with an enabling policy role yet local government officials are often administrators rather than entrepreneurs, particularly in areas of economic and business development.   There are also structural limitations where provinces are not able to maximise and retain enough revenue due to limited revenue base devolution by the constitution.

In PFM and fiscal reform, it has been difficult to isolate the benefits of SNGP support at provincial level from the larger nation wide PFM program funded by USAID and others, focused on automated PFM systems and budget coding, but the broader trends in organisational indicators are clear. In 2022, 5 out of 7 local governments improved their Local Institutional Capacity Self Assessment (LISA) scores on fiscal and financial management (or 71%). SNGP has focused more upstream work, supporting budget planning, and the work of account committees. Many interlocutors spoke of the need to shift focus from budget planning to budget execution and lifting the quality of expenditure. For example, some provinces are experiencing significant underspending, particularly on capital works due to low capability. The MTR concludes that SNGP is

---

[13] PSR Research and Consultancies (2022) *Outcome Harvesting Assessment of Subnational Governance Program*, March 22, pp90-93

investing in the right areas in terms of fiscal reform and upstream budget and planning, and is complementary to the work of other development partners (e.g. USAID). However there could be greater clarity of intent, including in the program logic, and attention to downstream budget execution as well.

The gains in enabling policies and planning for economic development have been strongest at municipal level where SNGP has supported municipal profiles using census data, they have benefited from revenue improvement plans, master planning in transport and infrastructure. Municipal data has been used for planning and medium-term expenditure frameworks, and behaviour change has been observed with the use of data to inform municipal planning. Most target municipalities have also accessed support with legislation and regulation for economic development in areas such as local market management and industry regulation, and to set up public private partnerships. Four PFM experts were deployed to municipalities to support planning, budgets and fiscal management at municipality level while budget related committees in 35 rural municipalities were supported through NARMIN. In line with the recommendations of the Office of the Auditor General (OAG) to improve fiscal discipline in local governments, and to address the increasing 'irregularities' (beruju), the Program piloted an intervention in Tikapur Municipality. This is now expanding to 33 local governments in Sudurpaschim Province, with plans to cover all 88 local governments in the province in the next year.

Some local governments are allocating budget for micro, small, and medium enterprises, but there also signs that it is not always well-targeted or well-used. The program has been supporting direct economic development and enterprise development initiatives in some local government areas, as a means to demonstrate more efficient allocation of economic development funding. This was evident in Damak, for example, where the team heard about the planned Growth Hub and met three of the five small business owners who had materially improved their businesses with business development services funded through SNGP. Waling has already committed a budget for a Growth Hub, and Damak is expected to follow this financial year. Clearly these initiatives have been useful for the small number of participants, and at least in some municipalities there is good buy-in and ownership. But small-scale enterprise development support is less well aligned with SNGP's focus and requires a disproportionate investment, unless there is a stronger emphasis on using the investment for innovation and demonstration purposes only.

Given that there is considerable post-pandemic stabilisation, it is not clear that this is well-aligned towards the aims of this EOPO, nor that SNGP is the best-placed program to progress this sort of work. Local enterprise development is also being addressed through other agencies of the Government of Nepal and development partner programs[14] (nationally and in individual localities) which, while not necessarily covering all potential enterprises, are better placed given their core business is enterprise development. There is a real risk for SNGP in working in direct local economic development, with high public visibility and very great scale of need and demand. SNGP may create expectations it cannot meet, and/or divert attention away from more central considerations for the program, causing fragmentation.

SNGP commissioned an independent outcome harvesting study in 2022. That study concluded that SNGP support for public private partnership regulations responded to demand, had good uptake, and was progressing into implementation with some municipalities forming PPP units[15]. In Damak, Bhimeshwor and Waling, three municipalities have used their own budgets along with SNGP assistance to establish experimental growth hubs for micro, small and medium enterprise development in different sectors, with business mentoring and support with shared office space.

---

[14] Examples include Micro Enterprise Development for Poverty Alleviation Program (MEDPA)
[15] PSR Research and Consultancies (2022) Policy and Research Outcome Harvesting Assessment of Subnational Governance Program, March 22, pp89-90

The same outcome harvesting assessment showed a high uptake by municipalities of the local market management manual and its use to inform legislative reform[16].

Given the wider issues of the ease of doing business work and the business enabling environment, the evaluation team recommends SNGP more tightly focuses its work on business development, PPPs and growth hubs given the relatively small size of the investment. The emphasis should be on catalysing innovation in enterprise support at provincial and municipal level, demonstrating the positive benefits and adding to the evidence for scaling and replication and cross learning between provinces and municipalities.

Citizen engagement in planning and budgeting shows strong signs of progress at provincial level (through the provincial development plan), through local economic development (LEDs) strategy at municipal level, also at ward level (through ward committees with the 40% women's quota) and also at tole lane organisation (TLO level). The ward and TLO levels seem to be quite transformational in terms of women's empowerment and the ability to advocate and participate in processes. Ward and TLO stakeholders reflected that budgets were genuinely including disability and gender expenditure including women's economic empowerment – and this despite more than half of budget commitments to roads.

SNGP through its TLO activation and leadership interventions is contributing to the ability to influence these budgets at the local level– particularly for social spending and economic development. Many of the women TLO members and ward members spoke about advocating for budgets for roads, cow sheds, lighting, village development, and skills. They appreciated skills for crafts and products that had links to existing markets or where there was market demand. However the budgets allocated for skills development not always well utilised in Nepal. Inefficiency typically stems from factors such as limited funding, lack of innovative ideas and approaches, inadequate planning, insufficient design and quality control (lack of technical expertise), and poor market understanding. Consequently, many economic development budgets are wasted on activities such as tailoring, pickle-making and doll-making, which do not have sufficient market demand. This challenge is not unique to SNGP, but it is important to ensure that SNGP support delivers budgets for economic development are well-targeted and well utilised.

Ward mentees and TLO committees expressed strong support for SNGP and the skills and leadership practice they have learned through planning and budgeting processes. They asked for more support in understanding project management, budgets and business development so they could advocate for better quality of expenditure and for greater budgets where possible. This area appeared very strong, with caveats around the limited resources available, and weak targeting within budget execution. Budget and PFM have had the unintended consequence of giving tangible purpose to the ward and TLO roles, and have supported empowerment of local leaders particularly Dalit women and indigenous women.

Recommendations: economic development

> **R4.** The program is encouraged to revisit its workplan and priorities across its portfolio of activities towards this EOPO to sharpen the focus for the remainder of Phase II. Effort may be best directed towards more targeted enterprise development activities, furthering inclusion-focused initiatives such as tax discounts and fee waivers for disadvantaged groups[17], and continuing to support budget and budget execution work. Further we suggest a shift from budget planning to budget execution at PLG level and supporting provinces, municipalities, wards and selected TLOs with project management and budgeting skills to be

---

[16] Ibid. pp85-88

[17] These appear to offer efficient support, but could be examined more closely to ensure they do not have an excessive impact on revenue and to protect the integrity of targeting.

able to play a strong monitoring and accountability role. This could cover ward committees, mentees in particular. SNGP should also consider amendments to the program logic, which will place the program well to monitor progress and demonstrate its success. For example:

    a. amending IR3.2 on the business enabling environment to better focus on SNGP's value add in demonstrating new models of business development such as PPPs and growth hubs

    b. amending IR3.1 on PFM to more accurately reflect the program's focus on revenue, budget and planning at province and local government levels.

3.2 Gender equality, disability and social inclusion

- *How has GEDSI analysis informed and been mainstreamed across the Program and within the institution(s)?*
- *In what way has the Program made a difference to gender equality, empowering women, marginalized communities and people with disabilities?*
- *How are women, people with disabilities and/ or organisations of persons with disabilities (OPDs), and the most marginalised, meaningfully engaged in program cycle processes (e.g., design, monitoring, implementation, evaluation)?*

EOPO 4: Subnational policies, programs and service delivery are inclusive and equitable and respond to the needs of women and marginalised constituencies

IR 4.1 Strengthened diversity, equity and inclusion at institutional governance level (SNGP and partner organisations)

IR 4.2 Increased gender-responsive budgeting and planning for services that target women, marginalised constituencies and people with disability

IR 4.3 Representatives and officials (people with power) begin to share power with those who have relatively less power at partner level.

Approved budget: AUD 1,003,208   (7.8% total activity budget)

SNGP has made significant progress towards this EOPO and demonstrates a strong approach to gender equality and inclusion.

The program has confirmed the importance of implementing policies and mechanisms that ensure subnational policies, programs, and service delivery are inclusive, equitable, and responsive to the needs of women and marginalised groups. There are especially strong signs of success at the local level, working as it does in line with the inclusive provisions of the constitution and subsequent legislations, the commitment to inclusion, and the community-facing role of local government. By comparison, there is much less evidence of GEDSI change at the provincial and federal government levels, although the MTR notes that this has been less of a focus for the program compared to the municipal level work.

The program has been able to generate attention and accountability for GEDSI amongst its government and non-government partners, and within SNGP and TAF. The SNGP GEDSI Strategy has played a significant role in guiding, raising awareness and mentoring among the program and its partners, helping them to develop policies, mechanisms, and organisational practices and culture that enables the integration of GEDSI.

The SNGP approach has been crucial in developing a cohort of skilled GEDSI experts and advocates at subnational levels. Unlike the typical practice among many development organisations, which often relies on brief, one-or-two-day GEDSI-related training sessions that are usually limited in scope

and depth, SNGP offers more comprehensive and phase wise training programs ranging from 4 to 20 or more days. These training sessions are complemented by systematic and ongoing mentoring, coaching, and close monitoring, as well as regular reflective discussions and interactions. Additionally, the training is reinforced by various programs such as the fellowships, mentorships, dialogue forums, and educational exchange visits at local, inter-municipality, provincial and international levels. This interlinked and rigorous approach to capacity building, coupled with adequate investments has cultivated a network of GEDSI advocates and expertise at the municipality and ward levels. This is having a positive effect.

> *"We have applied the knowledge and skills we've gained in several ways, such as moderating GEDSI workshop, developing workplans to ensure municipality budget is inclusive, advocating for the timely completion of GEDSI programs, involving male local government staff in our meetings. In other words, we have developed skills that have given us new perspectives and ways to seeing and acting." – FGD with Mentees from Birendranagar.*

Formal GEDSI Platforms have elevated both the quality of discussion and the participation of women and marginalized groups. Another key SNGP achievement been the establishment of formal platforms and spaces that enable elected women leaders, marginalized groups, especially Dalit women, to organise and advocate for their rights and effectively engage in local development processes. These platforms, such as the Mentorship Program, Multi-stakeholder Dialogue Forums, Tole Lane Organisations (TLO) in the west, offer opportunities for women and marginalised groups to practice and sharpen their leadership and other skills, such as legal knowledge, planning, and advocacy techniques. These platforms have enabled women to move from domestic roles to more public-facing positions, where they can participate more effectively in discussions, advocate for their needs, plan initiatives, ensure their proposals are considered for funding and strengthen service delivery. In this way, SNGP is contributing directly to realising the inclusive promise of federalism at the local level.

TLOs in Birendranagar and Tikapur reported that regular discussions and engagements have led to substantial improvements in services, especially concerning healthcare for women and marginalized groups. The allocation of health volunteers is now assured, and the number of service seekers from these groups has increased significantly, from 20-25 people per day to 50-60 per day over the past few years. Visitors not only come for health services but also to inquire about the government-provided health facilities (e.g. health insurances, sanitary pads), showing greater curiosity and interest than before. This shows a good level of improved access and uptake.

Similarly, in Lumbini Province, Dalit, people with disability, LGBQTIA+ members of the Multistakeholder Dialogue Forum described the Multistakeholder Forums as a safe platform for raising and discussing their issues. They noted that it has enabled them to access spaces where they are typically underrepresented or not usually included. Participants highlighted the Forums' potential to address their challenging issues, gain attention of local government and municipal authorities, and effectively link their concerns with the relevant authorities.

There are tangible positive outcomes for women and marginalised groups, generally within bounded spaces. Program data and MTR interview data reveal significant progress in improving the quality of participation and benefits for women and marginalized groups, especially the Dalit and Tharu communities. These groups have gained awareness of their needs and rights and are actively engaged in forums and meetings, particularly at ward levels, such as the ward level planning meetings, and health post meetings and in dialogue forums. They are not only informed and included but also proactive in seeking information, participating, and mobilising resources.

For instance, advocacy by six women executive committee members in Tansen led to an increase in the GEDSI budget from NPR14,00,000 to NPR20,00,000 from in FY 80/81. Similarly, efforts by women executive members in Birendranagar municipality resulted in increase in the GEDSI budget from

NPR23,080,000 in FY 2079/80 to NPR55,689,200. These groups have successfully raised and secured resources for highly marginalised and vulnerable communities, such as the Badis, Sona and persons with disabilities in areas such as health, agriculture, income generation and other livelihoods.

However, the progress and achievements for women and marginalised groups has been somewhat confined to narrowly defined, women-centred areas. These programs are often considered as less significant or receive less priority. Typically, they involve smaller-scale initiatives with very modest budgets, focusing on community health, agriculture (seeds), or income generation activities. While these programs are valuable, male leaders (often Mayors) generally see them as secondary priorities compared to larger, more prominent initiatives such as the infrastructure projects. Women and marginalised groups face significant social, cultural and political challenges that reinforce gender and social inequalities, making it difficult for them to extend beyond their traditionally constrained roles shaped by biases – even when they hold positional power through the new structures, such as Deputy Mayor roles. Women have to navigate within these limitations and have to employ various strategic actions to push beyond these boundaries to graduate and bring changes.

As one woman leader from Tikapur put it:

> *"We are aware, capable, informed and hold formal positions, but the barriers created by our culture and mainstream politics are so huge and organized that we struggle to break through and be part of the mainstream. Consequently, we must content with fighting even for the breadcrumbs."*

The program is well-resourced for gender equality, disability and social inclusion work, particularly when it comes to gender equality. Organisationally SNGP has committed substantial resources to GEDSI. The program includes a three-person GEDSI team, supported by a part-time GEDSI Adviser who is called on for specific technical and strategic tasks. There is also an internal GEDSI Task Force, formed in 2019 with senior members who have expertise and authority at the central level, provides strategic guidance. This includes supporting the drafting of gender-responsive budgeting (GRB) guidelines, conducting GEDSI audits, and offering direct technical and mentoring support as well as training partners (19 partners on a regular basis). The Taskforce also strongly promotes the inclusion of disability issues within partners' policies and programs, supports the development of GEDSI action plans, conduct GEDSI assessments, and develops templates for planning, monitoring, and reporting.

A robust system of enhancing the GEDSI capacities of program staff and partners has been firmly established through regular training, orientations, exposure visits, and mentoring. The regular reflective discussions organised by the GEDSI taskforce with field staffs and partners, including mentees in the mentorship program, have proven to be extremely valuable and are credited with contributing significantly to their success.

> *"The regular meetings with the GEDSI taskforce members in Kathmandu have been instrumental in clarifying our roles, responsibilities and rights. What makes these meetings particularly valuable is the opportunity to directly request support and seek clarifications. They empower us with the strength and confidence needed to advocate and participate effectively in our wards and municipalities." – FGD with Mentees in Birendranagar.*

Tracking of the GEDSI budget within the program and among its partners have become increasingly rigorous. For instance, SNGP's annual GEDSI budget stands at 18.61%. And, reflecting shifts in subnational government, planning and budgeting for GEDSI activities at the ward level has become nearly non-negotiable. These are important positive signs of progress. There is also a growing commitment to enhancing physical infrastructure of SNGP and its partner organisations to be more GEDSI-friendly, which includes installation of baby-feeding rooms, ramps and tactile surfaces, lifts, waiting areas for the elderly, providing sanitary napkins in washrooms, and installing drinking water facilities in health-posts to name a few.

Recognition and action on the issues concerning people with disabilities is gradually increasing at the subnational level, and SNGP is at the forefront of this in targeted localities. SNGP has played a significant role in elevating and addressing issues related to people with disabilities at the provincial, municipality and ward levels. Observations from the field indicate that the municipalities and wards are beginning to incorporate provisions for people with disabilities in their programs. For example, in Tansen, a person with disability has been appointed as a legal advisor to the mayor and has effectively advocated for the classification and provision of monthly allowances for different categories of people with disabilities within the municipality; the installation of ramps and relocating the Mayor's office to the ground floor have become common practices in the project areas. The team observed these investments in accessibility in Damak, Tansen, Birendranagar and Tikapur. Despite this growing recognition, the issues affecting people with disabilities are not yet fully integrated into formal policies, strategies, human resources and planning.

Reaching the most marginalised groups remains a challenge. Despite notable progress in improving the material conditions and social status of women and many marginalised groups in the program target areas, these progresses have not been completely inclusive. While some initiatives have occasionally benefitted the extremely marginalised groups such as the Badis, Sonahas, and poor Dalits, these efforts have been "sprinkled" or sporadic. The criteria for identifying the most marginalised groups at the local level are not well defined, leading to gaps in how programs and monitoring systems reach and assess these groups. For instance, it is challenging to determine whether interventions have effectively reached the highly marginalized Dalit, or only more affluent Dalit in the community.

While the Multistakeholder Dialogue Forum does provide a platform for LGBQTIA+ participants at the provincial level, the program has not yet addressed their concerns in a systematic or intentional manner. There is a significant potential to advance LGBQTIA+ issues, particularly in Lumbini Province, where strong leadership and a well-established network are already in place. To fully harness this potential, targeted support and strategic engagement are needed to ensure that LGBQTIA+ issues are effectively addressed and integrated into broader project efforts and policy development.

Box 4: Strengthening inclusive village level governance

SNGP is working with community level governance groups known as Tole Lane Organisations (TLOs) in Sudurpaschim and Karnali provinces. It is enabling NGO Saharkami Samaj (SS) to work with 184 of the 350 TLOs in Birendranagar, Karnali Province, and 166 of the 363 TLOs in Tikapur in Sudurpashim Province, aiming to eventually reach 713 TLOs.

In some areas TLOs are pre-existing and in others they are being registered and established from scratch. The activation and capacity building model is known as FEST - *Facilitate the empowerment and social transformation* of disadvantaged people. It has been carefully developed over 30 years and capacity building is seen as operating on a 3-4 year cycle (due to be published as a book in 2025). The philosophy is for the community to take back power and to mobilise internal and

external resources- not to be passive or expect the government to do it all, but to play their part and to advocate for and leverage resources.

Across both municipalities (Birendranagar and Tikapur), SNGP has invested in 695 local development plans and have trained 1604 people, with a third of these participants (i.e. 110 as chairs, 365 as members, 113 as secretary). This has delivered real opportunities for local women's leadership. A key feature is the selection by SS of community educator, which emphasises sincerity, listening skills and shared leadership.

There have been some notable development impacts from TLO activities such as increased demand and use of health services and mobile clinics, community led earthquake response and disaster risk reduction, savings schemes for resilience, co-funding of streetlighting and local roads, and lobbying of wards to allocate ward budgets. TLOs have also dealt with a range of difficult community issues such as children not attending school or substance abuse.   Unanimously, the biggest impact has been for women's voice and empowerment in particular for Dalit women and indigenous women. SS provides a 'circle of support' and women are encouraged to speak up, with debating and public speaking – this has benefited all women participants including the ultra poor.

One senior government official called the TLO "the bridge from government to the people" and that government is also held to account and questioned". This is seen as an important democratic dividend from federalism, and is also inclusive of the ultra poor. SNGP is appreciated in particular for joining government (the municipality and ward levels) with the NGO and TLO.

Recommendations: Gender equality, disability and social inclusion

R5. SNGP should continue its strong and well-resourced commitment to gender equality, disability and social inclusion, with a number of further enhancements which will amplify progress, including:
   a. Reassess and define GEDSI groups[18] more clearly for the program to ensure that the most marginalised groups are effectively included throughout the activity cycle, including planning, budgeting, implementation, and monitoring. Further, review and enhance the monitoring system by refining or adding GEDSI indicators and means of verification to better capture higher levels outcomes and changes, especially for the most marginalised groups. These indicators should measure both objective (factual) outcomes, but also subjective (behavioural/emotional) aspects.
   b. Maintain the current rigorous approach to capacity building for GEDSI, but shift the focus to developing social skills, methods and approaches for GEDSI analysis and integration, to ensure the gains are sustained. This should be particularly targeted at the planning and MEL staff of partner organisations, as well as the SNGP Provincial Coordinators (including those working solely at Provincial level), as they are instrumental to the success of the GEDSI work. Training should also build skills for deeper understanding of behavioural changes, enabling staff to move beyond planning and monitoring to also include and capture more complex signs of change.

R6. Actively support targeted investments that enable women and marginalised groups to push their current limited boundaries to participate more effectively in mainstream development agendas and spaces traditionally dominated by men and elite groups. In particular, SNGP advocate for local income generation activities that do not reinforce traditional gender roles without offering meaningful benefits, as such activities can waste resources and time.

---

[18] The most marginalized groups are those who experience both compounded forms of historical discrimination (gender, caste, sexual identity) and situational vulnerabilities (related to disability, age, widow, geographical isolation, education, poverty, political networks etc.).

a. Continue to raise awareness about issues related to disabilities and LGBQTIA+ community while providing financial and technical support to better integrate these groups more into mainstream development processes. Ensure that support mechanisms are comprehensive and well-coordinated to effectively address their specific needs and challenges.

3.3   Monitoring, evaluation and learning

- *Is the Program's MEL system generating sex /GEDSI disaggregated data and credible information to track progress and to inform decision-making, learning and accountability?*

High quality, relevant and comprehensive MERL is essential for a program such as SNGP. Effective adaptive management requires a documented trail of program intentions, decisions and actions, with MEL mechanisms which support rigorous evaluative thinking and collective decision-making[19]. Monitoring and evaluation is notoriously difficult to do on adaptive, thinking and working politically program. Key challenges include: (i) capturing meaningful evidence of non-linear and irregular progress towards complex change, (ii) genuinely utilising evidence to inform adaptive decisions, and recording them, and (iii) distilling complex stories of influence, contribution, and change into accessible and focused documents (especially reports).

SNGP has made a sound investment in monitoring, evaluation, research and learning (MERL). The MERL system is documented in a MERL Framework, updated periodically (most recently in March 2024), which includes context and problem analysis, a theory of change narrative with a program logic and outcome level results chains, assumptions, a table of indicators with baselines and targets, a description of the MERL team, and an outline of data collections methods, data use and a learning approach. In keeping with the overall strong approach to GEDSI, the MERL system is also sound in its collection of disaggregated data and information to track inclusion, at least to some extent.

Program financial data shows a MERL budget of between 6.87 percent and 8.49 percent of the program budget. This aligns well with the DFAT benchmark allocation of 4-7 percent. However the MERL budget is reported with the inclusion of the cost for the Survey of the Nepali People. Ideally this should be excluded from the MERL budget to provide a clearer indication of budget allocation, as the Survey does not assess the performance or results of SNGP in any way, but rather is a national public good.

The MERL team, led by a long-standing senior manager, comprises four staff. The Manager is not allocated to SNGP on a full-time basis (although it is her major responsibility). The MERL Manager is part of the program's overall senior leadership team, which aligns with good practice in support of effective use of evidence and informed adaptive management. The MERL team also accesses technical input from the TAF Nepal Impact Director who is located in Kathmandu.

As such, the SNGP MERL Framework meets many of the requirements of good practice, and of DFAT's MEL Standards. There are areas, however, where the MERL Framework could be further enhanced.

A focus on qualitative data and data analysis would deliver greatest value in the remainder of Phase II. The quantitative indicators in the current MERL Framework add little value for reporting, for performance monitoring, or informing management and strategic decision-making. Some are misaligned with the outcome or result they are proposed to measure, while others lack the necessary analysis of contribution which would make them relevant to any understanding of SNGP

---

[19] https://beamexchange.org/uploads/filer_public/b8/a8/b8a861ee-984a-4753-b3e6-692f8af4ada8/making-adaptive-rigour-work-glam.pdf

performance. And most are an over-simplified measure which do not capture the results the program is actually seeking to achieve[20].

Further, program reporting, while it includes indicator data, does not demonstrate any meaningful use of that data. The narrative barely refers to the data and certainly does not explore what the data shows about program progress. As such, most indicators in the current framework offer little value for monitoring, management or reporting.

Instead, in the final years of this program, recommend increasing investment in qualitative outcome assessments. The recent *Mentoring and Fellowship Review* is a good example of a practical, focussed and robust assessment of a key activity. It delivered both important implementation insights (leading to revisions of the activity) as well as clear assessments of outcomes and performance. Similar studies focusing on other clusters of work would be a useful way to 'add up' the achievements of the program and distil the outcomes into meaningful evidence. The planned mid-line and end-line repeats of the Baseline Study will also add substantially to this evidence base and are strongly supported.

What would also be useful, though, is a stronger approach to assessing the contribution and influence SNGP has been able to create. Exact methods can be determined but elements of the contribution analysis principle – assessing the plausible story of how SNGP has contributed to the observed changes – would be useful. At present this is somewhat lacking in the MERL documents reviewed by the MTR team. TAF is embarking on an impact study, in collaboration with LaTrobe University, which should contribute to addressing this gap.

It is difficult to determine sufficiency of progress or a clear articulation of what success would look like for SNGP, either in the MERL system or in reporting and other documentation. What is lacking is a systematic approach to assessing progress against expectations. Monitoring the implementation of the workplan is clearly a routine part of MERL, but assessing sufficiency of progress is less evident. The program could explore ways to systematise this assessment by adapting qualitative tools such as performance rubrics such as the 'expect to see/ like to see/ love to see' style of progress markers (drawn from Outcome Mapping) as a more routine part of activity MERL. This can often assist with explaining intended outcomes to stakeholders, as well. The program would also benefit from the addition of clearer reporting formats which show progress with simple illustrations such a traffic light ratings or other visual communication tools. This would add significant value for DFAT reports, but may also be worth exploring for implementing partner reports, as it may assist them to provide clearer progress reporting to TAF, also.

MERL at activity and partner levels appears to vary widely, necessitating ongoing support and strengthening. The MTR did not have the time or scope to investigate partner level MERL closely, but the MERL approaches presented in the sample of activity-level concept notes reviewed by the MTR (essentially the activity designs) are very weak. Often limited to a table of quantitative indicators and targets addressing activities and outputs only, this is insufficient as a means to ensure adequate information is available to both implementers, and TAF, on activity performance. The MTR notes that the SNGP team does provide support to partners during the development of their concept notes and throughout their involvement in the program, and this is commended. Also, in the last 12 months TAF has increased its own field monitoring of activities and the MERL team expresses confident that this has bolstered the MERL approach. How this monitoring is documented and used in program management was is less clear.

There is a strong learning culture in SNGP and genuine commitment to and investment in reflection – both internal and with partners. This is commended, and reflects good practice in an adaptive and politically informed program such as SNGP. The program is strongly encouraged to

---

[20] The MTR team will separately offer TAF more detailed feedback on the table of indicators, to assist with any revisions and refinements.

maintain this level of attention to reflection and shared learning. The effectiveness of this reflective practice will be enhanced if the program develops its MERL system further, as suggested by the MTR, as the reflection will be able to utilise and capture a deeper and richer range of evidence.

There are, however, gaps in the sharing and learning with other development partners. This raises concerns that SNGP is missing opportunities to do more in building coalitions in support of effective, inclusive subnational governance, or entry points to catalyse and support replication and scaling of SNGP achievements and approaches (as discussed elsewhere). DFAT has a key role to play here too, in its interactions with other development partners and the Government of Nepal, moving beyond formal meeting-based interactions to deeper collaborative sharing and peer learning about how to support subnational governance effectively.

SNGP has made significant investments in research and analysis, creating a range of knowledge products which have added value in many areas. The outcomes of these investments are not always clear, though, with insufficient evidence in this regard. There should be more tracking of the uptake, use and influence these knowledge products are achieving, as well as more systematic approaches to support greater use and influence. A Knowledge Product Dissemination Plan, and a Communications Plan were prepared during the Bridging Phase, and these provide an overall approach. What would add value is more specific plans, and resources, directed to dissemination and use, designed into all future knowledge product creation, and for each knowledge product individually. This should consider the range of audiences and potential users and consider the most effective ways to make new knowledge available to them, including conventional publications but also media, social media, audio-visual, translations and other methods.

Recommendations: Monitoring, evaluation and learning

R7. SNGP should sustain its strong commitment to MERL, to internal learning and reflection, and to robust adaptive management. However it should revise its MERL Framework alongside the recommended revisions to the program logic/ theory of change, while also addressing a number of key gaps:
   a. Substantially reconsider the quantitative indicators, only retaining quantitative measures of results when they are directly relevant, or can become relevant with the addition of extra analysis of contribution or influence by SNGP,
   b. Where quantitative indicators are not possible, or are insufficient, add qualitative indicators or means of assessing progress and achievement.
   c. The MERL Framework should set out a confirmed schedule of qualitative or mixed-method evaluation activities over the rest of Phase II, undertaking more studies such as the recent Policy Implementation Assessment, the Outcome Mapping Study and the Evaluation of the Mentoring and Fellowship programs. These are likely to deliver the greatest value and strongest evidence base.

Survey of the Nepali People

The Survey of the Nepali People collects data from a nationally representative sample of Nepalis randomly selected from across all seven provinces. The findings are representative both at the national and provincial levels. This survey gauges Nepalis' views on the nation's direction, the situation of their household, local conditions, security, identity, social relations, governance, public service delivery, elections, political participation, economic outlook, and (in the 2022 survey) the socioeconomic impact of COVID-19.

The Survey was initiated through SNGP, and first conducted in 2017 with the original intention of becoming annual. In practice it has been less regular than this, conducted in 2018, 2020 and again in 2022, with the planned 2024 Survey postponed until 2024. The first Survey was conducted by a

private firm, with subsequent Surveys bringing in additional expertise from Kathmandu University. SNGP acknowledges that initially the Survey was not well known or accepted, and was little used. However there are now emerging signs that it is being taken up by key users, including the PLGSP, other development partners such as SDC and as well as some government stakeholders.

There is concern within the program and DFAT that the Survey is expensive (costing around AUD300,000 each time) and unsustainable, as it hasn't secured any government funding as yet. However it provides unique and valuable data for Nepal, which aligns strongly with SNGP's commitment to supporting increased use of evidence in Nepal's governance. Given it is a national survey with relevance for many potential users, this appears also good value for money. Thus there is a strong rationale to ensure it remains clearly part of the SNGP forward workplan, not least to ensure there is a longitudinal dataset. The 2020 Survey was co-funded by the Swiss Agency for Development and Cooperation (SDC), and SDC intends to contribute to the cost of the next Survey too, which takes the pressure off SNGP and its budget. That said, with repeat budget underspends, there should be room within the SNGP budget to support and ensure the Survey continues to take place.

There are also opportunities to support greater awareness and use of the SNP, with additional investment. Bespoke public communications could include radio, TV and social media and contribute to building community knowledge of their nation. And more, targeted, communication with all tiers of government, beyond the complete survey report, could assist with practical utilisation of data by policy makers and planners.

> **R8.** SNGP should commit to two more rounds of the Survey of Nepali People before the end of Phase II, with a deliberate plan to institutionalise it over time as a biennial survey. Greater certainty of its regularity will assist with securing other partner financing, as well as potentially government funding, and will significantly help with building the use of Survey data by government and others.
>> a. It is also recommended that SNGP expand the expertise involved in the next two Surveys to ensure there is high quality and targeted planning for dissemination, public communications and other tactics to support use. Repeated under-spending of the approved budget, together with interest from other development partners (including the commitment from SDC) should make this feasible within the exiting budget window.
>> b. Further, the SNP should not be treated as a MERL activity. It is not an assessment of SNGP's achievements nor does it enable any analysis of the program's contributions. Rather, it is a contribution to Nepal's national knowledge base, a general public good available to all.

3.4 Efficiency

- *Is the program making appropriate and efficient use of DFAT and the Foundation's time and resources to achieve outputs and expected outcomes?*
- *How has the Program's adaptive and flexible approach contributed to intended outcomes?*

SNGP is value for money in that it is on track and progressing the end of program outcomes and intermediate outcomes in accordance with a realistic and affordable budget. This is the practical interpretation of value for money principles (efficiency in the pursuit of effectiveness). The program has a national reach and works effectively in 3 tiers of government for AUD 5 million per annum, reaching approximately 300,000 beneficiaries directly and influencing broader governance through both national level reform and demonstration effects at local level. SNGP's scale and reach justify the resources committed to the program.

There is cost consciousness in SNGP budget planning and execution with costs appropriate to the country context – although 84% of the annual budget was expensed in 2023-2024[21], it is on track to achieve full expenditure over the phase II period. TAF is also leveraging budget from GoN budget systems and also other donors, however this data is not captured systematically[22]. Leveraging additional resources would an important efficiency measure (e.g. co-financing from other development partners such as SDC, from GoN budgets at all levels, or businesses through PPPs). This could be added as an additional key performance indicator so that the MER system better assesses efficiency.

TAF's management costs are reasonable. They are below DFAT managing contractor level averages for management fees, and in line with other INGOs and UN agencies. There are up to 25 sub-partners which charge management fees, but these are also within normal ranges for subcontracting and sub-granting. The sub-partners provide both technical capabilities (across legal, mediation, ICT, health, business development, gender, community development, disability) and also geographic reach and depth (down to village/TLO level), delivering program value and effectiveness.

The grant with TAF provides a partnership model for DFAT that has both depth and breadth in subnational governance and can also shape the strategic level conversations around the future of federalism while at the same time applying those norms and legislative principles to a depth in the system (i.e. provincial, municipal, ward, TLO). Some interlocuters reflected on previous phases and asked DFAT consider MOUs not only at federal level but also at provincial level to support the devolved program – this is worth considering to smooth implementation even if it increases transaction costs for DFAT and TAF.

The TAF team structures are largely appropriate. The structure mirrors the end of program outcomes and five workstreams (governance, health, economic development, GEDSI, climate), with Provincial Coordinators (PCs – formerly known as Field Coordinators) covering the 7 municipalities and more recent positions operating as embedded TA in brokering and technical (health) roles. The provincial coordinators also mentor a female fellow each in one year internship programs. DFAT staffing allocated to SNGP is slim, with no full time resources (just a small proportion of a First Secretary role and Senior Program Manager's position). But this is appropriate given SNGP represents half of the bilateral program budget, and Kathmandu Post also manages regional and global programs which are larger than the bilateral program (e.g. the global program Australia NGO Cooperation Program (ANCP) funds approximately AUD9m per annum to Nepal).

There are some signs that the SNGP team tends to operate in silos rather than a more integrated manner. The MTR observed the three sector teams (governance, health, economic) with three cross cutting teams (GEDSI, climate, MERL) and similarly sustainability and scaling are not fully integrated. The MERL team and management clearly had a comprehensive portfolio view across the program, but it was difficult to see ownership of the logic and MERL even inside individual technical teams which also questioned whether the datasets and change pathways were owned and adequate to describe the team's efforts and priorities (some adjustments are recommended under effectiveness to bring this into better alignment, with consequences for team structure and efficiency).

Embedded personnel at the subnational are a key success factor for SNGP, and have enabled many important outcomes, but the shift from local to provincial focus would benefit from further consideration. Placing embedded TA as Field Coordinators (FCs) in the seven target municipalities, and appointing mostly local experts to work within their own networks and contexts, has been

---

[21] TAF interview 31/7/2024. The 2024 IMR reported 89% budget execution for 2022-2023.
[22] The LISA scores (which measure municipality institutional capacity through a self assessment rubric) capture % of subnational budgets allocated for economic growth, targeting women, marginalised, and people with disabilities, but $ of budget for the TAF/DFAT donor spend is not captured. Suggest the SNGP MEF add in the volume of dollars leveraged (from GoN budget/by level, and also other donors). aggregate figure per annum and also converted into a ratio compared with the SNGP budget, to justify the rate of return.

highly successful. The MTR team observed countless signs which confirmed the importance of this strategy as enabling much of what has been achieved in those local government areas. The FCs add valuable strategic, technical and operational capability to their local governments. They have also been central to much of the cross-municipality sharing and collaboration (between the target municipalities and with many others) which has been effective in beginning to catalyse replication and out-scaling.

With the program's increasing concern to address weaknesses at the provincial level, the FCs were recently retitled Provincial Coordinators (PCs), as tasked to spend a minimum number of days each month in their respective provincial capitals. The aim, at least early on, being to build networks, relationships and understanding, and begin to play the same brokering and advisory role for Provincial Governments that they have been playing for municipalities. Some of the key success factors for their work as Field Coordinators, however, are not reflected in this new arrangement. They are not working in their home towns and networks, and they are not wholly embedded, but part-time visitors. Also, whether the existing PCs have the right profile to work to play the new role is a questions. All of these features will constrain their effectiveness. There is also some potential confusion between the role of the pre-existing Provincial Coordinator in Bagmati Province, who does not also have a municipal focus. For this reason, SNGP should review the arrangements, nomenclature and priorities for the seven municipality-based PCs and ensure there is clarity about their roles, as well as realistic expectations about what they can achieve in the short remaining time and the changed focus.

The main efficiency issue is 'scope creep' and the program being spread too thinly in some areas. This is due to a range of issues including the additional climate EOPO and workstream being added by DFAT in 2023 in response to the new international development policy, which has spread the scope even further (NB: it is the evaluation team's judgement that this has been interpreted as environmental and disaster risk reduction activities rather than climate mainstreaming of existing activities).

The delivery model for SNGP appears fit for purpose and an appropriate modality. Led by an international NGO, it is implemented through subgrants and subcontracts to local TA, local NGOs and local firms providing services to TAF and thereby indirectly to government. The evaluation team received consistent positive feedback regarding the flexibility, responsiveness and agility of the SNGP model compared with other donors, and government systems.

The program model can be considered parallel to the government (alternatives would be budget support directly into partner systems that is on plan and on budget like components of PLGSP), therefore has inherent inefficiencies in a purist sense of use of government systems, however would be considered 'on plan' as it fully enables government planning at three core levels (national, provincial, municipality) but is not 'on budget'.

TAF has played a triangulation and brokering role in some areas (justice), bringing together govt of Nepal-donor-NGO partnerships. This was highly valued by the government of Nepal. More could be done in this space, to support sustainability, and cost shift some of these long term partnerships into the government system and support government to have its own long term partnerships (particularly in community mediation, health and TLO capacity building). A key benefit of this hybrid consortia model was the ability to work on the demand side of governance as well as the supply side of governance and to join the two up – this modality gives some unique comparative advantages in this regard.

The program is coordinated at a high level with PLGSP the government's flagship governance program through the federalism working group which DFAT currently co-chairs, and through the governance and economic pillars of work in particular. SNGP has much that could be shared amongst the donor group on the greatest gains gaining traction, lessons learned on ways of working, women's empowerment and drivers of change at the local level. Importantly as donor programs

expand TA in the provinces, there will be a growing need to coordinate at provincial level, using the field coordinator positions as an anchor point.

3.4.1 Adaptive management

The program is designed and structure to work in an explicitly adaptive way, but some adaptive decisions appear to have been made on less-than robust foundations and the program still seems somewhat scattered. SNGP uses political economy analysis before it invests in a reform area and has good systems of reflection within the TAF team. Effective adaptive programming often starts as a testing and trialling phase, placing small 'bets' before learning about what works and moving on to larger or longer-term bets. Thus, over time, we expect to see it mature and consolidate into programming, once the learning around the menu of interventions is clearer. Seven years into a 10 year program we would hope to see a more programmatic approach at this stage of the program, even if some areas are still in a testing phase if they need further time or experimentation. Instead, SNGP still appears to be opening new areas of testing (not least in climate change) and hesitating to see other areas through to full sustainable outcomes.

Similarly a number of implementing partners are on short term contracts of no more than 12 months at a time, even when their contracts are sometimes recurrent. This allows for agility and adaptive programming but makes it difficult for partners to crowd in or leverage other resources. It can also constrain efforts to institutionalise change or scale up successful approaches. At this point in the program we would often expect to see a consolidation of partners and at least some longer term arrangements with those interventions that will continue on a sustained basis until this phase concludes.

In light of the questions regarding the use of data from the MERL system, and the evidence observed which raises questions about some of the main adaptive decisions which have recently been made within SNGP. The MTR team could not determine the extent to which the significant program pivots were determined within SNGP, or driven by DFAT, and whether the documented 'partnership arrangement' between the two really enabled genuinely open and robust discussions about program priorities. However it is clear that there is significant room to strengthen the adaptive rigour operating within the program.

> **R9.** The team has made recommendations in response to some specific changes to program focus, and to the MERL system, but also recommends that the adaptive decision-making process also be refreshed to ensure there is a more robust, documented and evidence-informed basis for adaptive decisions.
>
>> a. A key feature which could enhance this aspect of the program would be an enhanced program advisory group, more fully constituted than the current loose grouping of individual specialists who are called on for specific tasks or advise. Instead, SNGP should consider creating a Strategy Advisory Group of men and women with diverse expertise and perspectives who can challenge the program and its strategic decisions. In this way, acting as 'critical friends'[23] (not as an oversight or governance mechanism, though), the group could help ensure that program decisions are well-justified and align with an increasingly focused program in its final years. Several of the program's existing ad hoc technical advisers may be ideal members of such a group, but other expertise would also be valuable, and the program should engage with the group regularly and systematically to seek their strategic advice and guidance.

---

[23] A critical friend can be understood as a trusted person who asks provocative questions, brings alternative perspectives to information and decisions, provides data to be examined through another lens, and offers critiques of a program from a position of friendship and support. It is a feature of developmental evaluation as well as several leadership development approaches.

3.4.2   Locally-led development

SNGP is a strong example of locally led development. The 35 strong team is Nepali, under the leadership of a local team leader, supported by two internationals (TAF Country Representative and Impact Director) on a part-time basis. Both long and short term TA within the program is local. The program is fully aligned with local policy priorities and has high ownership at provincial and local government levels with feedback from officials that SNGP TA is highly valued, relevant, flexible and responsive, in contrast to other donor programs which were seen as administratively cumbersome and may also not match the skills to the correct level of government (i.e. national level reform TA at provincial level etc).

SNGP also appears to be providing local TA appropriate to the needs of that governance level – ie national, provincial, municipality) rather than sending "big shots from the capital" as one interviewee remarked. There are 25 local implementing partners: a range of local NGOs, universities and companies with sector or thematic expertise, or local consultancy/SMEs that provide technical services – all using local staff and supply chains. The embedded TA at local and provincial levels are especially valued, and are mostly working within their own home towns and contexts, making them particularly effective and accepted.

4   The future of the program

- *Are the Program's achievements likely to be sustained and how will good practices, including from GEDSI perspectives, be replicated and scaled up?*
- *What are the possible options for support post-SNGP Phase II, in terms of areas of focus and possible partnerships (i.e. delivery modalities, implementation mechanisms)?*

4.1   Sustainability

Nepal is only seven years into the long process of federal reform, which affects all levels of government, the political class and all Nepali citizens. Federalism is young and will likely have many waves of reform and regression which will be difficult to predict. The foundational stage has passed, with progress towards clearer roles and responsibilities, but there are still many adjustments to come. The federalist structure is costly, creating opportunity costs for other potential expenditure such as education, health and infrastructure. The focus has been on political and economic reform, but there is growing pressure for federalism to deliver real development benefits for ordinary people: a 'federal dividend'.

SNGP consistently considers the sustainability of its outcomes, and there is good evidence that many program achievements are likely to be sustained and institutionalised. A number of SNGP's achievements are embedded in GoN national, provincial and municipal policies and systems and are likely to be sustained. These include long term and shorter term plans (e.g. expenditure, economic and revenue) and large number of pieces of legislation, regulation and procedures (at national level such as the IGR Act) and provincial and municipal level (across health, public private partnerships, revenue and markets). A signature revenue reform around radio frequency royalties has been important as a significant source of revenue which is now embedded. As mentioned above, the province and local governments received NPR. 3.3 billion in fiscal year 2023-24. A number of subnational policies have been developed (GEDSI, health, transport). The true test of sustainability is their implementation, and the recent SNGP *Policy Implementation Assessment in Partner Municipalities* study captures a number of positive examples.

A number of achievements are less clearly sustainable over the longer term. For example, municipal profiles are well regarded but officials signalled they would ask SNGP for support in updating them, and supporting them to have more integrated data sets. The JAMS system appears sustainable as long as there is help desk support but this would need to eventually be transitioned to a long term

maintenance contract or to local government for this to be sustainable. More assistance would be needed for it to be integrated into the Justice Committee and District Court dashboards. The embedded Public Health Officers are also not sustainable until local governments put aside funds to absorb these positions. Similarly the partnerships that support community mediation, Multi-stakeholder Dialogues, business development services and TLO capacity building could perhaps be sustained through tripartite agreements to allow cofinancing from government and TAF, and therefore potential horizontal scaling.

Even though legislation and regulation has been a positive story, some officials warned of 'legal anarchy' with too many clashing pieces of legislation at different levels and that a legal audit or review would be needed and potential support to streamline and manage for consistency. There may be opportunities to partner with the Nepal Law Society to have more model pieces of legislation, and standard templates in line with national and provincial policy directions that can then be adapted for municipalities and their own local circumstances. This would also be more efficient than allowing 'a thousand flowers to bloom' across 753 municipalities) without some elements of consistency. This is important, because the federal and provincial levels can overrule their legislation based on inconsistencies in case of concurrent powers.

Despite many positive outcomes, there are opportunities to significantly strengthen the sustainability approach. The program prepared a Sustainability Strategy during the Bridging Phase as well as more recent 'exit strategies' for key areas of work, demonstrating this considered approach. But as discussed earlier, the MTR team is concerned that the continued 'experimentation', ongoing geographic widening and a somewhat scattered approach to new activities, as well as the rapid pivot towards climate change work, risks reducing sustainable change in several key areas.

The MTR also questions how effectively the program is working with other subnational governance programs such as PLGSP and PSP. SNGP is limited by its budget and timeframe. Therefore a key opportunity to support sustained gains and continued benefits is to deliberately and purposefully share the lessons from the SNGP 'testing and piloting' approach, with a view to seeing other larger programs take up and scale the approaches or activities.

SNGP has demonstrated practical engagement with the question of 'replication' and scaling of its achievements and approaches outside SNGP[24]. This is commended and does reflect a recognition of the importance of investing in enabling others to take SNGP's achievements forward. The MTR concludes that more can and should be done to purposefully focus on this in the final years of Phase II, with an updated Sustainability Strategy and more detailed such plans for individual areas of work. This requires significantly more attention and should be a major focus for the remainder of Phase II.

4.2   Replication, scaling up, scaling down

The MTR team observed a number of opportunities for replication, scaling up, and scaling down, in addition to other recommendations throughout the report. SNGP is encouraged to consider the following:

- The focus on provincial government is broadly endorsed, as this is the weakest level of the federal structure and the level most vulnerable to criticism. However, as discussed in Efficiency, the approach to provincial government support requires further refinement to ensure it sufficiently includes the factors which is making municipal support so effective.

- Expanding the investment in mentoring and training for women representatives at the ward and municipal levels would deliver benefits. The highly successful program for 127 mentees

---

[24] For example, the SNGP Quarterly Reflection in August 2023 had a focus on replication, including a definition of replication, and the collective identification of many examples where SNGP achievements had been replicated elsewhere.

to date could be scaled up and out, along with additional support for mentees in areas such as project identification, management and budgeting, and to assist them to progress to more leadership roles, such as Ward member and Chair positions.

- Multistakeholder Dialogues – if the program decides to remain engaged in supporting them – should continue to be extended to provincial levels, where there are few effective mechanisms to resolve intra- and interprovincial as well as province-local disputes, while also enabling the inclusive policy development that has been seen at the local level.

- The Functional Assignments 'Unbundling Report' requires significant further discussion before it is accepted and put into action. There may be important opportunities for SNGP and DFAT to respond in support of this dialogue and debate, so the program should stand ready and engaged to response when the entry points appear.

- The model of SNGP support to municipalities, particularly the multi-sectoral package of support, could be developed into a more explicit 'menu of options' which SNGP could then share with others as part of advocating for replication and scaling. The Policy Implementation Assessment study is a useful first step – capturing the various packages of support which have delivered results to date – so the program is encouraged to invest further in this regard.

- Scaling up support to TLOs, currently only a feature in some municipalities in the west, is worth considering. This should include a stronger sustainability element, in partnership with local governments, and possibly linking it with women mentees.

4.3   Looking to the future

DFAT has expressed an intention to retain its focus on supporting subnational governance and the inclusive federal system beyond the end of Phase II. However there is an interest in exploring the range of possible ways this support could be structured and delivered. The MTR team has identified three broad options which could be canvassed for support beyond SNGP. The MTR assessment of these options strongly favours option 3:

1. *PLGSP:* DFAT could join other development partners and contribute its funds to PLGSP, the flagship multi-donor governance program for the Government of Nepal. There are pros and cons of this approach. It has national level scale and reach, but tends towards supply-side solutions and top down public sector reform, and its focus has so far been mainly on provincial and local government support. PLGSP operates at scale but is underspending and is administratively heavier than SNGP, while also being criticised for not working sufficiently at the federal level to address the enabling environment for federalism. DFAT would lose some public visibility, its reputation for agility and flexibility, and the ability to work at municipality, ward and TLO level. It would also lose the careful balance of supply side and demand side investments which should incentivise reform. If DFAT were able to influence PLGSP move in the direction of SNGP, taking an adaptive and innovative approach and working at multiple levels, this would be a positive outcome, but the prospects of this in the short or medium term are probably low.

2. *Direct financing of government:* DFAT could support direct financing through budget support on plan and on budget, or through a designated government account, which could be directed to provinces or the municipalities. This could be a significant transactional burden for Post as an Assessment of National Systems is not yet in place and a TA unit would likely need to be established with fiduciary, safeguarding and risk management. This would be less efficient for the quantum of funds available, and for any national impact DFAT funds would need to be pooled with other development partners. There is no sign of appetite for this. The other factor is that GoN is often underspending its budget, therefore capacity to

implement appears to be as much a constraints as the availability of budget. Many of the challenges are around harnessing and spending the available resources and directing them to high priority programs and marginalised groups.

3. *Subnational Governance Innovation and Partnerships Program:* DFAT could transition SNGP to a program more explicitly focused on innovation and partnerships, designed to provide the 'testing ground' for ways to strengthen subnational governance in Nepal. Key to this option would also be a stronger and more explicit relationship with PLGSP and its performance framework. The program, including flexible funds, would managed by a lead organisation which would play a strategic lead and partnership broker role, with the ability to provide local TA, staffing, consultancies, service providers and NGO partnerships,. It would operate across the spectrum of demand and supply side reform. It may even be possible to establish the program as a multi-donor fund (off budget), able to receive PLGSP funding and co-fund innovations between DFAT, other donors and PLGSP.

5   Summary and recommendations

In summary, the MTR concludes that SNGP is a strong and valuable program making important contributions to Nepal's young, inclusive federal system across a wide range of locations, sectors and functions. It is broadly an effective program, certainly efficient, demonstrating extremely good outcomes in gender equality, with positive progress in disability and other social inclusion.

Where the program could be strengthened is in its adaptive rigour and clarity of intent, with a recommended return to focusing on stability, health and economic development, with climate change mainstreamed in support of the primary aims of the program. There should be increased attention to catalysing replications and scaling up by other actors with more resources, including government, with more activity-level and technical cooperating and sharing with other development partners and PLGSP so they can take the lessons from SNGP piloting and experimentation to scale.

The MTR commends the SNGP team for its sustained, committed and principled work towards its intended outcomes, and to the aspirations Nepal has expressed for an inclusive federal system of government which benefits all citizens. The recommendations, summarised below, are intended to help guide SNGP towards the greatest possible benefits by the end of Phase II.

5.1   Recommendations

R1. While SNGP needs to continue working with the federal level institutions such as the NCC and OPMCM, it should also prioritise the other windows of IGR within the scope of the program. Because of the program's experience and expertise in carrying out policy dialogues, it has a lot of potential to contribute significantly to improving the province-local relations within the areas and issues that the Program is addressing. Considerations include:

    a. Once the unbundling report is finalised and formally approved by the NCC, it will pave the way for a tremendous amount of work from internalising the recommendations by all three levels of government and educating the government levels and the public. The Program should be ready for the needed support so that the gains made through the revisioning process are sustained.

    b. The program should engage with federal Ministries of Health and Industry, including inviting them onto the Advisory Committee. The Ministry of Federal Affairs and General Administration is ready for this.

    c. Leveraging the policy dialogue, SNGP should explore opportunities to enhance intergovernmental relations between the province and local government, not least focusing on the sectors it is working on.

R2. While SNGP needs to continue working with the federal level institutions such as the NCC and OPMCM, it should also prioritise the other windows of IGR within the scope of the program. Because of the program's experience and expertise in carrying out policy dialogues, it has a lot of potential to contribute significantly to improving the province-local relations within the areas and issues that the Program is addressing. Considerations include:

    a. Once the unbundling report is finalised and formally approved by the NCC, it will pave the way for a tremendous amount of work from internalising the recommendations by all three levels of government and educating the government levels and the public. The Program should be ready for the needed support so that the gains made through the revisioning process are sustained.

    b. The program should engage with federal Ministries of Health and Industry, including inviting them onto the Advisory Committee. The Ministry of Federal Affairs and General Administration is ready for this.

    c. Leveraging the policy dialogue, SNGP should explore opportunities to enhance intergovernmental relations between the province and local government, not least focusing on the sectors it is working on.

R3. Sustaining the gains achieved in dispute resolution and judicial services, SNGP should reconsider its planned exit from community mediation and the multi-stakeholder dialogues, and instead continue support until the end of 2025, while also:

    a. ensure the training being provided by the NJA is continued through government budgets either through the NJA itself or other relevant training institutions,

    b. continue working with municipalities until they allocate sufficient budget to provide remuneration to the community mediators and to support the necessary logistics for community mediation services, and

    c. invest in documenting the knowledge and experiences gained so far in knowledge products designed for, and targeted to local governments, to support the efforts to secure budget and other resource allocation for community mediation.

R4. Sustaining the gains achieved in dispute resolution and judicial services, SNGP should reconsider its planned exit from community mediation and the multi-stakeholder dialogues, and instead continue support until the end of 2025, while also:

    a. ensure the training being provided by the NJA is continued through government budgets either through the NJA itself or other relevant training institutions,

    b. continue working with municipalities until they allocate sufficient budget to provide remuneration to the community mediators and to support the necessary logistics for community mediation services, and

    c. invest in documenting the knowledge and experiences gained so far in knowledge products designed for, and targeted to local governments, to support the efforts to secure budget and other resource allocation for community mediation.

R5. It is strongly recommended that SNGP and DFAT reverse the decision to withdraw from the health area of work, and instead to stay the course through to the end of this phase. Climate change should be reframed as a cross-cutting issue rather than an EOPO. Specifically, SNGP should:

    a. Work to embed sustainable gains in partner subnational governments, and on supporting the replication and expansion of successful pilots in health so that more municipalities can benefit from the lessons and experiences of the SNGP partner local governments. Otherwise there is significant risk that gains made to date may

be lost, and opportunities for further progress and change in the remaining years of Phase II will be missed.

b. Clarify the program's ambition regarding climate mainstreaming with a revised outcome at the intermediate outcome level (and eliminate it from the end of program outcome level) in line with DFAT policy,

c. Create a new intermediate outcome for sustainability, replication and scaling which is cross cutting across all workstreams with M&E, and

d. Rather than seek ways to integrate health issues into climate change, the program should instead work to integrate climate change considerations into the ongoing body of work in health governance. Remaining focused on its work in the four existing EOPO areas, but introducing relevant climate change issues in meaningful ways would demonstrate its response to the new Australian policy priorities while sustaining its focus on an existing body of work, existing relationships, networks and profile.

R6. The program is encouraged to revisit its workplan and priorities across its portfolio of activities towards the economic development EOPO to sharpen the focus for the remainder of Phase II. Effort may be best directed towards more targeted enterprise development activities, furthering inclusion-focused initiatives such as tax discounts and fee waivers for disadvantaged groups, and continuing to support budget and budget execution work. Further we suggest a shift from budget planning to budget execution at PLG level and supporting provinces, municipalities, wards and selected TLOs with project management and budgeting skills to be able to play a strong monitoring and accountability role. This could cover ward committees, mentees in particular. SNGP should also consider amendments to the program logic, which will place the program well to monitor progress and demonstrate its success. For example:

a. amending IR3.2 on the business enabling environment to better focus on SNGP's value add in demonstrating new models of business development such as PPPs and growth hubs

b. amending IR3.1 on PFM to more accurately reflect the program's focus on revenue, budget and planning at province and local government levels.

R7. SNGP should continue its strong and well-resourced commitment to gender equality, disability and social inclusion, with a number of further enhancements which will amplify progress, including:

a. Reassess and define GEDSI groups[25] more clearly for the program to ensure that the most marginalised groups are effectively included throughout the activity cycle, including planning, budgeting, implementation, and monitoring. Further, review and enhance the monitoring system by refining or adding GEDSI indicators and means of verification to better capture higher levels outcomes and changes, especially for the most marginalised groups. These indicators should measure both objective (factual) outcomes, but also subjective (behavioural/emotional) aspects.

b. Maintain the current rigorous approach to capacity building for GEDSI, but shift the focus to developing social skills, methods and approaches for GEDSI analysis and integration. This should be particularly targeted at the planning and MEL staff of partner organisations, as well as the SNGP Provincial Coordinators (including those working solely at Provincial level), as they are instrumental to the success of the GEDSI work. Training should also build skills for deeper understanding of behavioural

---

[25] The most marginalized groups are those who experience both compounded forms of historical discrimination (gender, caste, sexual identity) and situational vulnerabilities (related to disability, age, widow, geographical isolation, education, poverty, political networks etc.).

changes, enabling staff to move beyond planning and monitoring to also include and capture more complex signs of change.

    c. Actively support targeted investments that enable women and marginalised groups to push their current limited boundaries to participate more effectively in mainstream development agendas and spaces traditionally dominated by men and elite groups. In particular, SNGP should reassess its income generation activities to ensure they do not reinforce traditional gender roles without offering meaningful benefits, as such activities can waste resources and time.

    d. Continue to raise awareness about issues related to disabilities and LGBQTIA+ community while providing financial and technical support to better integrate these groups more into mainstream development processes. Ensure that support mechanisms are comprehensive and well-coordinated to effectively address their specific needs and challenges.

R8. SNGP should continue its strong and well-resourced commitment to gender equality, disability and social inclusion, with a number of further enhancements which will amplify progress, including:

    a. Reassess and define GEDSI groups[26] more clearly for the program to ensure that the most marginalised groups are effectively included throughout the activity cycle, including planning, budgeting, implementation, and monitoring. Further, review and enhance the monitoring system by refining or adding GEDSI indicators and means of verification to better capture higher levels outcomes and changes, especially for the most marginalised groups. These indicators should measure both objective (factual) outcomes, but also subjective (behavioural/emotional) aspects.

    b. Maintain the current rigorous approach to capacity building for GEDSI, but shift the focus to developing social skills, methods and approaches for GEDSI analysis and integration. This should be particularly targeted at the planning and MEL staff of partner organisations, as well as the SNGP Provincial Coordinators (including those working solely at Provincial level), as they are instrumental to the success of the GEDSI work. Training should also build skills for deeper understanding of behavioural changes, enabling staff to move beyond planning and monitoring to also include and capture more complex signs of change.

    c. Actively support targeted investments that enable women and marginalised groups to push their current limited boundaries to participate more effectively in mainstream development agendas and spaces traditionally dominated by men and elite groups. In particular, SNGP should reassess its income generation activities to ensure they do not reinforce traditional gender roles without offering meaningful benefits, as such activities can waste resources and time.

    d. Continue to raise awareness about issues related to disabilities and LGBQTIA+ community while providing financial and technical support to better integrate these groups more into mainstream development processes. Ensure that support mechanisms are comprehensive and well-coordinated to effectively address their specific needs and challenges.

R9. SNGP should sustain its strong commitment to MERL, to internal learning and reflection, and to robust adaptive management. However it should revise its MERL Framework alongside the recommended revisions to the program logic/ theory of change, while also addressing a number of key gaps:

---

[26] The most marginalized groups are those who experience both compounded forms of historical discrimination (gender, caste, sexual identity) and situational vulnerabilities (related to disability, age, widow, geographical isolation, education, poverty, political networks etc.).

a. Substantially reconsider the quantitative indicators, only retaining quantitative measures of results when they are directly relevant, or can become relevant with the addition of extra analysis of contribution or influence by SNGP.

b. Where quantitative indicators are not possible, or are insufficient, add qualitative indicators or means of assessing progress and achievement.

c. The MERL Framework should set out a confirmed schedule of qualitative or mixed-method evaluation activities over the rest of Phase II, undertaking more studies such as the recent Policy Implementation Assessment, the Outcome Mapping Study and the Evaluation of the Mentoring and Fellowship programs. These are likely to deliver the greatest value and strongest evidence base and could explore, for instance, the extent of achievement towards individual outcomes (particularly Intermediate Results), or qualitative studies to capture the most significant activities or approaches developed by SNGP (pilots, or innovations, like the embedded TA,) in a form which supports others to learn from and replicate them.

R10. The team has made recommendations in response to some specific changes to program focus, and to the MERL system, but also recommends that the adaptive decision-making process also be refreshed to ensure there is a more robust, documented and evidence-informed basis for adaptive decisions.

a. A key feature which could enhance this aspect of the program would be an enhanced program advisory group, more fully constituted than the current loose grouping of individual specialists who are called on for specific tasks or advise. Instead, SNGP should consider creating a Strategy Advisory Group of men and women with diverse expertise and perspectives who can challenge the program and its strategic decisions. In this way, acting as 'critical friends'[27] (not as an oversight or governance mechanism, though), the group could help ensure that program decisions are well-justified and align with an increasingly focused program in its final years. Several of the program's existing ad hoc technical advisers may be ideal members of such a group, but other expertise would also be valuable, and the program should engage with the group regularly and systematically to seek their strategic advice and guidance.

---

[27] A critical friend can be understood as a trusted person who asks provocative questions, brings alternative perspectives to information and decisions, provides data to be examined through another lens, and offers critiques of a program from a position of friendship and support. It is a feature of developmental evaluation as well as several leadership development approaches.

Annex 1: Federalism in Nepal

Genesis and evolution of the federal system of governance

The demand for federal system of governance surfaced in 1952 for the first time, immediately after the country was freed from a century long family autocracy in 1951. In the decades to come, the demand was not sustained strongly and vocally, and Nepal remained unitary and centralized state despite a repeated efforts to decentralise. The demand for federal system (together with republican state) re-emerged quite forcefully during the decade long (1996-2006) armed conflict spearheaded by the Maoist party. The Madhesh (which is the region that runs East to West in southern Nepal) uprising in 2007 proved to be the triggering factor for the adoption of federal system in the country through the Interim Constitution in 2007.

In the first Constituent Assembly (CA) held in 2008, pro-federal parties (mainly the Maoist and Madhesh-based parties) were strongly involved, and the work done during the tenure of the Assembly was in favour of stronger provinces. However the first Assembly could not deliver the Constitution within its four years of tenure, mainly because the political parties could not agree on some issues, including federal system and form of governance (presidential vs. parliamentary). Within the federal system, the main contention was about whether the country establish an ethnicity based federal system or not.

The 2013 election for the second CA showed delivered different results compared to the first one. That is to say, the reluctant federalist and anti-federalist were in much stronger position who managed to demarcate the provinces (except for Madhesh province) such that the none of the ethnic groups could be in majority. Further, they were able to include other many provisions in the constitution to make the federal government (and to some extent local governments) stronger compared to the provinces.

The constitution which emerged from this process demarcated the provincial boundaries, and provided for a Commission to restructure the local government units in line with the devolved roles and responsibilities. The Commission suggested 565 units but the government decided to increase the number to 753, mainly due to concerns that lesser the number of the units more challenging it will be difficult to accommodate their cadres. Now, many experts in this field believe that the local government units are much too small to internalize many of the functions/responsibilities devolved to them.

It also left to the respective Province Assemblies to decide on the provincial capitals and province names. Many of the indigenous people were hoping that the province assemblies would address their demands by naming the provinces after the indigenous groups dominant in a province in question. But the reluctant federalist political parties managed not have the names as demanded, expect for Madhesh province.

Major features of the federal system

The 2015 Constitution established three levels of government in Nepal, with seven provinces and 753 local governments. All levels of governments derive their powers directly from the Constitution. Powers are assigned through five schedules: three exclusive (one each for the federal, province and local) and two concurrent schedules (one between federal and provinces, and the other among the three levels of government). Legislative authority is delegated to all three levels; even the local governments have rights to make laws on their own within the limits defined by the Constitution.

The Judiciary is, however, not decentralized, meaning that only the federal government has judicial authority.

Intergovernmental relations

Cooperation, Co-existence, and Coordination are the basic principles of the federal system. But the result of the structure of the three tiers is a complex and interlocked web of intergovernmental relations, due mainly to the assignment of powers/functions.

Unlike in many federal systems, local governments are not the creation of the province government; rather they are constitutionally recognized as third sphere of government. Instead Nepal has non-hierarchical and complex inter-governmental relations; local governments can communicate and interact with the federal government directly and vice-versa. There are only a few cases where the local governments need to communicate through the province governments. In fact, more interactions and communication take place between the federal government and local governments compared to province and local governments. Some province governments advocate that local governments should be under the provinces but this demand has been quite weak and found little support; actually this was one of the assertions of the pro-federalist political parties during the constitution making process.

The Federal government has enacted the *Federal, Province and Local (Coordination and Inter-relations) Act 2019* which defines policies, protocols and mechanisms on intergovernmental relations. There is also provision for several different IGR mechanisms such as the Inter-provincial Council, National Coordination Council, Inter-governmental Fiscal Council etc. but they have not been effective to ensure robust IGR.

Legislative relations

All three levels of government are authorized to make laws within the scope defined by the Constitution. Only after the introduction of the federal system, the country could witness formulation of laws outside Kathmandu. This means that law making powers was expanded to 761 places (1 federal, 7 provinces and 753 municipalities) – a huge shift from the previous structure which vested legislative power only in the single centre. The mammoth expansion of law making powers to provinces and municipalities warranted massive scale capacity building support, however such support has been insufficient and is fragmented. Because of this the quality of law making even at the level of provinces is quite weak.

The province and local governments enact laws through their legislative bodies; though at the local level there is no separation of powers between the legislative and executive branches. Basically, the legislative relations between the levels of government is non-hierarchical in the case of exclusive powers whereas in the case of the concurrent powers the relations are hierarchical. This means that in the case of concurrent rights, if a law passed by the province government contradicts a law by the federal government, the law passed by the province government becomes null and void to the extent that it contradicts.

The province and local governments are not able to exercise their full powers under the concurrent rights as the federal government has delayed the legislative work under the concurrent rights. The lack of enough legal framework by the federal government is one of the major challenges being faced by the province and local governments. The Prime Minister in his recent deliberations before one of the Committees of the Parliament said that the 117 laws are yet to be enacted by the federal government.

Lack of enabling legislation by the federal government in education has greatly hampered the delivery services by the local governments. The federal government has tabled a bill before the Parliament. However, the Local Government Associations have accused that that the federal government has encroached upon their jurisdictions. It should be noted that the Constitution devolves up to grade 12 (under the exclusive rights) to local governments. But the federal

government through the Bill wants to centralize many things by also having fully fledged offices in all 77 districts.

Inclusive representation

In Nepal, federal and province government have a provision of proportional election in the lower house of the federal parliament and the province assembly, in addition to the first-past- the-post election system. Accordingly, each political party must ensure that there are at least 1/3 women candidates in the election of both the organs. Out of the total seats under the proportionate representation, certain percentage of seats are allocated to women, Dalits, Indigenous nationalities, Muslims and other social groups. There is division between the directly elected members (FPTP) and members elected under the proportionate representation; the latter group members feel disempowered and discriminated. There are also allegations that the Political parties have misused the quota system under the proportionate representation by selecting kith and kins of party leaders

At the local government level political parties must make sure that either Chiefs or Deputy Chiefs of Municipalities and District Development Committees are women. At least two women should be in Ward Committees (out of five members) of a local government and one of them should be *Dalit* Women, and the Municipal assemblies should elect 6-8 Women, *Dalit* and minority group representatives in their respective executive boards (Rural Municipalities 6 and municipalities 8).

After the 2017 election around 41% of the elected positions were held by women and this percentage increased slightly (41.21%) in 2022. Also after the 2017 election, women held 91% of the deputy positions as opposed to 2% for the Chief positions. In contradiction to the legal aspiration, the political parties have nominated excessively high number of women for the deputy mayors and vice-chairs as a result.

The *Local Government Operations Act, 2017* has defined many responsibilities of vice-chairs/deputy mayors assuming that the political parties will nominate women for the positions. The Vice-chairs/deputy mayors complain, rightly so, that they have not been able to exercise their rights, mainly because the governance structure as a whole is male dominated. Likewise, Dalit and minority group representatives also complain that they have not been given enough space in the decision making process. The province governments have primary responsibility for capacity building of the local government representatives and staff. However many province government authorities underappreciate the need for capacity building at the local level, especially of women and *Dalit* representatives.

Devolution of public administration

In addition to legislative authority, the Constitution allows the province and local governments to formulate plans and policies, prepare annual budgets and implement them within the scope defined by the Constitution. They are also allowed to have their own public servants, who are accountable to them. As a part of transition management, the Constitution provided that the public servants working at the time of the promulgation of the Constitution would be adjusted to the three levels of government. This meant that the civil servants whose roles have been devolved to the province and local governments would be transferred to the respective levels of government. To enable this, the federal government introduced a *Civil Personnel Adjustment Act in 2017* to adjust the personnel in line with the Constitution.

As an outcome of the adjustment process that took place in 2018, about 54% of the personnel (a total of 58,669) working with the Government of Nepal were transferred to the province and local governments: 43,806 in local governments and 14,863 in Province governments. Many people believe that the adjustment process as a whole was biased (positively) towards the federal government, i.e., the federal government was able to retain more than needed staff whereas the province and local governments were severely understaffed. The process was led by the senior level

officials of the federal government whose interest prevailed in the process. It was also because the province and local governments were not part of the process starting from the formulation of the Act.

Lack of enough personnel is one of the major challenges the province and local governments have been facing; this is more challenging with respect to the local governments as the local governments were the least preferred option of the civil servants during the adjustment process.

Since the adjustment process did not give enough staff to the province and local governments, the province and local governments had to start the hiring process to fill the gaps. For this, the province government needed to enact Province and Local Civil Service Acts separately. This has been delayed by more than four years as they waited for the federal government to introduce the *Federal Civil Service Bill* which is supposed to guide and provide framework for the province government in coming up with such Acts. Because of several contentious issues, the federal government has not been able to introduce the law; only recently it was tabled a bill in this regard in the Parliament. These issues included: whether the Chief Administrative Officers (of the local governments) should be deputed from the federal government or concerned province government, and whether the Secretaries of the province governments should be deputed from the federal government or they should be from among the province civil servants. It is still unclear when the Bill will be passed by the parliament.

Pro-federal parties (namely Nepal Community Party (Moist) and regional parties (Madhesh-centered) are in favor of stronger provinces and hence are of the opinion that the province governments should have this authority whereas reluctant federalist parties (namely Nepali Congress and Nepal Communist Party (UML)) favor strong center, hence assert that the these positions should be fulfilled from the central government as the key link between the federal government, and the province and local governments

The interest of the federal civil servants and federal level politicians converge in regard as both parties gain from this arrangement. At the same time, the province and local governments have suffered a lot for lack of their control over the management of their staff. The majority of civil servants of the federal government tend towards the reluctant federalist which forms a quite strong alliance to weaken the province as well as local governments.

Quite recently all the province governments have come up with province and local government civil service acts (separately) after a long wait for the federal civil service acts which has paved way for them to go for hiring of fresh staff. The province and local governments (except for a few exceptions) have started fresh hiring, however, uncertainties remain as the province and local civil service acts need to conform with the federal civil service act in a number of areas.

Law and order

Province Police Administration, and Law and Order is the exclusive responsibility of the Provinces. The adjustment of the police personnel has been number one priority of province governments when it comes to demanding their powers and authority before the federal government. The provincial authorities feel disempowered as they need to rely on the federal government even for their personal security; as of now the police force is fully controlled by the federal government

The Federal government issued the *Police Personnel Adjustment Act in 2019* but despite the persistent demand by the province governments, the process has not started yet. It seems that the federal government, despite their avowed commitment, does not seem to be willing to handover the law and order role to the province government entirely.

Fiscal federalism

Most of the expenditure responsibilities are constitutionally devolved to the province and local governments whereas the revenue raising power is very much centralized. As a result, the province and local governments are overwhelmingly reliant on the fiscal transfers from the federal government. Over the years, Nepal has progress a lot in terms of expenditure decentralization as the province and local governments combined account for more than 40% of the general government expenditure. This is at par with OECD average of sub-national government expenditure. However province and local governments' administrative capacity does not match with the devolution of expenditure responsibilities and available fiscal resource.

Though the amount of transfer from the federal government has been high there are many issues within the transfer system:

- Constitutionally, the National Natural Resource and Fiscal Commission should have the full mandate to work on all types of transfers (equalization, conditional, special and complementary) and revenue sharing, however the federal government through an Act did not give any authority to the Commission in regards to two windows of transfer (special and complementary). Rather, the government has been making every decision in this regard.

- There are allegations that the federal government and the parliamentarians have been using the conditional grants against the constitutional design. As per the constitution, the grants window should be used to meet national policy and programme objectives and national standards and narrow infrastructure gap. However, the federal government, specially the parliamentarians have also been using it as a tool fund the schemes of their liking that fall under the jurisdictions of the province and local governments

- The Commission has been urging the federal government ministries to follow the constitutional guidelines but the federal government seems to be non-responsive

Annex 2: Review TOR

Nepal Subnational Governance Program Phase II: Mid-term Review

---

Background

Under a strategic partnership with the Australian Government and Department of Foreign Affairs and Trade (DFAT), The Asia Foundation (TAF) is implementing the AUD 15 million Subnational Governance Program (SNGP) Phase II. Building on the first phase, which was operational from February 2017 to March 2021, Phase II is designed as six-year program, with an initial three-year period of April 2022 to March 2025, and option period of April 2025 to March 2027. A one- year Bridging Phase was implemented from April 2021 to March 2022.

The overarching goal of the SNGP is to support:

> *"promoting an enabling environment for a stable, effective, and inclusive subnational government in Nepal that addresses the health and economic security of all, including women, persons with disabilities, and other marginalized groups."*

Phase II of aims to reflect successes from the first five years of implementation – Phase I and the Bridging Phase – to assist Nepal towards stability in its newly introduced federal governance structures. It does this through support to federal, provincial, and local governments to develop and implement plans, policies, and measures for inclusive subnational economic recovery and better public health governance, and by mainstreaming gender equality, disability inclusion, and social inclusion.

SNGP works towards achieving the following four outcomes:

4. Strengthened systems and mechanisms for intergovernmental coordination and dispute resolution across the three tiers of government.

5. Selected local governments have more inclusive and evidence-based policies and plans toward improved access to public health services.

6. Selected subnational governments (Provincial and Local Governments) formulate and implement inclusive and evidence-based economic policies and plans.

7. Subnational policies, programs, and service delivery are inclusive, equitable, and respond to the needs of women and marginalized constituencies.

The Monitoring, Evaluation, Research and Learning (MERL) Framework released in March 2024 includes a new 5th EOPO:

8. Selected subnational governments incorporate climate change considerations into their prioritised policies, plans and programs.

SNGP Phase II is designed to be implemented as a flexible and adaptive program, able to respond to needs and opportunities under a politically fluid and complex governance context. To achieve its intended outcomes, it works closely with federal, provincial and local governments as well as civil society organizations, academic institutions and private sector.

SNGP Phase II engages with all three tiers of government in Nepal: federal, provincial, and local level. At federal level it works through relevant ministries, commissions, agencies, as well as local government associations which are expected to have an impact across the country.

At the provincial level, the program has been implementing provincial level dialogue on pertinent issues in five provinces: Sudurpashim, Karnali, Lumbini, Madhesh, and Koshi.

SGNP also provides need-based policy reform support to Bagmati and Lumbini (more recently); and has provided demand based technical assistance and support to other provincial governments.

At the local level, the program provides targeted support but not limited to seven strategic partner municipalities continued from the Phase I to test reforms to policies and processes for more effective, inclusive, and responsive service delivery. These seven strategic partner municipalities are:

- Damak (Koshi Province)

- Mithila (Madhesh Province)

- Bhimeshwor (Bagmati Province)

- Waling (Gandaki Province)

- Tansen (Lumbini Province)

- Birendranagar (Karnali Province)

- Tikapur (Sudurpaschim Province)

A program summary (provided by TAF) is at Annex 1.

Scope and purpose

The primary objective of the midterm review for the Strategic Partnership on Subnational Governance in Nepal is to conduct an impartial evaluation, offering insights to both DFAT and the Foundation regarding the effectiveness and quality of the Bridging Phase and the initial half of Phase II, encompassing the period of April 2021-March 2024. Recognising the dynamic operational environment and the imperative for adaptability, DFAT and the Foundation have jointly acknowledged the opportune moment to launch the midterm review process.

During the evaluation of the Program, emphasis will be placed on scrutinising the implementation during the Bridging Phase and the first two years of the Second Phase, with a focus on gauging the progress made towards the anticipated outcomes. Additionally, the review is tasked with suggesting any necessary adjustments to be made in the remaining duration of the Program. Beyond that, it aims to contribute to the consolidation of achievements and the documentation of valuable insights gained from the execution of a subnational governance initiative within a context characterized by ongoing evolution and political shifts.

In addition, the review will also provide recommendations on further phase of support beyond SNGP Phase 2 that includes target areas of engagement and options for partnerships/ delivery modalities.

The new EOPO addressing climate change, EOPO 5, was not in place for the majority of the period addressed by this MTR, so will not be a focus for the review, however climate change opportunities will be incorporated into the team's consideration of the program future.

Review users

The primary users of this mid-term review will be TAF Nepal and DFAT Nepal. These partners will utilise the MTR findings and recommendations to adjust the implementation of SNGP, and to make strategic and operational decisions about its ongoing future.

Secondary users, at least of the key elements in the MTR, will be the SNGP partners and implementing agencies across Nepal.

Review questions

The terms of reference agreed for the MTR specify several evaluation (review) questions, focused in the priority domains of effectiveness, efficiency, gender equality, disability and social inclusion, and the future of the program. These domains were drawn from the DFAT investment quality criteria, and the OECD DAC evaluation criteria, and represent the areas of program implementation which are most in need of investigation at this time. This plan confirms the review questions, with minor refinements, and sets out how the MTR team will endeavour to answer them.

In addition, there is scope for the MTR to make additional findings or investigate additional questions, as they arise, if they represent pressing or high priority issues for the program.

5. **Effectiveness**

   5.1. How is the Program progressing towards achieving its outputs and outcomes?

   5.2. How has the Program's policy review and dialogue initiatives contributed to influencing Nepal's federalism and GEDSI agenda?

   5.3. Is the Program's MEL system generating sex /GEDSI disaggregated data and credible information to track progress and to inform decision-making, learning and accountability?

6. **Efficiency**

   6.1. Is the program making appropriate and efficient use of DFAT and the Foundation's time and resources to achieve outputs and expected outcomes?

   6.2. How has the Program's adaptive and flexible approach contributed to intended outcomes?

7. **Gender Equality, Disability and Social Inclusion (GEDSI)**

   7.1. How has GEDSI analysis informed and been mainstreamed across the Program and within the institution(s)?

   7.2. In what way has the Program made a difference to gender equality, empowering women, marginalized communities and people with disabilities?

   7.3. How are women, people with disabilities and/ or organisations of persons with disabilities (OPDs), and the most marginalised, meaningfully engaged in program cycle processes (e.g., design, monitoring, implementation, evaluation)?

8. **The future of the program**

   8.1. Are the Program's achievements likely to be sustained and how will good practices, including from GEDSI perspectives, be replicated and scaled up?

   8.2. What are possible options for support post-SNGP Phase 2 in terms of areas of focus and possible partnerships (i.e. delivery modalities, implementation mechanisms)?

The table at Annex 2 provides an expanded list of evaluation questions, which will provide greater focus for the MTR process, and include several additional areas of inquiry. The table also identifies likely sources of evidence.

Method

The MTR will be a primarily qualitative assessment based on a review of the program's documentation and semi-structured interviews with relevant personnel and stakeholders (utilising individual or group interviews, physical and virtual meetings in Nepal and Australia). Document review and existing SGNP program data will provide selected quantitative data, but primary quantitative data collection is not included in the review design.

Sampling of site visits

The MTR has limited time for data collection in Nepal; only two weeks in total. Therefore the team will split into two groups, one team visiting sites in the west, and the other in the east. This approach will enable the MTR to cover three of the five supported Provinces, and four of the seven municipalities.

- East cluster: Koshi and Bagmati Provinces, Damak and Mithila Municipalities

- West cluster: Lumbini Province, Birendranagar and Tikapur Municipalities

To support consistent data collection across both teams, the first three days of the mission will include time for the whole team to work together to refine the approach for the visits. Similarly, there is provision at the end of the data collection phase for at least one full day of joint analysis and sense-making before the initial presentation of findings to TAF and DFAT. A detailed schedule for the visits is provided at Annex 3.

Risks

The MTR process faces additional challenges of travel during the monsoon season, with weather risks to flight scheduled and potential difficulties with road travel in the case or severe rain or landslides. This means that the program must make provision for flexibility in the site visits, and to minimise reliance on air travel. If travel is impossible to a preferred site, the team with work with TAF to identify alternative locations that can be visited without too much disruption to the work of the partners, organisations, and individuals there.

Document and secondary data review

The team will undertake a two-phase document review process. The first step, rapid review, has informed the preparation of the MTR Plan. A second, more in-depth document review process will be the first step of review implementation. Documents will be reviewed in accordance with the review questions and will inform the detailed preparation of data collection plans (particularly interview and discussion questions for the in-Nepal mission).

The MTR will seek additional secondary data, also, such as provincial and municipal health and economic data.

Individual and group interviews

The main focus of the Nepal phase of data collection will be the program of individual and group interviews and discussions. These will mainly comprise semi-structured qualitative interviews, with detailed interview guides prepared closer to the time and following the in-depth document review. The team will seek to complete interviews the following interlocuters. There will need to be careful prioritisation in order to focus on the highest priority individuals and organisations within the limited time available for data collection, and the use of group interviews in some cases:

1. **SNGP staff**
2. **Federal Government (in Kathmandu)**

- Secretary/ Joint Secretary/Under Secretaries (Provincial-Federal Affairs), Office of the Prime Minister and Council of Ministers

- Under Secretary Mahendra Sapkota, Ministry of Federal Affairs and General Administration (MoFAGA) / Section Head of the development program cooperation.

- National Program Manager, Provincial and Local Governance Support Program (PLGSP)

- Secretary/Joint Secretary, Ministry of Law, Justice and Parliamentary Affairs

- Director, National Judicial Academy (NJA)
- GESI Focal Point (concerned ministries e.g. MoFAGA, MoH)

3. **Province Government (in provinces visited by MTR team)**

- Executive Director, Provincial Training Academy, Provincial Centres for Good Governance
- Vice-Chair/members/secretary, Province Planning and Policy Commission
- Selected members of the Province Assembly
- Programme coordinator, Provincial Implementation Unit, PLGSP

4. **Municipal Government (in municipalities visited by MTR team)**

- Mayor/Deputy Mayor
- Public Health Officers/ Public Health Committees
- GESI Focal Points
- Members of Municipal Executive and Assembly
- Chief Administrative Officer
- Health Coordination staff
- Head, Planning Section

5. **Implementation Partners**

- SNGP Partners (selected) in visited provinces and municipalities
- Centre for Dalit Women Nepal (CDWN)
- Community Mediators Society Nepal (CMS-N)
- Forum for Nation Building Nepal (FNBN)
- National Association of Rural Municipalities (NARMIN)/MuAN
- National Federation of the Disabled Nepal (NFDN)
- Backward Society Education (BASE) - Nepal
- Public Policy Pathsala (PPP)

6. **Other relevant organisations**

- Nepal Disabled Women Association (NDWA)/ OR National Indigenous Women Association Nepal (NIDWAN).
- Development Partners (SDC, USAID, FCDO, Norwegian Embassy, GTZ)
- Relevant thinktanks and specific thought-leaders, if time allows

7. **DFAT Nepal staff**
8. **TAF Nepal staff**

- Country Representative
- Deputy Country Representatives
- Senior Governance Adviser

Detailed interview and discussion guides will be prepared by the MTR team prior to the commencement of data collection in Nepal. This is best done after the secondary, detailed, document review, and these can be shared with TAF in advance, if required.

Analysis and sense-making

The MTR team will individually and collectively analyse document review and interview data, together with observational data collected throughout the mission in Nepal. A centrepiece of the process will be daily end-of-day reflection sessions within each cluster team. These daily reflections will be real-time analysis exercises, enabling the team to progressively build up their understanding of SNGP and how it has operated since 2021. They will also support the team to identify further lines of inquiry for subsequent interviews and observations, and sense-check earlier assessments. In addition, the Team Leader will convene periodic whole-team reflections via phone or video conference, during the data collection period, so the two cluster teams can compare notes and remain aligned. All team reflections will use the review questions as the guiding framework, and all team members will document reflections and analysis.

Following the mission, team members will undertake further qualitative analysis, focusing on their areas of specialisation, and the Team Leader will convene remote team meetings during the analysis process, as needed, to enable shared findings and recommendations.

Ethical standards

The MTR will follow DFAT's Ethical Research and Evaluation Guidance, which incorporates four key principles:

- **Respect for human beings**: The MTR will utilise informed, voluntary, current, and specific context. It will practice cultural competence and respect privacy and confidentiality.

- **Beneficence**: The MTR will seek to general benefits for participants, will carefully manage risks, and protect participants from harm.

- **Research merit and integrity**: The design and implementation of the MTR will reflect sound design and methods, participatory approaches where relevant, and will maintain integrity throughout.

- **Justice**: The MTR will consider socially disadvantaged groups relevant to the program, will aim for equitable and inclusive involvement in the review, and will support the dissemination of the MTR findings.

Deliverables and implementation schedule

There are several deliverables which mark the progress of the MTR, as follows:

1. MTR Plan (this document)

2. A presentation of the preliminary findings at the end of data collection and the mission in Nepal. This will be a verbal presentation (with slides) for TAF and DFAT, either on the final afternoon of the scheduled mission, or via video link the following week.

3. Draft MTR Report. This will be provided to TAF and DFAT for review, according to the schedule below.

4. Final MTR Report. This will be prepared by the MTR team and provided to TAF and DFAT in response to feedback received, as scheduled below.

The TOR specifies that the MTR Report will be no more than 30 pages, plus annexes. It will be prepared in alignment with DFAT MEL Standard 10: Independent Evaluation Reports[28].

All documents produced by the MTR will meet DFAT accessibility requirements, and this MTR Plan has been reviewed for accessibility.

Schedule

The following schedule has derived from the TOR, further developed by the MTR team, and is for final agreement with TAF.

Activity or Deliverable	Responsibility	Timeline (2024)
Submission of draft MTR Plan (this document)	MTR Team (Team Leader)	15 May
Review draft MTR Plan and provision of consolidated feedback to Team Leader	TAF in consultation with DFAT	May
Submission of final MTR Plan to TAF	Team Leader	5 June
Preparation and finalisation of the detailed schedule of fieldwork	TAF and Review Team together	By 30 June
Preparation for the field work: scheduling meetings, interviews etc.	TAF	June-July
Detailed document review and further preparation for mission, including preparation of political economy analysis	Review Team	1-19 July
Data collection and analysis – in Nepal	Review Team	21 July – 3 August
Presentation of preliminary findings - debrief to DFAT and TAF (separately)	Review Team	Week of 6 August
Report preparation	Review Team	August
Submission of draft report to DFAT and TAF	Review Team	30 August
Review draft MTR Report and provision of consolidated feedback to Team Leader	TAF in consultation with DFAT	By 13 September
Revision of the draft MTR Report	Review Team	16-20 September
Submission of final MTR Report to TAF	Review Team	One week after receiving feedback (est. 20 September)
Approval of the Final MTR Report	DFAT	By 30 September

Annex 3 provides a proposed schedule for the in-Nepal data collection period, for further discussion and agreement between the MTR Team and TAF.

---

[28] https://www.dfat.gov.au/sites/default/files/dfat-design-monitoring-evaluation-learning-standards.pdf

Roles and responsibilities

The team will work collaboratively, but focusing on their specific areas of expertise, experience, and relationships. All team members have contributed to the MTR plan, and will contribute to the data collection, sense making and reporting writing. Specific responsibilities are described below, and these will be adjusted, as necessary, as the review proceeds.

Team Leader

The **Team Lead** will have principal responsibility for:

- Providing high-quality, independent and professional advice and expertise to ensure that the objectives of the Midterm Review are met.

- Managing the review process and the entire team to execute the review plan.

- Leading in producing the outputs of the team including review plan, draft and final reports, and presentation materials.

- Leading in facilitating discussions/workshops.

- Leading in presenting findings and recommendations of the review to DFAT and TAF.

Governance Specialist

- Leads in providing the national governance context and political economy of Nepal and other updates/developments on governance programming.

- Contributes with political economy analysis of organizations and actors that can influence positively or negatively to the program objectives.

- Facilitate meetings and discussions with local stakeholders.

- Provides inputs on key policy developments or lack of it on governance with focus on subnational governance.

- Provides inputs in collecting, processing, and analysing information based on the evaluation framework/methodology.

- Provides inputs in assessing the effectiveness and progress of the Partnership activities against the evaluation criteria.

- Contributes to developing and finalising the report.

GEDSI Specialist

- Lead in developing the review questionnaire and stakeholder consultations to ensure GEDSI considerations are incorporated.

- Collect and analysis GEDSI disaggregated data to inform review findings on SNGP's activities on gender equality, disability and social inclusion.

- Draft a GEDSI review framework or guidelines to ensure that the review is gender sensitive and socially inclusive.

- Facilitate meetings and discussions with local stakeholders.

- Contributes and supports the drafting of the review report.

DFAT Headquarters Representative

- Providing high-quality, independent, and professional advice and expertise to the team to ensure that the MTR meets DFAT's independent review standards and policy coherence.

- Participating in meetings, discussions/workshops and field visit to collect data and triangulate inputs to the review to as additional independent expert.

- Providing quality assurance support and advice in presenting major findings and recommendations to DFAT and TAF.

- Contributes to the review report.

The Asia Foundation and SGNP team

The Asia Foundation, and the SGNP team specifically, will be responsible for:

- Providing additional documentation and other information to the MTR team on request.

- Working with the MTR team (and DFAT) to further develop the detailed program for data collection and site visits across the MTR mission.

- Scheduling, and communication with stakeholders, partners, and other people the MTR will seek to engage with.

- Making logistical arrangements for all internal travel, meetings, site visits and interviews, including domestic travel and ground transport, and accommodation arrangements.

- Providing necessary interpreting and translation services for the duration of the data collection to support the work of the MTR team and ensure high quality data collection and communication.

Utilisation

Meaningful utilisation and dissemination of the MTR findings is central to its value. The MTR team will craft an executive summary which is designed to support the communication of the key findings to a range of audiences, especially to senior management in TAF and DFAT. The team also encourages TAF and DFAT to prepare a Nepali-language version of the executive summary so it is equally available to Nepali stakeholders.

The team would also like to work with TAF to understand other means which would make MTR findings available to more people and organisations. For example, it may be useful to prepare a brief recorded slide show presentation of the findings which could be watched on demand (ideally in both languages).

Annex 3: Evaluation Questions and Likely Evidence Sources

A. Effectiveness

Evaluation questions/sub-questions	Sub-questions to assist with data collection and analysis	Likely evidence sources
1.1 How is the Program progressing towards achieving its outputs and outcomes?	a) How well has the program delivered support and resources which are grounded in the specific needs and priorities of local governments? b) Where are the greatest gains being made, and why? c) What obstacles are constraining progress and how is the program responding? d) How relevant and technically sound have the health and economic policy programs been?	Interviews with local government representatives (mayor/deputy mayor etc) Program evidence (documentation) Interviews with program implementation partners Interviews with key program staff
1.2 How has the Program's policy review and dialogue initiatives contributed to influencing Nepal's federalism agenda?	e) Where are the most significant policy influences and what made them possible? f) What policy dialogue approaches have been most successful in the program's influencing work? g) How is GEDSI being included in policy dialogue and how effective is it being?	Program evidence (documentation) Interviews with policy dialogue partners and participants Interviews with program team (e.g. field coordinators) Third party sources (media reporting, other development partner assessments etc)
1.3 Is the Program's MEL system generating sex /GEDSI disaggregated data and credible information to track progress and to inform decision-making, learning and accountability?	h) How well are program staff and partners using MEL information to guide strategic and operational decisions? i) To what extent are program reporting and other MEL outputs meeting the management and strategic needs of TAF and DFAT? j) How is the program supporting learning, both internally and externally, and how is this serving the program? k) What have been the most useful MEL tools and processes?	Analysis of program reporting and other outputs of the MERL system Examination of MERL tools and processes Interviews with DFAT Interviews with TAF Interviews with program team

	l) How does the program utilise municipal/provincial government data (health, economic)?	MERL Framework and system analysis (including assessment against DFAT MEL Standards)
	m) How well does the program monitor intergovernmental and intragovernmental disputes, resolutions and mechanisms (both formal and informal)?	

B. Efficiency

Evaluation questions/sub-questions	Sub-questions to assist with data collection and analysis	Likely evidence sources
2.1 Is the program making appropriate and efficient use of DFAT and the Foundation's time and resources to achieve outputs and expected outcomes?	n) How well is program implementation tracking against its annual workplans (budget, activity schedule, delivery of planned outputs)? o) What systems support value for money and strong internal accountability, and how well are they operating in practice?	**Analysis of program documentation** **Interviews with key program personnel**
2.2 How has the Program's adaptive and flexible approach contributed to intended outcomes?	p) What systems and practices are in place, and functioning, to enable rigorous adaptation in the program? (e.g. Quarterly Partner Review Meetings, key MERL tools and processes, problem-driven iterative analysis etc) q) What are the main enabling and/or constraining factors which influence the adaptive approach? r) How does the program prioritise its activities, address obstacles, and manage risks?	Analysis of program documentation Interviews with program leadership Interviews with TAF and DFAT representatives

C. **Gender equality, disability and social inclusion**

Evaluation questions/sub-questions	Sub-questions to assist with data collection and analysis	Likely evidence sources
3.1 How has GEDSI analysis informed and been mainstreamed across the Program, and in institutions?	s) When, and how, has the program undertaken GEDSI analysis? t) In what ways has GEDSI analysis been utilised within the program, including in the allocation of resources? u) How are the institutions the program engages with mainstreaming GEDSI in response to program efforts?	Analysis of program documentation Interviews with program leadership Interviews with program GEDSI personnel Interviews with key partners (to test the extent of engagement with GEDSI issues)
3.2 In what way has the Program made a difference to gender equality, empowering women, marginalised communities and people with disabilities?	v) What evidence exists about how program activities have contributed to changes for women, girls, people with disability, and other marginalised people? w) What are the main enabling and/or constraining factors which influence the program's ability to make a difference in these areas, and how has the program responded?	Analysis of program documentation Interviews and observations with program partners and stakeholders
3.3 How are women, people with disabilities and/ or organisations of persons with disabilities (OPDs), and other marginalised people, meaningfully engaged in program cycle processes (e.g., design, monitoring, implementation, evaluation)?	x) Which parts of program implementation have been most successful in terms of including people with disabilities and OPDs, and where have there been gaps? y) What obstacles have been faced in disability inclusion, and how has the program responded? z) Where has there been greatest success in engaging women in the program cycle, what challenges have been faced, and how has the program responded? aa) Where has there been greatest success in engaging other marginalised groups in the program cycle, what challenges have been faced, and how has the program responded?	Analysis of program documentation Interviews with program leadership Interviews with program GEDSI personnel Interviews with key partners (to test the extent of engagement with disability inclusion issues)

D. Program future

Evaluation questions/sub-questions	Sub-questions to assist with data collection and analysis	Likely evidence sources
4.1 Are the Program's achievements likely to be sustained and how will good practices, including from GEDSI perspectives, be replicated and scaled up?	bb) How is the program investing in sustainability of its outcomes, and how well is this sustainability approach working so far? cc) Where is there appetite for expansion of program activities and how could this be supported?	Program documentation Interviews with key partners
4.2 What are possible options for support post-SNGP Phase 2 in terms of areas of focus and possible partnerships (i.e. delivery modalities, implementation mechanisms)?	dd) Are there any missed, or new, opportunities for policy influence which the program could respond to?	Interviews with key partners Interviews with TAF and SGNP program team Interview with DFAT

E. **Additional questions**

Evaluation questions and likely evidence	Sub-questions to assist with data collection and analysis	Likely evidence sources
Have climate risks and opportunities been identified, and are they being acted upon?	-	Document review Interviews with TAF

Annex 4: Documents reviewed

Department of Foreign Affairs and Trade, (2020), **Sub-National Governance Program – Bridging Phase, Invitation to Submit an Activity Proposal**

The Asia Foundation Partnership in Nepal, (2021), **SNGP Monitoring, Evaluation, Research and Learning (MERL) Framework Overview: Bridging Phase**

The Asia Foundation Partnership in Nepal, (2021), **SNGP Sustainability Framework**

The Asia Foundation Partnership in Nepal, (2021), **SNGP Bridging Phase Completion Report**

The Asia Foundation (2021) **After Action Review: Municipal Round Table**

PSR Research and Consultancies, (March 2022), **Policy and Research Outcome Harvesting Assessment of SNGP**

Department of Foreign Affairs and Trade, (2022), **Final Investment Monitoring Report,** Sub-National Governance Program Bridging Phase–Final Investment Monitoring Report (FIMR), plus Supporting Evidence for Effectiveness, Efficiency, Gender and Disability, and Sustainability Ratings

The Asia Foundation, (2021), **Technical Proposal for the Sub-National Governance Program Phase II**

The Asia Foundation Partnership in Nepal, (2022), **Project Activity Description and Project Activity Schedule**

PSR Research and Consultancies, (March 2022), **Policy and Research Outcome Harvesting Assessment of Subnational Governance Program**

The Asia Foundation, (2022, 2023 - several), **Minutes from the Asia Foundation-Embassy of Australia SNGP Phase II Quarterly Meeting**

The Asia Foundation Partnership in Nepal, (2023), **Subnational Governance Program Phase II: Annual Workplan for Yr II (Apr 23 – Mar 24)**

The Asia Foundation Partnership in Nepal, (2024), **Subnational Governance Program Phase II: Annual Workplan Yr 3 2024**

The Asia Foundation (2023) **SNGP Year II Workplan Planning Workshop**

The Asia Foundation (2023) **SNGP Year III Workplan Planning Workshop**

The Asia Foundation, (2023), Strategic Partnership Agreement Between the Asia Foundation and the Department of Foreign Affairs. **SNGP Year I Annual Report**

The Asia Foundation, (2023), Strategic Partnership Agreement Between the Asia Foundation and the Department of Foreign Affairs. **SNGP Year II Annual Report**

The Asia Foundation (2023) **SNGP Second Quarterly Partners Meeting**

SNGP (2023) **Quarterly Reflection Meeting, Meeting Notes**

Department of Foreign Affairs and Trade, (2023), **Aid Investment Monitoring Report:** Subnational Governance Program for Nepal Phase 2, plus Inputs into the Annual Investment Monitoring Report (AIMR) Subnational Governance Program for Nepal Phase 2

The Asia Foundation Partnership in Nepal, (2024), **Subnational Governance Program Phase II: Annual Workplan**

The Asia Foundation (2024), **SNGP Monitoring, Evaluation, Research and Learning (MERL) Framework**

BASE Organisation (Backward Society Education) (2024) **Expanding Provincial Policy Networks in Lumbini Province: SNGP Concept Note**

Centre for Dalit Women Nepal (2024) **Fostering Effective and Inclusive Sub-national Governance Phase II: SNGP Concept Note**

Municipal Association of Nepal (MuAN) (2024) **Strengthening Municipal Governance: SNGP Concept Note**

Invest and Infra Pvt Ltd (2024) **Improving Local Economic Activities via Business Development Services – Additional Activities: Concept Note**

Nepal Law Society (2024) **Strenghtening Policy Making Process of Subnational Government and Intergovernmental Coordination: SNGP Concept Note**

Department of Foreign Affairs and Trade, (**2024), Aid Investment Monitoring Report:** Subnational Governance Program for Nepal Phase 2, plus Inputs into the Annual Investment Monitoring Report (AIMR) Subnational Governance Program for Nepal Phase 2

Progress Inc., (January 2024), **Baseline Study of Subnational Governance Program Phase II**

The Asia Foundation, (February 2024), **Minutes from the Asia Foundation-Embassy of Australia SNGP Phase II Quarterly Meeting.**

Ability Manch Pvt Ltd, (undated), **Disability Inclusion Assessment of Subnational Governance Program**

Seira Tamang and Rakshya Bhattachan, (2024), **An assessment of the mentorship program for elected women representatives**

The Asia Foundation (2024) **SNGP: Policy Implementation Assessment in Partner Municipalities**