United Nations Development Programme

PROJECT DOCUMENT

Nepal

Project Title: Effective Financing for Development (EFD)

Project Number: Implementing Partner(s): International Economic Cooperation Coordination Division/MOF

Start Date: January 2025 **End Date:** December 2027 **PAC Meeting Date:** 26 December 2024

Brief Description

Nepal is set to graduate from its Least Developed Country (LDC) status in 2026, which means it will no longer be eligible for the International Support Measures (ISM) currently available to LDCs, including trade and development finance. This transition is expected to result in a 4.3% reduction in exports and a decline in access to development finance, particularly in the form of grants and concessional loans. Consequently, this will exacerbate the financing gap necessary to meet the country's development needs, including the achievement of the Sustainable Development Goals (SDGs).

To address these challenges, the Effective Financing for Development (EFD) project—a collaborative initiative between the Ministry of Finance and the United Nations Development Program—aims to not only improve access to the systems and processes that govern the flow and management of development finance in Nepal but also to facilitate significantly greater access to these finance flows. EFD project envisioned a more integrated approach that strategically leverages domestic and international financing flows to achieve SDGs and recently approved 16th development plan. The project will focus on following three components:

a) Creating enabling policy environment and institutional capacity for development effectiveness and increased government's absorptive capacity for ODA funded projects.

b) Strengthening Development finance management and tracking capacities for evidence-based decision making

c) Enhancing institutional capacity of the Ministry of Finance and relevant entities to mobilise additional development finance through innovative financing instruments.

Contributing Outcome (UNSDCF, CPD, RPD):

Country Programme Document for Nepal (2023–2027)

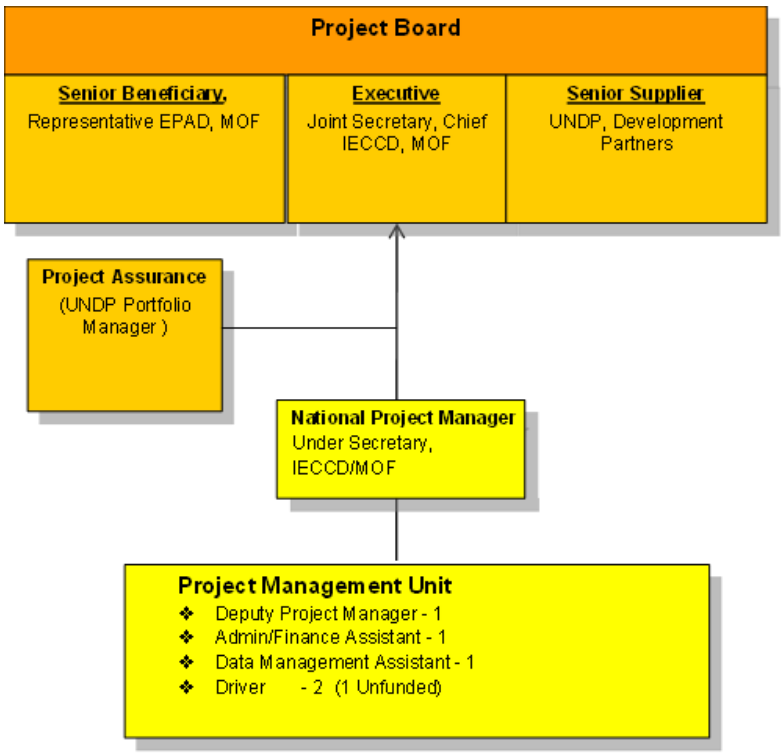
Outcome 1: Sustainable and Inclusive Economic Transformation

By 2027, Nepal achieves enhanced economic performance through diversified sources of finance, improved productivity, and increased resilience, enabling inclusive growth and sustainable development as the

Total Resources Required:	USD 1,271,400	
Total Resources Allocated:	**UNDP TRAC:**	USD 800,000
	Donor:	
	Government:	
	In-Kind:	
Unfunded:	471,400	

I. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The project will be implemented using the National Implementation Modality (NIM), with the MOF serving as the primary Implementing Partner. The Joint Secretary/Chief of IECCD/MOF will fulfil the role of National Project Director (NPD). The MOF will appoint an Under Secretary as the National Project Manager (NPM) to assist the NPD with the project's daily operations. Below diagram shows the Governance Structure of the Project.



Project Board - As per POPP, the Project Board will be the governing entity for the project which approves the annual work plan and budget, reviews project's progress towards the annual and final targets, provides guidance to the implementation team, supports in coordination across various government entities, and approves any changes to be made to the project document and budgets if needed. In line with the National Implementation Modality (NIM), the PB will be chaired by the Joint Secretary and Chief of IECCD/MOF and will be comprised of MOF/IECCD, Budget Divisionor Economic Policy Analysis Division the. Future DPs providing funding will be included on the Project Board.

Specific responsibilities of the Project Board include:

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- Address project issues as raised by the project manager;
- Provide guidance on new project risks, and agree on possible countermeasures and management actions to address specific risks;
- Agree on project manager's tolerances as required;
- Review the project progress, and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans;

- Appraise the annual project implementation report, including the quality assessment rating report; make recommendations for the workplan;
- Provide ad hoc direction and advice for exceptional situations when the project manager's tolerances are exceeded; and
- Assess and decide to proceed on project changes through appropriate revisions.

Senior Supplier - The Senior Supplier is an individual or a group representing the interests of parties providing funding and/or technical expertise to the project, which includes designing, developing, facilitating, procuring, and implementing. The Senior Supplier's primary function within the Board is to offer guidance on the technical feasibility of the project. It is essential for the role to have the authority to commit to or acquire the necessary supplier resources. If necessary, this role may be filled by more than one person. UNDP DRR will play the role of senior supplier.

Specific Responsibilities:

- Ensure that progress towards the outputs aligns with the supplier's perspective.
- Maintain focus on the anticipated project output(s) from the standpoint of supplier management.
- Guarantee the availability of required supplier resources for the project.
- Offer supplier insights on Project Board decisions regarding the implementation of proposed changes.
- Mediate and resolve any conflicts related to supplier priorities or resources.
- Arbitrate on, and ensure resolution of, any supplier priority or resource conflicts.

Senior Beneficiary - The Senior Beneficiary is an individual or group representing the interests of those who stand to benefit from the project. The primary function of the Senior Beneficiary within the Board is to ensure project results are realised from the beneficiaries' perspective. This role is held by a representative from the MOF, other than National Project Director.

The Senior Beneficiary is tasked with validating the needs and monitoring that the project's solutions meet these needs within its constraints. The role involves overseeing progress against targets and quality criteria.

Specific Responsibilities:

- Provide input on beneficiaries' views when the Project Board deliberates on implementing proposed changes.
- Ensure the beneficiaries' needs are clearly, accurately, and unambiguously defined.
- Oversee the implementation of activities at all stages to confirm alignment with beneficiaries' needs and progress towards targets.
- Assess the impact of potential changes from the beneficiaries' perspective.
- Regularly monitor risks that could affect the beneficiaries.

Project Assurance - UNDP provides a three-tiered system of supervision, oversight, and quality assurance funded by the agency fee. This involves UNDP staff in Country Offices, regional, and headquarters levels. Project Assurance must remain fully independent from the Project Management function, carrying out objective oversight and monitoring. The UNDP Portfolio Manager, working within the UNDP Country Office, will undertake this role, ensuring project management milestones are met. Teams at the regional and headquarters levels will support quality assurance functions to fulfil corporate requirements in terms of results and financial management.

National Project Manager (NPM): The Project Manager has the authority to run the project on a day-to-day basis on behalf of the Project Board within the guidance given by the Board. The Project Manager's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost.

Specific Responsibilities:

- Provide direction and guidance to project team(s)/ responsible party (ies);
- Liaise with the Project Board to assure the overall direction and integrity of the project;
- Identify and obtain any support and advice required for the management, planning and control of the project;
- Responsible for project administration;
- Plan the activities of the project and monitor progress against the project results framework and the approved annual workplan;
- Mobilize personnel, goods and services, training and micro-capital grants to initiative activities, including drafting terms of reference and work specifications, and overseeing all contractors' work;
- Monitor events as determined in the project monitoring schedule plan/timetable, and update the plan as required;
- Manage requests for the provision of financial resources by UNDP, through advance of funds, direct payments or reimbursement using the fund authorization and certificate of expenditures;
- Monitor financial resources and accounting to ensure the accuracy and reliability of financial reports;
- Be responsible for preparing and submitting financial reports to UNDP on a quarterly basis;
- Manage and monitor the project risks initially identified and submit new risks to the project board for consideration and decision on possible actions if required; update the status of these risks by maintaining the project risks log;
- Capture lessons learned during project implementation;
- Prepare the annual workplan for the following year; and update the Atlas Project Management module if external access is made available.
- Prepare the Annual Project Report and submit the final report to the Project Board;
- Based on the Annual Project Report and the Project Board review, prepare the AWP for the following year.
- Ensure the interim evaluation process is undertaken as per the UNDP guidance, and submit the interim evaluation report to the Project Board.
- Identify follow-on actions and submit them for consideration to the Project Board;
- Ensure the final evaluation process is undertaken as per the UNDP guidance, and submit the final evaluation report to the Project Board.

As NPM is not assigned to the paid staffs of the project, he/she could not devote full time to the project, He / she can transfer some responsibilities to other staff as needed

PROJECT IMPLEMENTATION UNIT

A Project Implementation Unit (PIU) will be established to support the NPD in daily project execution. In addition to the National Project Manager, a team of five staff will be recruited who will support NPD ad NPM to deliver the project results. The structure of PIU is reflected in the above diagram.

II. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Nepal and UNDP, signed on 1984. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by Ministry of Finance ("Implementing Partner") in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

III. RISK MANAGEMENT

GOVERNMENT ENTITY (NIM)

1. Consistent with the Article III of the SBAA [or the Supplemental Provisions to the Project Document], the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:

a) put in place an appropriate security plan and maintain the security plan, considering the security situation in the country where the project is being carried;

b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.

2. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.

3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism, that the recipients of any amounts provided by UNDP hereunder do not appear on the United Nations Security Council Consolidated Sanctions List, and that no UNDP funds received pursuant to the Project Document are used for money laundering activities. The United Nations Security Council Consolidated Sanctions List can be accessed via https://www.un.org/securitycouncil/content/un-sc-consolidated-list

4. UNDP and Implementing Partner acknowledges and agrees that sexual harassment and sexual exploitation and abuse of anyone will not tolerate, and each of its responsible parties, their respective sub-recipients and other entities involved in Project implementation, either as contractors or subcontractors and their personnel, and any individuals performing services for them under the Project Document.

(a) In the implementation of the activities under this Project Document, the Implementing Partner, and each of its sub-parties referred to above, shall comply with the standards of conduct set forth in the Secretary General's Bulletin ST/SGB/2003/13 of 9 October 2003, concerning "Special measures for protection from sexual exploitation and sexual abuse" ("SEA").

(b) Moreover, and without limitation to the application of other regulations, rules, policies and procedures bearing upon the performance of the activities under this Project Document, in the implementation of activities, the Implementing Partner, and each of its sub-parties referred to above, shall not engage in any form of sexual harassment ("SH"). SH is defined as any unwelcome

conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment, or creates an intimidating, hostile or offensive work environment. SH may occur in the workplace or in connection with work. While typically involving a pattern of conduct, SH may take the form of a single incident. In assessing the reasonableness of expectations or perceptions, the perspective of the person who is the target of the conduct shall be considered.

5. a) In the performance of the activities under this Project Document, the Implementing Partner shall (with respect to its own activities) and shall require from its sub-parties referred to in paragraph 4 (with respect to their activities) that they, have minimum standards and procedures in place, or a plan to develop and/or improve such standards and procedures in order to be able to take effective preventive and investigative action. These should include policies on sexual harassment and sexual exploitation and abuse; policies on whistleblowing/protection against retaliation; and complaints, disciplinary and investigative mechanisms. In line with this, the Implementing Partner will and will require that such sub-parties will take all appropriate measures to:

i. Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA.
ii. Offer employees and associated personnel training on prevention and response to SH and SEA, where the Implementing Partner and its sub-parties referred to in paragraph 4 have not put in place its own training regarding the prevention of SH and SEA, the Implementing Partner and its sub-parties may use the training material available at UNDP.
iii. Report and monitor allegations of SH and SEA of which the Implementing Partner and its sub-parties referred to in paragraph 4 have been informed or have otherwise become aware, and status thereof.
iv. Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and
v. Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. The Implementing Partner shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties referred to in paragraph 4 with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardise the conduct of the investigation, including but not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws applicable to it. Following the investigation, the Implementing Partner shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.

b) The Implementing Partner shall establish that it has complied with the foregoing, to the satisfaction of UNDP, when requested by UNDP or any party acting on its behalf to provide such confirmation. Failure of the Implementing Partner, and each of its sub-parties referred to in paragraph 4, to comply of the foregoing, as determined by UNDP, shall be considered grounds for suspension or termination of the Project.

6. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (http://www.undp.org/ses) and related Accountability Mechanism (http://www.undp.org/secu-srm).

7. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that

communities and other project stakeholders are informed of and have access to the Accountability Mechanism.

8. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

9. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, responsible parties, subcontractors and sub-recipients in implementing the project or using UNDP funds.

10. In the implementation of the activities under this Project Document, UNDP places reasonable reliance upon the Implementing Partner for it to apply its laws, regulations and processes, and applicable international laws regarding anti money laundering and countering the financing of terrorism, to ensure consistency with the principles of then in force the UNDP Anti-Money Laundering and Countering the Financing of Terrorism Policy.

11. The Implementing Partner will ensure that its financial management, anti-corruption, anti-fraud and anti-money laundering and countering the financing of terrorism policies are in place and enforced for all funding received from or through UNDP.

12. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. The Implementing Partner agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.

13. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP projects and programmes in accordance with UNDP's regulations, rules, policies and procedures. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.

14. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, credible allegation of fraud or corruption or other financial irregularities with due confidentiality.

Where the Implementing Partner becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

15. UNDP shall be entitled to a refund from the Implementing Partner of any funds provided that have been used inappropriately, including through fraud, corruption or other financial irregularity, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Such amount may be deducted by UNDP from any payment due to the Implementing Partner under this or any other agreement.

Where such funds have not been refunded to UNDP, the Implementing Partner agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including

through fraud, corruption or other financial irregularity, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors, and sub-recipients.

16. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.

17. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.

18. The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, mutatis mutandis, in all sub-contracts or sub-agreements entered into further to this Project Document.

1. **Capacity Assessment:** Results of capacity assessments of Implementing Partner (including Partner Capacity Assessment Tool (PCAT) and HACT Micro Assessment)

2. **Project Board Terms of Reference and TORs of key management positions.** The standard Project Board TOR can be found here**.**

EFD Project Board

UNDP Standard Terms of Reference (ToR)

I. Background

All UNDP projects must be governed by a multi-stakeholder Board or committee established to review performance based on established monitoring and evaluation metrics and high-level implementation issues to ensure quality delivery of results. For the purpose of this ToR and to ensure standardisation, henceforth, as regards project documentation, such a body shall only be referred to by one of two names: 'Project Board' or 'Project Steering Committee.'[1] The Project Board is the most senior, dedicated oversight body for a UNDP 'Development Project', which is defined in the PPM as an instrument where UNDP "Delivers outputs where UNDP has accountability for design, oversight and quality assurance of the entire project."

II. Duties and Responsibilities

The two prominent (mandatory) roles of the Project Board are as follows:

1) High-level oversight of the project (as explained in the "Provide Oversight" section of the PPM). This is the primary function of the Project Board. The Project Board reviews evidence of project performance based on monitoring, evaluation, and reporting, including progress reports, monitoring missions' reports, evaluations, risk logs, quality assessments, and the combined delivery report. The Project Board is the main body responsible for taking corrective actions as needed to ensure the project achieves the desired results. And its function includes oversight of annual (and as-needed) assessments of any major risks to the programme or project, and related decisions/agreements on any management actions or remedial measures to address them effectively.

   The Project Board also carries the role of quality assurance of the project taking decisions informed by, among other inputs, the project quality assessment. In this role the Board is supported by the quality assurer, whose function is to assess the quality of the project against the corporate standard criteria. This function is performed by a UNDP programme or monitoring and evaluation officer to maintain independence from the project manager regardless of the project's implementation modality.

   The Project Board reviews updates to the project risk log.

2) **Approval of key project execution decisions** (as explained in the "Manage Change" section of the PPM). The Project Board has an equally important, secondary role in approving certain adjustments above provided tolerance levels, including substantive programmatic revisions (major/minor amendments), budget revisions, requests for suspension or extension and other major changes (subject to additional funding partner/donor requirements).

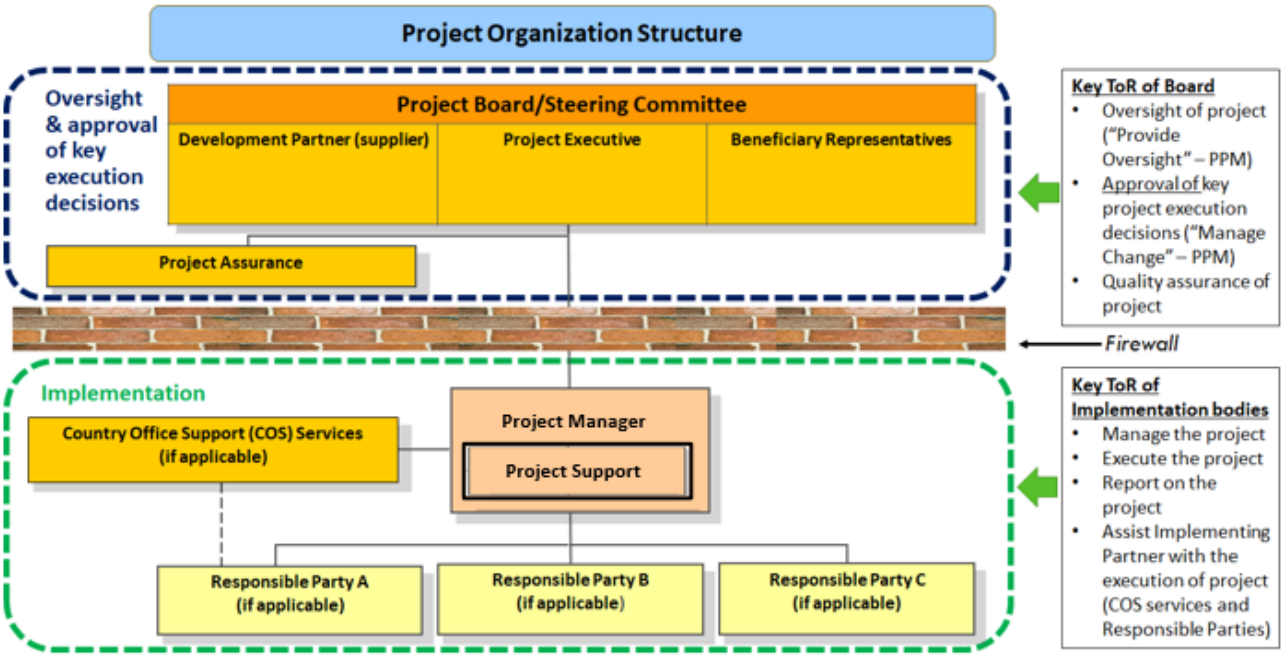
The Project Board is responsible for making management decisions by consensus when required, including the approval of project plans and revisions, and the project manager's tolerances. The Project Board approves annual work plans and reviews updates to the project risk log.

Within the overall governance and management arrangements of the project, the role of the Project Board as regards these two key functions *('High-level oversight of the project' and 'Approval of key project execution decisions')* is distinct from the roles of entities involved in the implementation of the project, namely the Implementing Partner (IP), responsibilities parties (if applicable), service providers and project staff.

[1] Please insert the appropriate entity name in the relevant sections in the document. Where this ToR refers to "Board" it is intended to apply to both these entities and should be changed accordingly to match the entity chosen for the specific project

The diagram below outlines the main entities involved (and their respective responsibilities) in the 'oversight/approval of key execution decisions' layer and the 'implementation' layer of the project structure.

DIAGRAM 1 – STANDARD FIGURE OF PROJECT ORGANISATION STRUCTURE VIS-À-VIS OVERSIGHT & APPROVAL AND IMPLEMENTATION ROLES



In order to ensure UNDP's ultimate accountability, the Project Board decisions should be made in accordance with the Quality Standards for Programming that shall ensure management for development results, best value money, fairness, integrity, transparency and effective national and international competition. An effective Project Board needs credible data, evidence, quality assurance and reporting to support decision-making (see next section on supporting functions to the Board). The Project Board also needs to be accountable to protect against conflicts of interest and fraud.

Specific responsibilities of the Project Board include the following:

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints, and promote gender equality and social inclusion (LNOB) in the project implementation.
- Review project performance based on monitoring, evaluation, and reporting, including standard quality assurance checks, progress reports, risk logs, spot checks/audit reports and the combined delivery report.
- Address any high-level project issues as raised by the project manager and project assurance.
- Provide guidance on emerging and/or pressing project risks and agree on possible mitigation and management actions to address specific risks (including ensuring compliance with UNDP's Social and Environmental Standards, Fraud/corruption, Sexual Exploitation and Abuse and Sexual Harassment).
- Agree or decide on project manager's tolerances as required, within the parameters set by UNDP (Manage Change in the PPM) and the donor, and provide direction and decisions for exceptional situations when the project manager's tolerances are exceeded;
- Advise on major and minor amendments to the project within the parameters set by UNDP and the donor.

- Agree or decide on a project suspension or cancellation, if required; (note that for GEF and GCF projects it is UNDP that decides to suspend or cancel and project and the Project Board is informed/consulted only).
- Provide high-level direction and recommendations to the PMU to ensure that the agreed deliverables are produced satisfactorily according to plans.
- Receive and address project level grievance, including overseeing whatever specific compliance and stakeholder response (or grievance) mechanisms have been put in place so that individuals and communities potentially affected by the project have access to effective mechanisms and procedures for raising concerns about the social and environmental performance of the project[2].
- Engage in the low value grant selection process where there is no Grant Selection Committee, as guided by the Low Value Grants – UNDP Operational Guide.

Note: Specific requirements may apply for donor-funded projects, such as GEF- or GCF-financed projects. Please refer to the provisions in the project document.

Additional responsibilities of the Project Board can include, but are not limited to, the following

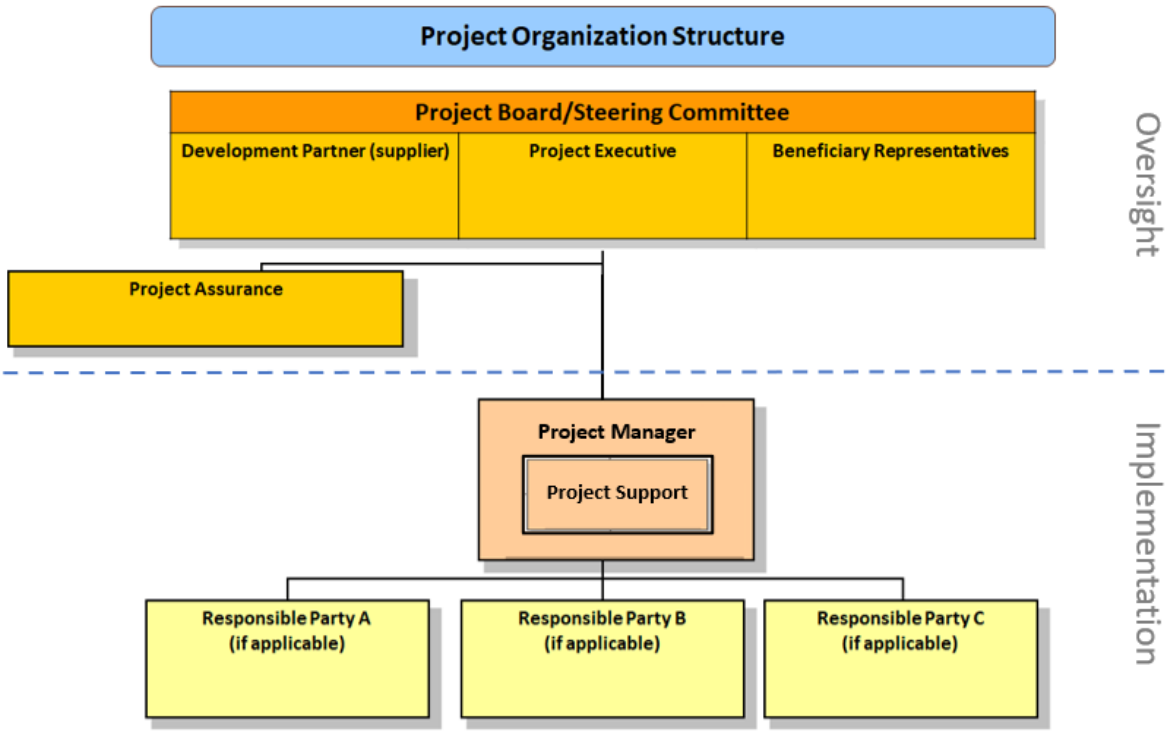
- Ensure coordination between various donors and government-funded projects and programmes.
- Report to relevant inter-ministerial bodies or higher-level oversight bodies.
- Ensure coordination with multiple government agencies and their participation in project activities.
- Track and monitor co-financing for this project.
- Appraise the annual project implementation report, including the quality assessment rating report.
- Ensure commitment of human resources to support project implementation, arbitrating any issues within the project.
- Act as an informal consultation mechanism for stakeholders.
- Approve the Project Inception Report, Mid-term Review and Terminal Evaluation reports and corresponding management responses.
- Review the final project report package during an end-of-project review meeting to discuss lessons learned and opportunities for scaling up.
- Providing guidance or reporting protocols to technical committees or sub-bodies reporting to the Board (if applicable).

III. Composition of the Project Board

As noted in the diagram below, every Project Board in a UNDP project has three categories of formal members (e.g. voting members). The role of every formal Project Board member must correspond to one of these three roles and be identified accordingly in the project documentation.

[2] The responsibilities of the Board in this regard should follow UNDP's Social and Environmental Standards (SES) as codified in the PPM. It should be noted that while a Project Board can play a role in addressing or assisting with the compliance and stakeholder response (or grievance) mechanisms put in in place for a given project (as part of their quality assurance and oversight function), this will be in addition to and does not substitute for UNDP's core responsibility to ensure compliance with the SES throughout the project management cycle as part of UNDP's Programming Quality Assurance system.

DIAGRAM 2 – STANDARD FIGURE FOR A PROJECT ORGANISATION STRUCTURE



The three categories of Project Board members are the following:

3. **Project Director/Executive(s):** This is an individual(s) who represents ownership of the project and chairs (or co-chairs) the Project Board. The executive usually is the most senior national counterpart for nationally implemented projects (typically from the same entity as the Implementing Partner), and it must be UNDP for projects that are direct implementation (DIM). In exceptional cases, two individuals from different entities can co-share this role and/or co-chair the Project Board. If the project executive co-chairs the Project Board with a representative of another category, it typically does so with a development partner representative. The Project Executive is: Joint Secretary/Chief of IECCD/MOF

4. **Beneficiary Representative(s):** This is an individual(s) representing the interests of those groups of stakeholders who will ultimately benefit from the project. Their primary function within the Board is to ensure the realisation of project results from the perspective of project beneficiaries. Often representatives from civil society, industry associations, community groups or other government entities benefiting from the project can fulfil this role. If the project has a specific geographic focus, often representatives from GON entities in the targeted area/region will play this role. There can be multiple beneficiary representatives in a Project Board. The Beneficiary Representative(s) is: MOF.

5. **Development Partner(s):** Individuals representing the interests of the parties concerned that provide funding, strategic guidance and/or technical expertise to the project[3]. There can be multiple DPs representatives in a Project Board. The Development Partner(s) representative(s) is: Deputy Resident Representative, UNDP and donor(s).

6. A **UNDP representative must always be represented in the Project Board** in either the project executive or development partner role.

Where applicable, representatives from responsible parties to the project cannot sit on the Project Board as a formal voting member; they can (if requested) attend Board meetings as observers. Since the chief responsibility of the Board is to provide high-level oversight of project implementation, to

[3] With the exception of responsible parties or any firms/entities engaged by the project to provide technical expertise with project funds

avoid any conflicts of interest, it is not appropriate for representatives of third-party entities engaged by the project to provide services – whether responsible parties or contractors/service providers – to concurrently sit on the Board. Representatives of responsible parties can attend Board meetings (as observers) but can have no official role in Board decision-making. The same principle applies to the project manager who in attending and presenting at Board meetings, does so in a non-voting capacity.

In cases where the inputs and guidance of responsible parties or other entities formally engaged in providing goods or services to the project are needed by the Board on a recurring basis, it is recommended to establish appropriate advisory or technical committees or working groups composed of those entities that can formally report to the Board, while ensuring the impartiality and integrity of Board decisions happening independent of those bodies (see Section V of the ToR).

IV. Standard Project Board Protocols

The Project Board must meet one time annually at a minimum**.** It is recommended that the timing of Board meetings be agreed upon in advance and corresponds to key project reporting or work planning milestones. This Project Board will meet at least two times annually according to this provisional schedule Project Board members cannot receive remuneration from project funds for their participation in the Board. However, it is allowable for Board members to be reimbursed from project funds for certain reasonable, qualified expeses related to travel or lodging to attend Board meetings. Such protocols are outlined in this ToR and the benefits are applicable to all eligible Board members.

All Project Boards must have rules for quorum and documentation/minuting of Board decisions. All Board decisions and minutes should be kept by the PMU and UNDP. Guidelines on decisions taken in between Board meetings or virtually should be clearly elaborated in the Terms of Reference (ToR) of the Project Board.

Unless otherwise specified, Project Board decisions are made by unanimous consensus. If a consensus cannot be reached within the Board, the final decision shall rest with the UNDP representative on the Project Board or a UNDP staff member with delegated authority as the programme manager.[4]

It is required that as per internationally recognised professional standards and principles of sound governance, conflicts of interest affecting Board members in performing their duties must be formally disclosed if not avoidable. Where a Board member has a specific personal conflict of interest with a given matter before the Board, he/she must recuse oneself from their participation in a decision. No Board member can vote or deliberate on a question in which he/she has a direct personal or pecuniary interest not common to other members of the Board.

All Board members should be presented with a ToR for the Project Board, which will include the responsibilities already outlined and indicate agreed Board practices and logistics.

V. Standard Outputs of Project Board Meetings

In its oversight function, the Project Board will (at a minimum) review and assess the following project-related evidence at each meeting:

- Assessment of project progress to date against project output indicators (as documented in the project document results framework)
- Approval/review of annual work plans

[4] UNDP has this special right since the ultimate legal and fiduciary accountability for a UNDP project, irrespective of modality, rests with UNDP and UNDP must (in line with its obligations to donors and to the Executive Board) be able to ensure that no action is taken by any body in a UNDP project that contravenes UNDP rules and regulations.

- Assessment of the relevant Monitoring & Evaluation mechanisms, including all evaluations5
- Review and assessment of the Project Risk Log (with updating/amendments as needed)
- Assessment of project spending, based on a review of the combined delivery report.
- Review of required resources versus available funding (if applicable) and steps taken to reduce funding gap identified at the project design stage

This will be in addition to the review and approval of any required project execution decisions.

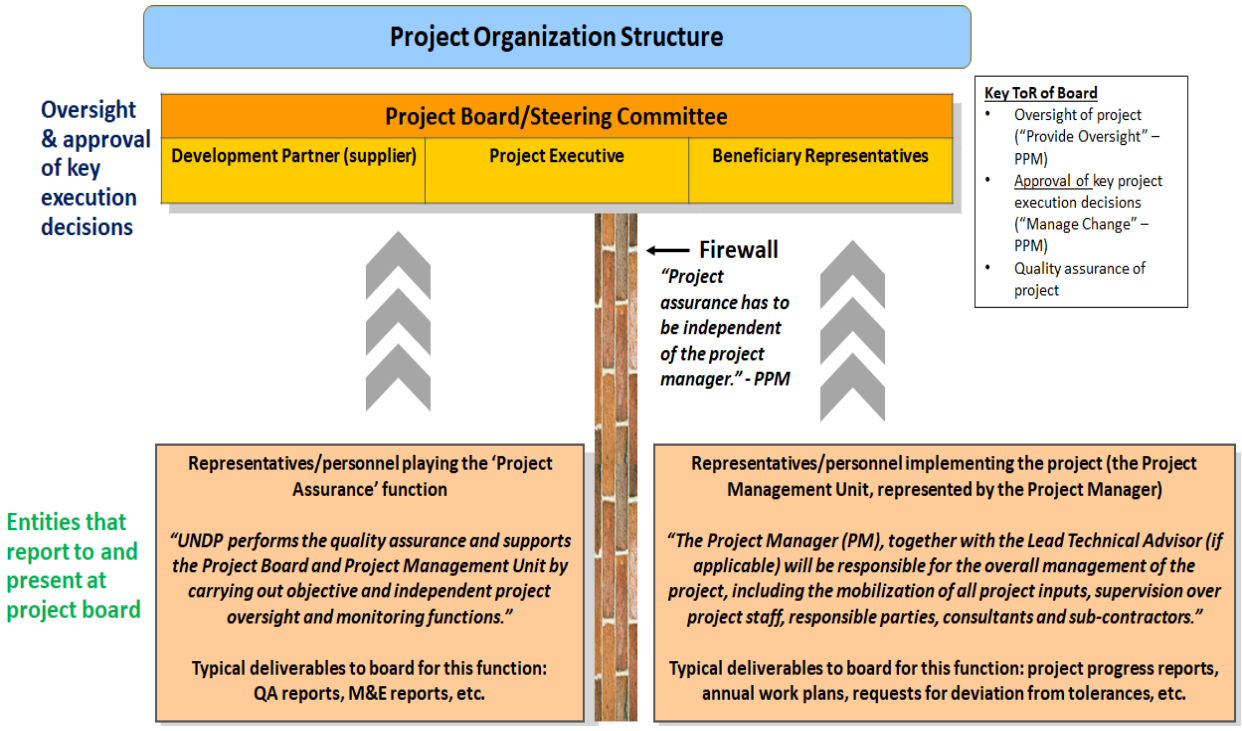
The output of every Project Board should be a written record (minutes) that captures the agenda and issues discussed and the agreed upon action items and decisions (if applicable). Each report should clearly document the members attending the meeting (as well as all participants in the meeting) and the modality used to agree on a certain action or decision (whether formal voting or no-objection or other mechanism). All records of Board meetings should be documented and kept by UNDP in their quality assurance function (see next section).

VI. Support Functions to the Project Board

There are two main entities/functions outside the Project Board structure whose role is to report to the Project Board and support Board members in effectively fulfilling their roles: project assurance and project management.

The diagram below explains the primary role of these two entities in the context of their support to Board operations. A description of these two entities follows.

DIAGRAM 3 – STANDARD FIGURE OF PROJECT ORGANISATION STRUCTURE – BOARD SUPPORT ENTITIES



Project Assurance: Project assurance is the responsibility of each Project Board member; however, UNDP has a distinct assurance role for all UNDP projects in carrying out objective and independent project oversight and monitoring functions. UNDP performs quality assurance and supports the Project Board (and Project Management Unit) by carrying out objective and independent project oversight and monitoring functions, including applying UNDP's social and environmental

[5] Including audit reports and spot checks.

management system to ensure the SES are applied through the project cycle. The Project Board cannot delegate any of its quality assurance responsibilities to the project manager. Project assurance is totally independent of project execution. [In the case where UNDP is also supporting project implementation, protocols should be put in place ensuring proper segregation between UNDP's role in the Board and in the function of project assurance, and any concurrent role in implementation].

A designated representative of UNDP playing the project assurance role is expected to attend all Project Board meetings and support Board processes as a non-voting representative. It should be noted that while in certain cases UNDP's project assurance role across the project may encompass activities happening at several levels (e.g. global, regional), at least one UNDP representative playing that function must, as part of their duties, specifically attend Board meetings and provide Board members with the required documentation required to perform their duties.

Project Support, this function is often covered by the Project Management Unit: The Project Manager (PM) (also called project coordinator) is the senior most representative of the Project Management Unit (PMU) and is responsible for the overall management of the project on behalf of the Implementing Partner, including the mobilisation of all project inputs, supervision over project staff, responsible parties, consultants, and sub-contractors. The project manager typically presents key deliverables and documents to the Board for review and approval, including progress reports, annual work plans, adjustments to tolerance levels and risk logs.

A designated representative of the PMU is expected to attend all Board meetings and present the required progress reports and other documentation needed to support Board processes as a non-voting representative.

VII. TOR for Key Project Positions

To be drafted.

IV. ANNEXES

ANNEX – 1 – RISK REGISTER

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(~~individual~~ team accountable for managing the risk)*	Risk Treatment and Treatment Owner
1	There is a risk that close coordination and collaboration between three levels of governments to mobilize and manage development finance does not progress at the level expected by the project to deliver the results	As a result of the slow progress in the implementation of federalism with clarity of role between three level of government to mobilize and manage development finance in line with the Constitution.	Which will impact in the delay of designing, approval and execution of the projects.	**7. STRATEGIC (7.5. Government commitment) - UNDP Risk Appetite: OPEN TO SEEKING**	Likelihood: **3 - Moderately likely** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Jan-25 To: 31-Dec-27	Portfolio Manager…	Risk Treatment 1.1: …The project will implement various advocacy and capacity building measures to strengthen collaboration between all three levels of governments Risk Treatment Owner: Portfolio Manager
2	There is a risk that the approval of policies and tools to mobilize innovative finance sources including the issuance of thematic bond might be delayed	As a result of the delay by the government to approve the policies and other necessary instruments	Which will impact in delay the implementation of the project activities for the preparatory works and capacity building initiatives planned by the project …	**7. STRATEGIC (7.5. Government commitment) - UNDP Risk Appetite: OPEN TO SEEKING**	Likelihood: **2 - Low likelihood** Impact: **4 - Extensive** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Jan-25 To: 31-Dec-25	Portfolio Manager	Risk Treatment 2.1: The project will provide necessary technical support to incentivize government to expedite the approval of the policies and other necessary tools Risk Treatment Owner: … Portfolio Manager …

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(~~individual~~ team accountable for managing the risk)*	Risk Treatment and Treatment Owner
3	There is a risk that the publication of Development Cooperation reports and other knowledge products are not produced in a timely manner and of the poor quality with incomplete data and information.	As a result of insufficient commitment and willingness of government entities and development partners to upload complete data in DFMIS in a timely manners	Which will impact in the credibility of DCRs and reports and limiting their wider use for advocacy and evidence based decision makin	**7. STRATEGIC (7.3. Stakeholder relations and partnerships) - UNDP Risk Appetite: OPEN TO SEEKING**	Likelihood: **2 - Low likelihood** Impact: **4 - Extensive** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Jan-25 : 31-Dec-27	Portfolio Manager	Risk Treatment 3.1: …The project will systematically organize trainings on the DFMIS to the focal points of government entities and development partners and also advocate with MOF for other incentive mechanism to ensure the complete and timely submission of the data. Risk Treatment Owner: Portfolio Manager
4	There is a risk that the project will not be able to mobilise the unfunded budget to deliver results	As a result of change in the priorities of development partners and unwillingness to fund this project	Which will impact in compromising the achievement of project results due to the inability to deliver many project activities due to the funding gap,	**2. FINANCIAL (2.6. Budget availability and cash flow) - UNDP Risk Appetite: MINIMAL TO CAUTIOUS**	Likelihood: **3 - Moderately likely** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Jan-25 To: 31-Dec-27	Portfolio Manager	Risk Treatment 4.1: …The project in close coordination and support of the Ministry of Finance will explore potential development partners for funding opportunities. Risk Treatment Owner: … Portfolio Manager

SOCIAL AND ENVIRONMENTAL SCREENING TEMPLATE (2022 SESP TEMPLATE, VERSION 1)

The completed template, which constitutes the Social and Environmental Screening Report, must be included as an annex to the Project Document at the design stage. Note: this template will be converted into an online tool. The online version will guide users through the process and will embed relevant guidance.

Project Information

Project Information	
1. Project Title	Effective Financing for Development Project
2. Project Number (i.e. Atlas project ID, PIMS+)	01003761
3. Location (Global/Region/Country)	Nepal
4. Project stage (Design or Implementation)	Design
5. Date	26 December 2024

Part A. Integrating Programming Principles to Strengthen Social and Environmental Sustainability

QUESTION 1: How Does the Project Integrate the Programming Principles in Order to Strengthen Social and Environmental Sustainability?
Briefly describe in the space below how the project mainstreams the human rights-based approach
The project will provide technical support to create enabling environment as well as strengthen capacity of government and other stakeholder to mobilise and manage development finance to support the achievement of SDGs, contributing to improve people's social and economic rights thereby contributing in promoting human rights based approach.
Briefly describe in the space below how the project is likely to improve gender equality and women's empowerment
The project will integrate gender equality and social inclusion in all knowledge products including Development Cooperation Reports thereby contributing to gender equality and social inclusion. The project will also ensure the analysis of ODA funded project from gender lens with a dedicated chapter in DCRs.
Briefly describe in the space below how the project mainstreams sustainability and resilience
Since the project will contribute to the achievement of SDGs, all project activities will focus on ensuring sustainability agenda. The project plans to support to mobilise additional resources through climate finance and thematic bonds such as sustainability linked bonds.
Briefly describe in the space below how the project strengthens accountability to stakeholders

The project plans to support the development of manuals and other necessary tools for the effective implementation of the new International Development Cooperation Policy (IDCP) combined with a series of trainings and other capacity building measures for the stakeholders to empower them for the accountability. Importantly, the project will produce several thematic reports based on the Development Finance Management Information System (DFMIS) database and widely disseminate to generate meaningful dialogues.

Part B. Identifying and Managing Social and Environmental Risks

QUESTION 2: What are the Potential Social and Environmental Risks? *Note: Complete SESP Attachment 1 before responding to Question 2.*	**QUESTION 3: What is the level of significance of the potential social and environmental risks?** *Note: Respond to Questions 4 and 5below before proceeding to Question 5*			**QUESTION 6: Describe the assessment and management measures for each risk rated Moderate, Substantial or High**
Risk Description (broken down by event, cause, impact)	***Impact and Likelihood (1-5)***	***Significance (Low, Moderate Substantial, High)***	***Comments (optional)***	***Description of assessment and management measures for risks rated as Moderate, Substantial or High***
Risk 1 : Government may not have sufficient capacity to implement innovative financing instruments including issuance of thematic bond	3 2	**Low**	The project may not be able to do sufficient advocacy for government to make timely decision.	The project will provide necessary technical support to empower government to make decision for the implementation of innovative financing instruments.

	QUESTION 4: What is the overall project risk categorization?		
	Low Risk	X	
	Moderate Risk	☐	
	Substantial Risk	☐	
	High Risk	☐	
	QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are triggered? (check all that apply)		

	Question only required for Moderate, Substantial and High Risk projects				
	Is assessment required? (check if "yes")	Yes			***Status? (completed, planned)***
	if yes, indicate overall type and status		☐	**Targeted assessment(s)**	
			☐	ESIA (Environmental and Social Impact Assessment)	
			☐	SESA (Strategic Environmental and Social Assessment)	
			☐	GESI Analysis/Assessment	
			X	Stakeholder mapping and consultation	To be done
			☐	Mapping of health hazards to the beneficiaries	
	Are management plans required? (check if "yes)	Yes			
	If yes, indicate overall type		☐	Targeted management plans (e.g. Gender Action Plan, Emergency Response Plan, Waste Management Plan, others)	
			☐	ESMP (Environmental and Social Management Plan which may include range of targeted plans)	
			☐	ESMF (Environmental and Social Management Framework)	
			☐	Gender Action Plan	
			☐	Stakeholder Engagement Plan	
			☐	OSH management plan	
	Based on identified risks, which Principles/Project-level Standards triggered?		**Comments (not required)**		
	Overarching Principle: Leave No One Behind				
	Human Rights	☐			
	Gender Equality and Women's Empowerment	☐			

	Accountability	☐	
	1. Biodiversity Conservation and Sustainable Natural Resource Management	☐	
	2. Climate Change and Disaster Risks	☐	
	3. Community Health, Safety and Security	☐	
	4. Cultural Heritage	☐	
	5. Displacement and Resettlement	☐	
	6. Indigenous Peoples	☐	
	7. Labour and Working Conditions	☐	
	8. Pollution Prevention and Resource Efficiency	☐	

Final Sign Off

Final Screening at the design-stage is not complete until the following signatures are included

Signature	***Date***	***Description***
QA Assessor Dharma Swarnakar; Policy Advisor		UNDP staff member responsible for the project, typically a UNDP Programme Officer. Final signature confirms they have "checked" to ensure that the SESP is adequately conducted.
QA Approver Julien Chevillard; Deputy Resident Representative		UNDP senior manager, typically the UNDP Deputy Country Director (DCD), Country Director (CD)**,** Deputy Resident Representative (DRR), or Resident Representative (RR). The QA Approver cannot also be the QA Assessor. Final signature confirms they have "cleared" the SESP prior to submittal to the PAC.
PAC Chair		UNDP chair of the PAC. In some cases PAC Chair may also be the QA Approver. Final signature confirms that the SESP was considered as part of the project appraisal and considered in recommendations of the PAC.

SESP Attachment 1. Social and Environmental Risk Screening Checklist

Checklist Potential Social and Environmental Risks	
INSTRUCTIONS: The risk screening checklist will assist in answering Questions 2-6 of the Screening Template. Answers to the checklist questions help to (1) identify potential risks, (2) determine the overall risk categorization of the project, and (3) determine required level of assessment and management measures. Refer to the SES toolkit for further guidance on addressing screening questions.	
Overarching Principle: Leave No One Behind **Human Rights**	**Answer (Yes/No)**
P.1 Have local communities or individuals raised human rights concerns regarding the project (e.g. during the stakeholder engagement process, grievance processes, public statements)?	*No*
P.2 Is there a risk that duty-bearers (e.g. government agencies) do not have the capacity to meet their obligations in the project?	***Yes***
P.3 Is there a risk that rights-holders (e.g. project-affected persons) do not have the capacity to claim their rights?	*No*
Would the project potentially involve or lead to:	*No*
P.4 adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?	*No*
P.5 inequitable or discriminatory impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups, including persons with disabilities? [6]	*No*
P.6 restrictions in availability, quality of and/or access to resources or basic services, in particular to marginalized individuals or groups, including persons with disabilities?	*No*
P.7 exacerbation of conflicts among and/or the risk of violence to project-affected communities and individuals?	*No*
Gender Equality and Women's Empowerment	
P.8 Have women's groups/leaders raised gender equality concerns regarding the project, (e.g. during the stakeholder engagement process, grievance processes, public statements)?	No
Would the project potentially involve or lead to:	
P.9 adverse impacts on gender equality and/or the situation of women and girls?	*No*
P.10 reproducing discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	*No*
P.11 limitations on women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services?	*No*

[6] Prohibited grounds of discrimination include race, ethnicity, sex, age, language, disability, sexual orientation, gender identity, religion, political or other opinion, national or social or geographical origin, property, birth or other status including as an indigenous person or as a member of a minority. References to "women and men" or similar is understood to include women and men, boys and girls, and other groups discriminated against based on their gender identities, such as transgender and transsexual people.

	For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being	
P.12	exacerbation of risks of gender-based violence? *For example, through the influx of workers to a community, changes in community and household power dynamics, increased exposure to unsafe public places and/or transport, etc*.	*No*
Sustainability and Resilience: Screening questions regarding risks associated with sustainability and resilience are encompassed by the Standard-specific questions below		
Accountability		
Would the project potentially involve or lead to:		
P.13	exclusion of any potentially affected stakeholders, in particular marginalized groups and excluded individuals (including persons with disabilities), from fully participating in decisions that may affect them?	No
P.14	grievances or objections from potentially affected stakeholders?	No
P.15	risks of retaliation or reprisals against stakeholders who express concerns or grievances, or who seek to participate in or to obtain information on the project?	No
Project-Level Standards		
Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management		
Would the project potentially involve or lead to:		
1.1	adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? *For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes*	No
1.2	activities within or adjacent to critical habitats and/or environmentally sensitive areas, including (but not limited to) legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	No
1.3	changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)	*No*
1.4	risks to endangered species (e.g. reduction, encroachment on habitat)?	*No*
1.5	exacerbation of illegal wildlife trade?	*No*
1.6	introduction of invasive alien species?	*No*
1.7	adverse impacts on soils?	*No*
1.8	harvesting of natural forests, plantation development, or reforestation?	*No*
1.9	significant agricultural production?	*No*
1.10	animal husbandry or harvesting of fish populations or other aquatic species?	*No*
1.11	significant extraction, diversion or containment of surface or ground water? *For example, construction of dams, reservoirs, river basin developments, groundwater extraction*	*No*

1.12	handling or utilization of genetically modified organisms/living modified organisms?[7]	*No*
1.13	utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)[8]	*No*
1.14	adverse transboundary or global environmental concerns?	*No*
Standard 2: Climate Change and Disaster Risks		
Would the project potentially involve or lead to:		
2.1	areas subject to hazards such as earthquakes, floods, landslides, severe winds, storm surges, tsunami or volcanic eruptions?	No
2.2	outputs and outcomes sensitive or vulnerable to potential impacts of climate change or disasters? *For example, through increased precipitation, drought, temperature, salinity, extreme events, earthquakes*	No
2.3	increases in vulnerability to climate change impacts or disaster risks now or in the future (also known as maladaptive or negative coping practices)? *For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding*	*No*
2.4	increases of greenhouse gas emissions, black carbon emissions or other drivers of climate change?	*No*
Standard 3: Community Health, Safety and Security		
Would the project potentially involve or lead to:		
3.1	construction and/or infrastructure development (e.g. roads, buildings, dams)? (Note: the GEF does not finance projects that would involve the construction or rehabilitation of large or complex dams)	No
3.2	air pollution, noise, vibration, traffic, injuries, physical hazards, poor surface water quality due to runoff, erosion, sanitation?	*No*
3.3	harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	*No*
3.4	risks of water-borne or other vector-borne diseases (e.g. temporary breeding habitats), communicable and noncommunicable diseases, nutritional disorders, mental health?	No
3.5	transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	*No*
3.6	adverse impacts on ecosystems and ecosystem services relevant to communities' health (e.g. food, surface water purification, natural buffers from flooding)?	*No*
3.7	influx of project workers to project areas?	*No*
3.8	engagement of security personnel to protect facilities and property or to support project activities?	*No*
Standard 4: Cultural Heritage		
Would the project potentially involve or lead to:		
4.1	activities adjacent to or within a Cultural Heritage site?	*No*

[7] See the Convention on Biological Diversity and its Cartagena Protocol on Biosafety.
[8] See the Convention on Biological Diversity and its Nagoya Protocol on access and benefit sharing from use of genetic resources.

4.2	significant excavations, demolitions, movement of earth, flooding or other environmental changes?	*No*
4.3	adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	*No*
4.4	alterations to landscapes and natural features with cultural significance?	*No*
4.5	utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	*No*
Standard 5: Displacement and Resettlement		
Would the project potentially involve or lead to:		
5.1	temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	*No*
5.2	economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	*No*
5.3	risk of forced evictions?[9]	*No*
5.4	impacts on or changes to land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?	*No*
Standard 6: Indigenous Peoples		
Would the project potentially involve or lead to:		
6.1	areas where indigenous peoples are present (including project area of influence)?	No
6.2	activities located on lands and territories claimed by indigenous peoples?	*No*
6.3	impacts (positive or negative) to the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)? *If the answer to screening question 6.3 is "yes", then the potential risk impacts are considered significant and the project would be categorized as either Substantial Risk or High Risk*	*No*
6.4	the absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	*No*
6.5	the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	*No*
6.6	forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources? *Consider, and where appropriate ensure, consistency with the answers under Standard 5 above*	*No*
6.7	adverse impacts on the development priorities of indigenous peoples as defined by them?	*No*

[9] Forced eviction is defined here as the permanent or temporary removal against their will of individuals, families or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection. Forced evictions constitute gross violations of a range of internationally recognized human rights.

6.8	risks to the physical and cultural survival of indigenous peoples?	*No*
6.9	impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices? *Consider, and where appropriate ensure, consistency with the answers under Standard 4 above.*	*No*
Standard 7: Labour and Working Conditions		
Would the project potentially involve or lead to: (note: applies to project and contractor workers)		
7.1	working conditions that do not meet national labour laws and international commitments?	No
7.2	working conditions that may deny freedom of association and collective bargaining?	*No*
7.3	use of child labour?	*No*
7.4	use of forced labour?	*No*
7.5	discriminatory working conditions and/or lack of equal opportunity?	*No*
7.6	occupational health and safety risks due to physical, chemical, biological and psychosocial hazards (including violence and harassment) throughout the project life-cycle?	No
Standard 8: Pollution Prevention and Resource Efficiency		
Would the project potentially involve or lead to:		
8.1	the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	*No*
8.2	the generation of waste (both hazardous and non-hazardous)?	*No*
8.3	the manufacture, trade, release, and/or use of hazardous materials and/or chemicals?	*No*
8.4	the use of chemicals or materials subject to international bans or phase-outs? *For example, DDT, PCBs and other chemicals listed in international conventions such as the Montreal Protocol, Minamata Convention, Basel Convention, Rotterdam Convention, Stockholm Convention*	*No*
8.5	the application of pesticides that may have a negative effect on the environment or human health?	*No*
8.6	significant consumption of raw materials, energy, and/or water?	*No*

country progresses towards graduation from LDC status. ***Indicative Output(s) with Gender Marker1:*** Output 1.1. Strengthened policy environment leads to acceleration of SDG implementation and sustainable LDC graduation GEN2	

Agreed by (signatures)[2]:

UNDP	**Ministry of Finance (Implementing Partner)**
Print Name: Kyoko Yokosuka	Print Name: Dhani Ran Sharma
Resident Representative	Joint Secretary, Ministry of Finance
Date: 31 / 12 / 2024	**Date:** 31 Dec. 2024

Government of Nepal
Ministry of Finance

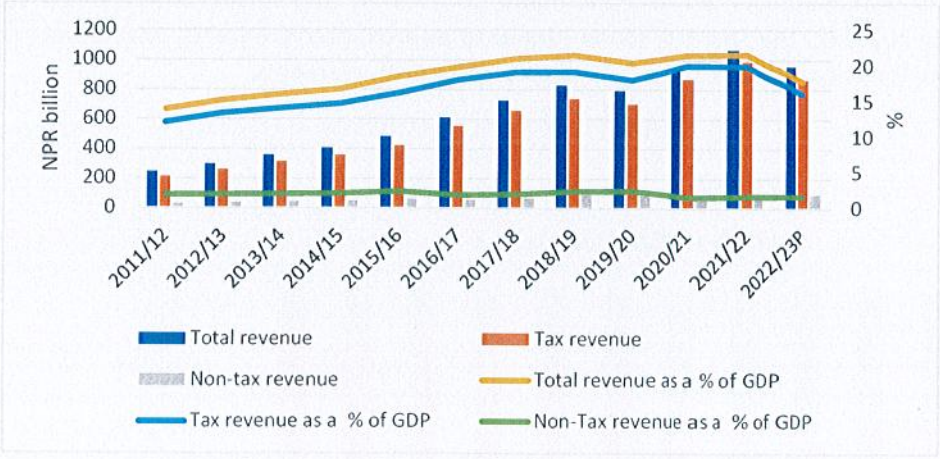
[1] The Gender Marker measures how much a project invests in gender equality and women's empowerment. Select one for each output: GEN3 (Gender equality as a principal objective); GEN2 (Gender equality as a significant objective); GEN1 (Limited contribution to gender equality); GEN0 (No contribution to gender quality)
[2] Note: Adjust signatures as needed.

I. DEVELOPMENT CHALLENGE

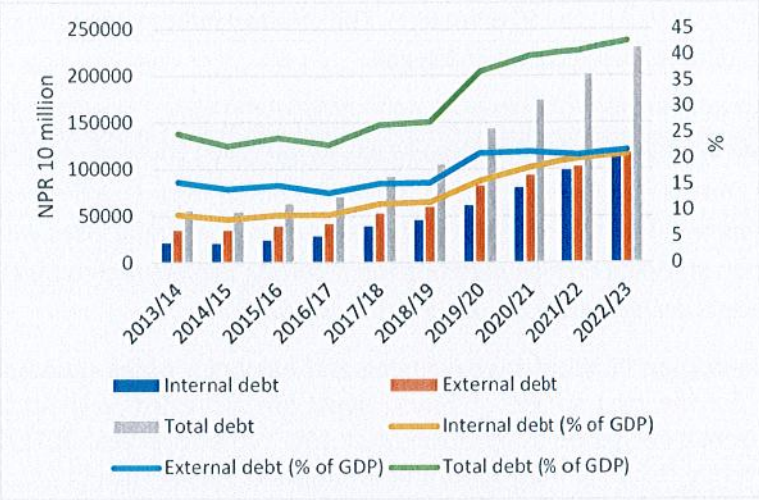
Nepal has made a strong commitment to the Sustainable Development Goals (SDGs) and has integrated them into its development plans from the outset. However, progress towards the 2030 targets is currently at approximately 40%. According to the updated SDGs Need Assessment, Costing, and Financing Strategy 2024 prepared by the National Planning Commission, Nepal requires approximately USD 23 billion per year in both public and private financing to achieve the SDGs in the remaining half of the SDG timeline. The strategy indicates that nearly one-fourth of this required amount represents a financing gap.

Nepal is set to graduate from Least Developed Country (LDC) status in 2026, which means it will no longer be eligible for the International Support Measures (ISM) currently available to it as an LDC, including trade and development finance. It is estimated that exports will decrease by 4.3%, and access to development finance in the form of grants and concessional loans will also decline, (LDC Smooth Transition Strategy) further widening the financing gap needed to meet the country's development needs, including the achievement of the SDGs.

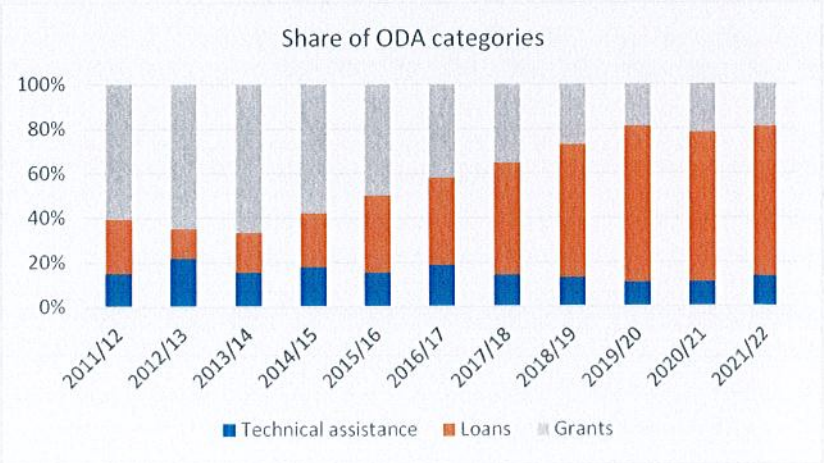
The financing landscape in Nepal is challenging and has been facing numerous bottlenecks and systemic risks. For the past couple of years, Nepal has struggled to meet its revenue targets. Government revenue decreased by approximately 10% in the fiscal year 2022/23, primarily due to reduced tax revenue resulting from government-imposed import restrictions aimed at protecting foreign currency reserves. Nepal heavily relies on tax revenue generated from international trade or customs duties. In 2022/23, import-based revenue accounted for 44.29% of total tax revenue, down from 50.51% the previous year, highlighting the impact of import restrictions on the country's overall tax revenue.



With the fiscal deficit being financed mainly through borrowing, Nepal's public debt is increasing at a high rate. The average growth rate of public debt over the last five years is 24%, with domestic debt growing at 28.5%. Total public debt has risen to 42.7% of GDP, up from 24.79% in 2013/14.

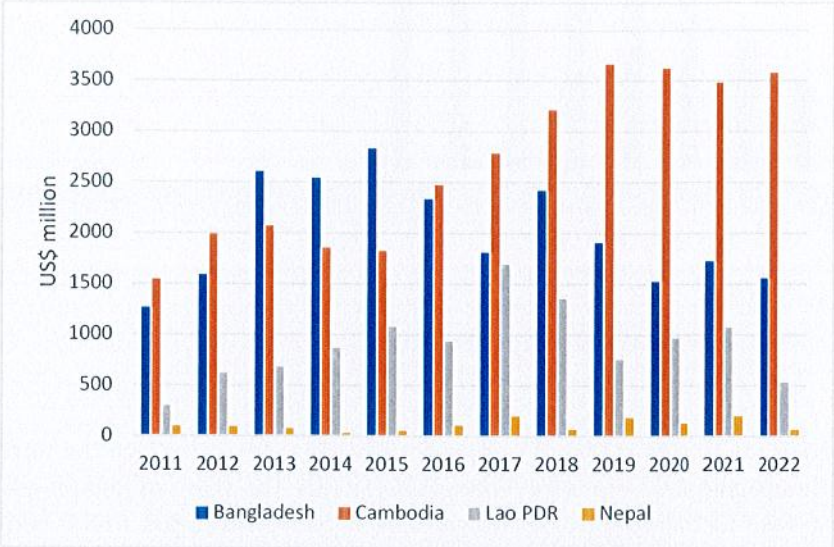


Moreover, over the past decade, an increasing proportion of Overseas Development Assistance (ODA) has come in the form of loans rather than grants. In FY 2011/12, grants accounted for 60.37% of total aid disbursements, while loans made up 24.37%, and technical assistance constituted 15.27%. By 2021/22, the share of loans surged to approximately 66.97%, with grants making up 18.94% and technical assistance 13.86% of total ODA disbursements.



Regarding private financing, Nepal's Foreign Direct Investment (FDI) inflows have historically been low compared to other LDCs. Over the period from FY 2012/13 to 2021/22, FDI as a percentage of GDP has consistently remained below one percent.

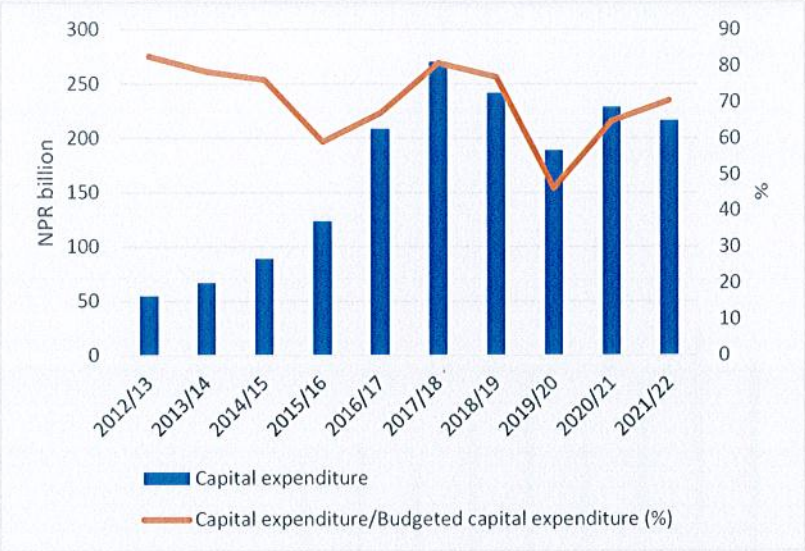
Foreign Direct Investment (FDI) in selected countries



The ODA in the form of grants and concessional loans is likely to decline in light of Nepal's graduation from LDC status. The cost of foreign debt likely to increase following the increment of per capita of income of Nepal. Therefore, Nepal needs to explore alternative sources of financing to meet its development aspirations, including blended finance, the Sustainable Development Goals and Nationally Determined Contributions (NDCs).

Equally important is increasing the absorptive capacity of all three levels of government, which will contribute to creating an enabling environment for mobilizing additional financing from both public and private sources. In recent years, the execution of capital expenditure has significantly fallen short of its targets.

Trends of Capital Expenditure



There has been a significant change in the development finance landscape since the introduction of the International Development Cooperation Policy (IDCP) 2019. The share of loans is on the rise, and ODA is likely to decline further due to Nepal's graduation from LDC status. In this context, the Ministry of Finance is revising the IDCP 2019 with the objective of exploring other innovative financing instruments. To ensure the effective implementation of the policy, the development of a comprehensive manual and necessary Standard Operating Procedures (SOPs) is critical.

Building on the existing Aid Management Information System (AMIS), the Ministry of Finance has recently launched the Development Finance Management Information System (DFMIS) to strengthen linkages with various Government of Nepal data systems and the IATI Datastore, primarily to inform evidence-based decision-making. However, this initiative requires sustainability, modification as per requirement and systematic capacity development for users, including development partners.

II. STRATEGY

Nepal has huge financing gap to mitigate its development needs. SDGs Needs Assessment Costing and Financing Strategy estimates that Nepal requires approx. USD 23 billion per year investment (between 2024 to 2030) to meet 2030 targets. Out of the total, 58% is estimated to be contributed by public finance, 35% by private finance and the rest from cooperatives and households. The report estimated approx. USD 39 billion (5.6 USD b annual funding gap), which is approx. 11% of GDP in average. Of the total financing gap, financing gap for public and private investment is 24.5% and 46% respectively. ODA is estimated to grow by 10% annually. Mobilization of the ODA specially grants and concessional loan however seems extremely challenging considering Nepal's graduation from the LDC status in 2026. The challenges is further compounded by limited institutional capacity of the government to effectively manage the development finance including low absorptive capacity and weak tracking system.

Building on UNDP's previous engagement with the Ministry of Finance on the institutional capacity building support to MOF on aid effectiveness that includes the establishment of an aid management platform for aid data tracking, streamlining MOF's policy's and procedures in line with Paris declaration on aid effectiveness, capacity building of MoF officials and connecting them with international Development Cooperation forum such as Global Partnership for Effective Development Cooperation (GPEDC), Effective Financing for Development (EFD), is designed to not only improve access to the systems and processes that govern the flow and effective utilization of development finance in Nepal but also to facilitate significantly greater access to these finance flows. EFD project envisioned a more integrated approach that strategically leverages domestic and international financing flows to achieve SDGs and recently approved 16th development plan.

EFD is also committed to maximising the potential for international cooperation to enable sustainable graduation from LDC status, guided by an INFF contextualized to Nepal's priorities. In doing so, the project seeks to broaden partnerships across various levels, sectors and stakeholders, including with private sector actors

The project's recalibration will enhance the GON capacities in development finance data governance, and facilitate access to new development finance sources to support Nepal's LDC graduation and SDG achievement. This strategic refocusing will be essential to effectively address complex and evolving development finance challenges and ensure sustainable and inclusive economic growth.

The EFD project aligns with both the strategic directives of the UNSDCF 2023-2027 and the UNDP's CPD for Nepal. The project's alignment with the UNSDCF signifies a commitment to fostering robust partnerships that are essential for mobilising and sharing knowledge, expertise, technology, and financial resources.

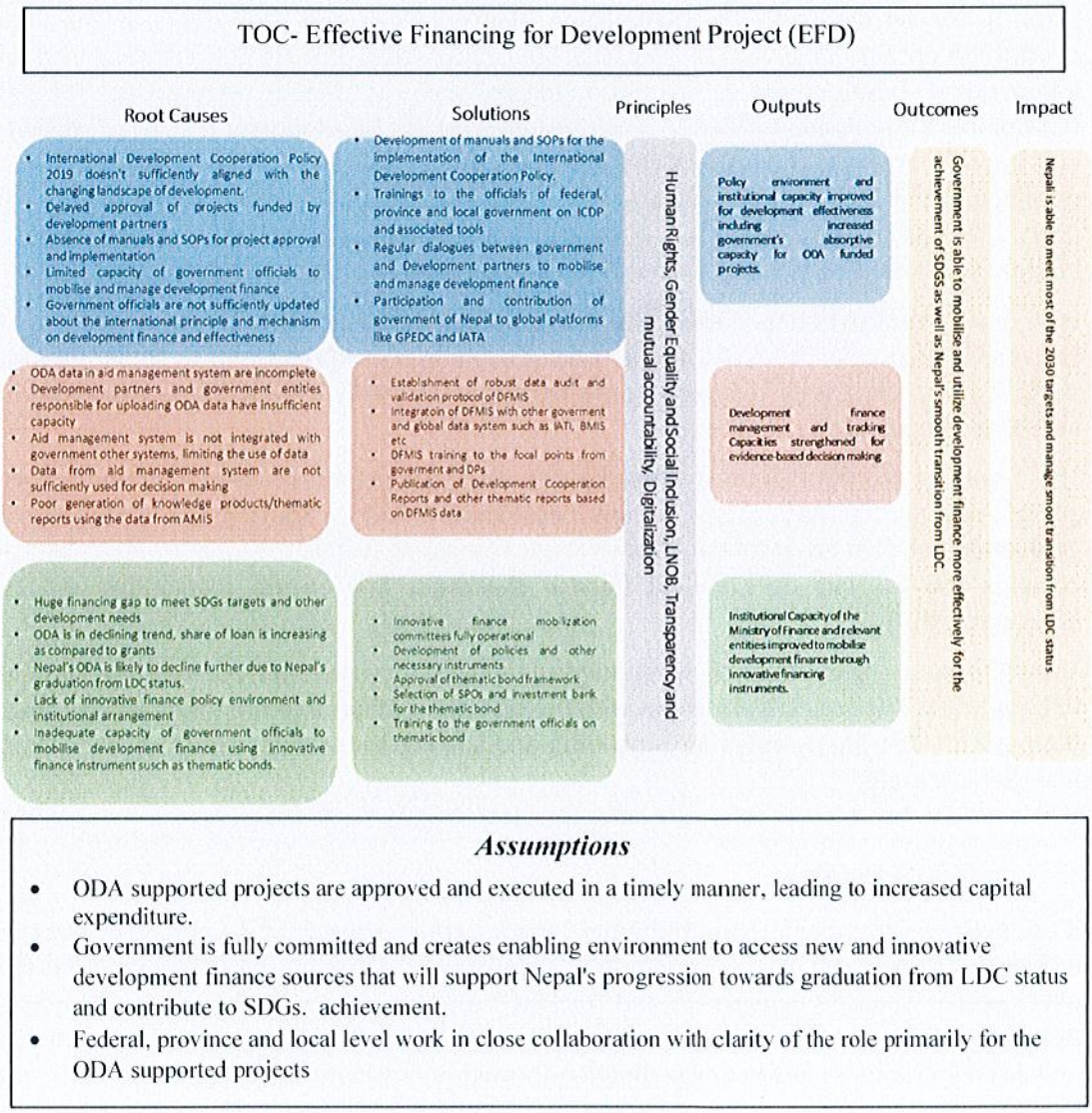
THEORY OF CHANGE

If the policy environment and institutional capacity are improved for development effectiveness, including an increase in the government's absorptive capacity for ODA-funded projects; if development finance management and tracking capacities are strengthened for evidence-based decision-making; and if the institutional capacity of the Ministry of Finance and relevant entities is enhanced to mobilize development finance through innovative financing instruments, then the

government will be able to mobilize and utilize development finance more effectively to achieve the SDGs and facilitate Nepal's smooth transition from LDC status.

The Theory of Change (TOC) envisions that unified support from development partners (DPs) will enhance resource availability across Government of Nepal (GON) departments. It also predicts that specialized training and capacity building within key divisions will significantly improve Nepal's ability to cooperate on development, thereby increasing their absorptive capacity to benefit communities that are furthest behind in accessing sustainable finance and development cooperation.

This TOC is based on the belief that development efforts aligned with national plans and the partnerships will be more effective and lead to measurable, evidence-based policy outcomes. It emphasizes the need for a coordinated strategy that incorporates national goals and leverages the collective capabilities of various partners to strengthen the impact of development initiatives.



Assumptions

- ODA supported projects are approved and executed in a timely manner, leading to increased capital expenditure.
- Government is fully committed and creates enabling environment to access new and innovative development finance sources that will support Nepal's progression towards graduation from LDC status and contribute to SDGs. achievement.
- Federal, province and local level work in close collaboration with clarity of the role primarily for the ODA supported projects

Gender Mainstreaming and Social Inclusion

EFD will integrate Gender Equality and Social Inclusion (GESI) principles across its three main outputs to ensure that women, the poor, and individuals from disadvantaged groups benefit from more innovative and resilient development finance. This approach aims to ensure that no one is left behind and, where possible, encourages active participation in decision-making processes and capacity enhancement programs.

EFD will continue to advocate for gender and social inclusion in the policy initiatives supported by the project. The project will prioritize the inclusion of women and disadvantaged groups in various training programs, equipping them with the necessary skills to participate in and lead development finance initiatives. International exposure and participation in forums will be leveraged to advocate for gender equality within the global development finance discourse. Furthermore, quality monitoring and evaluation of ongoing projects will incorporate GESI indicators to ensure that project targets are met, with a strong emphasis on gender equality and social inclusion.

To strengthen development finance management and tracking capacities, the project will incorporate gender-disaggregated data and GESI-sensitive audit protocols to enhance data quality. Training in advanced data analysis will include a GESI component, ensuring that decision-making and resource allocation are informed by an understanding of gender dynamics.

Contribution to SDG Achievement

EFD contributes primarily to SDG 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels and SDG 17 - Partnerships for Sustainable Development (Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development).

III. Results and Partnerships

Output - Government has strengthened capacity to mobilise and utilize development finance more effectively for the achievement of SDGS as well as Nepal's smooth transition from LDC

Activity Result 1 - Policy environment and institutional capacity improved for development effectiveness including increased government's absorptive capacity for ODA funded projects.

Under Activity Result 1, the focus is on creating an enabling policy environment and establishing effective coordination mechanisms among all three levels of government. Enhancing the skills and knowledge of Government of Nepal (GON) officials for the mobilization and management of

development finance will also be prioritized. The development finance landscape is rapidly evolving with the introduction of new principles, global networks, and coordination structures.

Recognizing that the utilization of ODA is as important as its mobilization, this output will also include the establishment of an ecosystem for planning, progress assessments, joint monitoring, and feedback mechanisms. This will involve regular site visits, portfolio review, workshops, seminars, and the sharing of best practices. Additionally, gender and social inclusion concerns will be integrated into the development of manuals, Standard Operating Procedures (SOPs), and other policy instruments.

Activity 1.1 – Provide support for the effective implementation of the new International Development Cooperation Policy (IDCP)

The Ministry of Finance is finalizing the new International Development Cooperation Policy (IDCP) to address current challenges and align with the evolving development finance landscape. Once the policy is finalized, the project will provide technical support to develop manuals and necessary Standard Operating Guidelines (SOPs) for its effective implementation, including SOPs related to project approval across various modalities and funding sources. Special attention will be given to ensuring that these policy documents are responsive to gender equality and social inclusion. Additionally, the project will support the dissemination of the policy to a wider audience, including all three levels of government and development partners. The project will also assist in designing and implementing a project readiness filter to ensure that approved projects can move immediately into implementation, thereby expediting spending capacity.

Activity 1.2 - Strengthen coordination between all three level of governments on development finance mobilization and utilization (coordination structure, policy support, dialogues)

In the current federal setup, all three levels of government (federal, provincial, and local) play crucial roles in planning and implementing development projects. Therefore, it is essential for these levels to work coherently to ensure timely project execution and maximize development impact. As Nepal's federalism is relatively new, necessary policy and legal frameworks, as well as coordination mechanisms, are still evolving. In this context, the project will provide technical support to strengthen coordination among all three levels of government by creating the required structures, providing policy and capacity support, and facilitating regular dialogues. Special training courses will be designed and delivered to GON officials, with an emphasis on development finance and effective coordination.

Activity 1.3 – Provide support to the Ministry of Finance for systemic dialogue between government and development partners for development effectiveness.

Official Development Assistance (ODA) continues to play a vital role in Nepal's development, particularly for capital spending that contributes to economic growth and job creation. Coordination with development partners is essential to strengthen trust, avoid duplication, and improve efficiency, ensuring the effective implementation of ODA-funded projects. This will not only enhance development outcomes but also facilitate the mobilization of additional development

finance in line with national development priorities. To achieve this, the project will support the Ministry of Finance in organizing regular dialogues between the government and development partners in a systematic manner with clear objectives. As needed, support will also be provided to organize selected thematic dialogues in priority sectors. Additionally, regular reviews and joint monitoring visits of ongoing projects and portfolio review will be conducted.

Activity 1.4 – Strengthen Nepal's participation and contribution to global discourse on development finance and effectiveness.

The development finance landscape is changing rapidly, and principles of development effectiveness, modalities, and platforms are also evolving. Nepal needs to stay abreast of these changes and actively participate to influence the discourse in alignment with national priorities. Furthermore, Nepal must fulfill its commitments made in global forums through active participation and reporting in platforms like the Global Partnership for Effective Development Cooperation (GPEDC), Finance for Development (F4D), and the International Aid Transparency Initiative (IATI) including others. For instance, based on the active participation of the GON in all four rounds of the GPEDC monitoring exercise (2014, 2016, 2019, 2024) and considering its membership in the GPEDC Steering Committee, the EFD will continue to enhance Nepal's presence in the global forums and provide technical support to Nepal in conducting upcoming iterations of the monitoring exercise and implementing follow-up actions to ensure ownership, participation, transparency, and mutual accountability. The involvement of the GON in GPEDC-related activities, such as multi-stakeholder dialogues and high-level meetings, will be strengthened.

Activity Result 2 - Development finance management and tracking Capacities strengthened for evidence-based decision making

Under this output, the focus will be on enhancing the Development Finance Management Information System (DFMIS) to improve data quality and extend its reach. This involves regular maintenance support for operationalization of the system and implementing data audit protocols, integrating the system with key government and global development finance databases, and continuously improving its user interface. The project will also emphasize developing new tools and features for effective data management and reporting, as well as providing advanced data analysis training to government officials and widely disseminating development finance reports to aid decision-making and resource allocation.

Activity 2.1 – Data integrity and stakeholder proficiency in the DFMIS through the establishment of robust data audit and validation protocols.

The project will support the further development and institutionalization of robust data audit protocols for the DFMIS. It aims to establish a framework that ensures the highest standards of data integrity, verifying that the information within the DFMIS is accurate, complete, and reliable. The protocols will be designed to be integral to the system's operation, providing ongoing assurance of data quality. Required manpower will be outsourced to make data more reliable, compatible and complete by comparing the data with development partners and other agencies. Relevant stakeholders will be trained in the application of data validation systems within the DFMIS, focusing on equipping users with the skills necessary to maintain data quality and accuracy. Training will include practical sessions on using validation tools and interpreting and acting on the results of data

audits. Activities will encompass iterative enhancements to the DFMIS interface, ensuring it meets user requirements for functionality and experience, and developing new functionalities within the system to keep pace with user needs and technological advances.

Activity 2.2 - Integration of DFMIS with critical government and global data portal such IATI, LMBIS, FMIS

Support will be provided to expand the capacity of the DFMIS to include a wider variety of development finance flows. By enhancing system integration, the DFMIS will be able to capture and manage a more comprehensive set of financial data, offering a holistic view of development finance that encompasses multiple funding streams. Moreover, the project will support the integration of the DFMIS with national and global development finance systems and databases, extending the system's capabilities in data capture and allowing it to collect and report information from international finance databases, thereby improving the breadth and depth of data available for analysis and decision-making.

Activity 2.3 - Periodic training to the focal points of government and development partners on the effective use of DFMIS

As the DFMIS has recently been launched, sustained efforts are required to disseminate its use among a wider audience. To make the DFMIS a more vibrant and effective tool, the project will provide comprehensive technical support to the focal points of GON officials and development partners to ensure timely and quality reporting of data during the report generation phase. Support will also include assistance with the technical aspects of report preparation, ensuring that officials can produce high-quality reports that accurately reflect the data.

Activity 2.4 - Production and Dissemination of knowledge products including Development Cooperation Reports to enhance the use of DFMIS for evidence-based decision making

The project will provide the necessary technical support to produce development cooperation reports and other knowledge products to strengthen the use of data generated through the DFMIS for evidence-based decision-making by both government and development partners. To achieve this, support will be provided to government officials for specialized training to improve their skills in data analytics and reporting techniques. The focus will be on equipping officials with the knowledge and tools necessary to analyze data effectively and convey findings meaningfully. Importantly, the project will produce thematic reports focusing on gender equality and social inclusion, followed by policy dialogues to inform the design and execution of ODA-funded projects from a GESI perspective.

Activity 2.5 – Financial and Economic analysis of new projects and selected non-performing ODA funded projects

In Nepal, capital expenditure has consistently been low for several years, impacting economic growth and the achievement of the SDGs. Particularly, spending on ODA-funded projects is extremely low. To support the government in expediting implementation and enhancing spending capacity, the project will provide technical support for financial and economic analysis of new

projects particularly to be funded by loan component to check projects strengths by appraising project economic viability and readiness. It also supports to assess the costs of non-performance and provide options of selected non-performing ODA funded projects to expedite implementation. This will involve setting benchmarks, tracking milestones, and using performance indicators to measure the success and impact of projects against their assumptions, objectives and outcomes.

Activity Result 3 – Institutional Capacity of the Ministry of Finance and relevant entities improved to mobilise development finance through innovative financing instruments.

Nepal has made a strong commitment to the SDGs and has integrated them into its development plans and policies. However, progress as of 2023 indicates that Nepal is lagging behind in many of the 2030 targets (Nepal VNR 2024). The SDGs Needs Assessment, Costing, and Financing Strategy conducted in 2023 estimates that Nepal requires USD 23 billion in annual investment (between 2024 and 2030) to meet its 2030 targets. Of this total, 58% is expected to come from public finance, 35% from private finance, and the remainder from cooperatives and households. The report estimates an approximate funding gap of USD 39 billion (USD 5.6 billion annually), which is about 11% of GDP on average. Within this total financing gap, the shortfall for public investment is estimated at 24.5%, while for private investment, it stands at 46%. Additionally, Nepal's vulnerability to climate change poses substantial economic risks, with potential losses projected to reach up to 2.2% of its annual GDP by 2050. As Nepal prepares to graduate from the Least Developed Country (LDC) category in 2026, the need for sustainable financing solutions has become even more pressing.

Recognizing these challenges, the Government of Nepal is increasingly exploring ways to attract new and diversified sources of capital, particularly foreign investment. The Ministry of Finance has recently established an institutional mechanism to mobilize additional financing using various alternative and innovative financing instruments such as blended finance, bonds, and climate finance, primarily targeting international private financing. A steering committee chaired by the Finance Secretary and a working committee led by the Chief of the International Economic Cooperation Coordination Division (IECCD) have been created to facilitate legal and policy reforms, develop strategies and procedures, and coordinate among all relevant stakeholders.

To advance this agenda, the Ministry of Finance has initiated the development of a thematic bonds framework and action roadmaps with technical inputs from UNDP. Thematic bonds, such as green, social, or sustainability-linked instruments, offer a unique opportunity to channel private and institutional capital toward high-priority SDG-aligned projects. These bonds can support critical infrastructure development, climate adaptation initiatives, and social welfare programs while signaling Nepal's commitment to transparency, sustainability, and international best practices. Overreliance on concessional financing in the context of LDC graduation may expose Nepal to several risks. By issuing thematic bonds, Nepal can leverage concessional financing as a de-risking mechanism to attract private investment, reduce fiscal pressure, and mobilize "new money" for sustainable development. Thematic bonds are not just a financing tool; they represent a broader strategy to position Nepal as a credible player in global sustainable finance markets. Their timely introduction will support Nepal's transition post-LDC graduation, enabling the country

to achieve its SDG targets while building a resilient and self-reliant financial ecosystem. Nepal has also competed recently its sovereign credit rating. It would help to reduce the cost of funding from global market. In light of this, for Nepal to issue thematic bonds to achieve the goals outlined above, significant groundwork is required to address institutional, regulatory, and market readiness.

Nepal exhibits gap between men and women and among various social groups in many development outcomes. Therefore, gender equality and social inclusion are reflected as priorities in several policy documents. The project will also make extra efforts to ensure that gender equality and social inclusion become priorities in the mobilization and management of additional resources through innovative financing instruments.

Activity 3.1 – Create enabling environment to attract new sources of financing through the effective functioning of the innovating finance mobilisation committees

The project will provide technical support to innovative finance mobilization committees to ensure the effective contribution of all actors involved, including the private sector. In addition to regular committee meetings, support will also be provided for studies and policy dialogues to explore innovative financing instruments such as thematic bonds, blended finance, and climate finance.

Activity 3.2 – Provide technical support to MOF and other relevant entities to finalize and approve Bond Framework and make the government ready for the thematic bond issuance.

Approval of bond framework - The project will provide support for the approval of the bond framework by facilitating conversation amongst key stakeholders, including MoF, line ministries, NPC, and regulators, to refine and secure approval for the bond framework.

Project Selection Matrix and Pipeline Analysis - Support will be provided for the identification and alignment of projects with international standards, develop an impact assessment framework for the new issuance and prepare a list of potential KPIs.

Support Second Party Opinion (SPO) Process - necessary support will be offered to MOF to identify and negotiate with Second Party Opinion (SPO) providers, finalize contracts, get approval for the thematic bond framework.

Identify Investment Bank Required support will be offered to create a selection matrix based on criteria such as expertise in thematic bond issuance, global market reach, investor networks, and pricing capabilities. Negotiate and finalize contracts.

Capacity Building for Ministries & SoEs - Workshops, consultation meeting, refresher training will be delivered for the MoF, line ministries and other stakeholders to enhance project identification process, KPI reporting, and MRV processes. Content production & delivery of training sessions for ministries and state-owned enterprises (SOEs) on aligning projects with ICMA standards to meet

thematic bond requirements. International online as well as in presence training will be provided to key officials of MoF to strengthen its capacity in project analysis and negotiation.

RESOURCES REQUIRED TO ACHIEVE THE EXPECTED RESULTS

The total budget of EFD project for three years (2025 to 2027 is USD 1,236,600. Of the total, USD 800,00 is funded by UNDP Core budget (TRAC), the remaining, 436, 600 is unfunded. UNDP together with MOF will put joint efforts to mobilise funding from development partners to meet the financing gap. The successful implementation of the EFD project hinges on allocating skilled and experienced human resources. As necessary, the project will mobilise technical experts to deliver the project activities.

Partnerships

The EFD adopts a whole-of-society approach and aims to collaborate with a variety of stakeholders for the mobilization and effective management of development finance. Key partners include Government of Nepal (GON) entities, international development partners, the private sector, academia, and civil society. The underlying assumption is that these multi-stakeholder partnerships will catalyze a more inclusive and effective development finance ecosystem. By working together, these entities are expected to contribute to improved policy frameworks, enhanced capacity building, and innovative financing solutions, all of which are vital for the project's success.

It is also important to emphasize the strategic significance of forging long-term funding partnerships with a broad range of like-minded development partners (DPs). Accordingly, EFD's operational success and sustainability will be enhanced when it is co-financed by a coalition of major DPs who are not only committed to collaboration but also receptive to GON-led coordination. By ensuring a cohesive approach with these partners, the project will position itself to deliver scalable and impactful outcomes, contributing to the broader development trajectory envisioned for the nation.

Risks and Assumptions

Given the rapidly changing global development finance landscape and Nepal's graduation from LDC status in 2026, there is a huge funding gap for the development activities. Following the international trend, Nepal has to align its policy to abreast of the time of the need. Government needs and priority might align with evolving scenario. EFD's theory of change is based on the assumption that an enabling policy environment for development effectiveness will be achieved through multi-stakeholder dialogues characterized by mutual accountability, participation, and transparency. However, this largely depends on how the development finance architecture evolves at the global level and its translation at the country level, supported by strong commitments from both the government and development partners.
Strong cooperation from government entities and development partners for complete and timely reporting has been a challenge, leading to delays in the publication of the Development Cooperation Report and the use of DFMIS data for evidence-based policymaking. Moreover, Nepal has historically relied on ODA, particularly grants and concessional financing. Therefore, it may

take time for the government to decide to explore and mobilize new sources of financing, such as alternative financing including thematic bonds. A detailed risk register is attached.

Stakeholder Engagement

In Nepal, the EFD initiative will seek to ensure that stakeholders are not just informed participants but active contributors to the project's development and implementation. Engaging with stakeholders is envisioned as a process of shared learning and decision-making, where the knowledge and insights of each group shape the project's trajectory and outcomes.

Stakeholder Group	Role and Contribution
Government and Policymakers	GON bodies, particularly the MOF and other relevant ministries, will be critical partners. Engaging with these entities is expected to lead to policy reforms conducive to innovative financing and digital transformation in development projects. This will create a supportive policy environment that aligns with the project's objectives, facilitating smoother implementation and greater impact.
Province and Local Governments	Province and Local levels will ensure project interventions are relevant to local needs and contexts. They will facilitate the implementation as well as direct communication with community members, aiding in the tailoring of project activities to local realities.
The Private Sector	The EFD project invites the private sector to partner as a key stakeholder, harnessing their investment and innovation capabilities to drive economic growth and sustainability. Their contributions and innovative potential are crucial for addressing development challenges.
Civil Society Organisations	Civil society organisations, including NGOs, act as critical voices of the community, providing feedback and input. Their advocacy ensures that the diverse needs of civil society are reflected in policy-making and planning processes.
Academic and Research Institutions	Academic and research institutions will offer analytical expertise to provide evidence-based insights, ensuring the project is supported by robust data and research findings.
Development Partners	Development partners will bring technical expertise, funding opportunities, and on-the-ground experience. Collaboration with these entities will enhance the project's capacity through shared knowledge, best practices, and additional development finance resources.

South-South and Triangular Cooperation

The EFD project will seek to identify opportunities for South-South and Triangular Cooperations (SSC/TrC), and to use these opportunities for sharing knowledge, skills, expertise, and resources. Where opportunities exist, the project will seek to support MoF leveraging SSC/TrC to foster partnerships between Nepal and other developing countries, facilitating mutual learning and sharing of best practices in innovative development finance. Likewise, the project will support

government agencies to engage in TrC via new partnerships with DPs as knowledge partners, sharing technical assistance and potentially mobilising additional resources to expand project impact.

Digital Solutions

The application of digital technology in the form of the DFMIS will form a central component of the EFD project, allowing for the monitoring of a wider range of development finance flows. The DFMIS will seek to improve access to information for GON, DPs, I/NGOs and the general public, fostering data-driven decision-making.

Knowledge Products

The EFD project will contribute to the development of flagship knowledge products such as the annual Development Cooperation Report, Development Partner Profiles, and various technical reports on development assistance and I/NGO activities. These materials will be circulated widely through webinars, workshops, and digital platforms to ensure that UNDP programs, development experts, and policymakers at all levels benefit from the valuable insights and data provided.

Sustainability and Scaling Up

EFD will be committed to embedding sustainability and national ownership in its approach by closely collaborating with key national institutions. The project will actively involve these stakeholders in the planning and execution phases to ensure that development activities are well-aligned with GON priorities. By focusing on capacity building and policy support, EFD will transfer critical skills and knowledge, enabling these entities to continue driving development progress post-project. The Ministry of Finance has created innovative Finance mobilisation committee to explore new sources of financing. The project will work closely with this committee and provide necessary support institutionalise the results achieve through the project. EFD will also lay the groundwork for policy tools, systems, and institutional capacities that will remain beyond the project's lifecycle, ensuring the long-term development impact for Nepal and the potential replication of successes.

IV. Project Management

Cost Efficiency and Effectiveness

The resource requirements have been planned to maximise value for money for both UNDP and MOF. The project is committed to ensuring that each investment in each activity delivers significant, measurable returns, aligning with the project's commitment to cost-effectiveness. GON support will be evident in the provision of workspace and other ancillary administrative requirements. In addition to the physical resources, it is expected that the GON will assign several skilled staff to work alongside the project team. This collaboration will reinforce the GON involvement while enhancing collective expertise, enabling UNDP to achieve our objectives more efficiently and effectively.

Project Management

The project falls under the assistance agreements. The Standard Basic Agreement, forming the legal foundation for the relationship between the Government of Nepal and UNDP, was signed on 23 February 1984. This is in line with the United Nations Sustainable Development Cooperation Framework (UNSDCF 2023-2027) and the Country Programme of UNDP (2023-2027). Accordingly, the project will be managed using the National Implementation (NIM) Guidelines, which were agreed upon by UNDP and the MOF, approved on 27 March 2017 and effective from 1 April 2017.

V. RESULTS FRAMEWORK[3]

Intended Outcome: By 2027, more people, especially women, youth, the most disadvantaged and poor, increasingly benefit from and contribute to inclusive, resilient, and sustainable socio-economic transformation at federal, provincial, and local levels.									
Outcome indicators as stated in the Country Programme [or Regional] Results and Resources Framework, including baseline and targets:									
Annual growth (change) rate of real GDP per capita (SDG-8.2.1), Baseline: Target:									
Applicable Output(s) from the UNDP Strategic Plan: The 2030 Agenda, Paris Agreement and other inter-governmentally agreed frameworks integrated in national and local development plans, measures to accelerate progress put in place, and budgets and progress assessed using data-driven solutions									
Project title and Quantum Project Number: Effective Financing For Development (EFD), 01003761									
EXPECTED OUTPUTS	**OUTPUT INDICATORS[1]**	**DATA SOURCE**	**BASELINE**		**TARGETS (by frequency of data collection)**				**DATA COLLECTION METHODS & RISKS**
			Value	**Year**	**Year 1**	**Year 2**	**Year 3**	**FINAL**	
Output: Government has strengthened capacity to mobilize and utilize development finance more effectively for the achievement of SDGS as well as Nepal's smooth transition from LDC, Gender Marker: 2									
Activity Result 1 - Policy environment and institutional capacity improved for development effectiveness and increased government's absorptive capacity for ODA funded projects.	New DCP will in place	MOF official record			1			1	Document verification
	Number of joint dialogues between major stakeholders including development Partners	MOF official record	2	2024	3	3	3	9	Document verification
	Project readiness filter and other tools necessary to expedite implementation are in place	MOF official record	0	2024	1	1		2	Document verification

[3] UNDP publishes its project information (indicators, baselines, targets and results) to meet the IATI standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.

	Number of government officials of federal, province and local levels get knowledge on relevant documents of aid mobilization including DCP, manuals and other necessary tools	Project database	0	2024	100	60	60	220	Data verification
	Number of government officials actively participate and contributing to global forums including GPEDC, F4D, IATI	Project database	0	2024	5	5	5	15	Data verification
	Number of monitoring visits of MoF to DPs funded projects including joint monitoring with major stakeholders	Project database		2024	5	5	5	15	Data verification
	Number of GESI responsive manuals and SOPs of the International Development Cooperation Policy are in place	MOF official record	0	2024	2			2	Data verification
Activity Result 2 - Development finance management and tracking Capacities strengthened for evidence-based decision making	Number of focal points from government development partners and INGO oriented on DFMIS	Project database	0	2024	50	50	50	150	Data verification
	# of Development Cooperation Reports and other knowledge products published and disseminated	Project database	0	2024	2	2	2	6	Document verification
	Economic and financial analysis of projects to be selected for foreign support	*Project database*	0	2024	*5*	5	5	15	Document verification
	Tracking tool is in place for approval and spending of ODA funded projects	*MOF official record*	0	2024	*1*			1	Document verification
	Number of thematic dialogues based on the findings from DCR and other thematic reports	*Project database*	*0*	*2024*	*1*	*1*	*1*	3	Data verification
	Development cooperation reports include dedicated chapter on GESI Analysis followed by at least one thematic dialogue	*MOF official record*	*0*	*2024*	*1*	*1*	*1*		Document verification

Activity Result 3 - Institutional Capacity of the Ministry of Finance and relevant entities improved to mobilise development finance through innovative financing instruments.	# of meetings of the Innovative finance committees	*MOF official record*	*0*	*2024*	*2*	*2*	*2*	6	Data verification
	Number of new financing instruments explored and make it ready for mobilization (blended finance, climate finance)	*MOF official record*	*0*	*2024*	1	*1*	*1*		Document verification
	Thematic bond framework for sovereign bond is approved.	*MOF official record*	0	2024	*1*			1	Document verification
	Project selection criteria, impact assessment framework and KPIs for sovereign thematic bond are finalized	*MOF official record*	0	2024	*1*			1	Document verification
	Selection of second party Opinion (SPO) provide investment bank for the bond issuance	*MOF official record*	0	2024	*1*			1	Document verification
	Number of government officials training on the alternate financing including thematic bond framework	*Project database*	0	2024	*50*	50	50	150	Data verification

VI. Monitoring And Evaluation

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans: [Note: monitoring and evaluation plans should be adapted to project context, as needed]

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track Results Progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.		
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.		
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.		
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by		

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
			the Project Board and used to make course corrections.		
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)			
Project Review (Project Board)	The project's governance mechanism (i.e., Project Board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialise project results and lessons learned with relevant audiences.	Specify frequency (i.e., at least annually)	Any quality concerns or slower than expected progress should be discussed by the Project Board and management actions agreed to address the issues identified.		

EVALUATION PLAN[4]

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNSDCF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Final Evaluation	MOF	Output 1.1. The 2030 Agenda, Paris Agreement and other intergovernmentally-agreed frameworks integrated in national and local development plans, measures to accelerate progress put in place, and budgets and progress assessed using data-driven solutions	By 2027, Nepal achieves enhanced economic performance through diversified sources of finance, improved productivity, and increased resilience, enabling inclusive growth and sustainable development as the country progresses towards graduation from LDC status.	December 2027	MOF, UNDP, DPs and other relevant partners	USD 30,000

[4] Optional, if needed

VII. Multi-Year Work Plan[5][6]

All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication, human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. All services which are directly related to the project need to be disclosed transparently in the project document.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year			RESPONSIBLE PARTY	PLANNED BUDGET		
		2025	2026	2027		Funding Source	Budget Description	Amount
Output : Government has strengthened capacity to mobilise and utilize development finance more effectively for the achievement of SDGS as well as Nepal's smooth transition from LDC, Gender Marker: 2								
Activity 1 - Policy environment and institutional capacity improved for development effectiveness including increased government's absorptive capacity for ODA funded projects.	1.1 Activity – Provide technical support for the effective implementation of the new International Development Cooperation Policy (IDCP)	25,000	10,000	10,000	MOF	TRAC	Consultant, Workshop	45,000
	1.2 Activity - Strengthen coordination between all three level of governments on development finance mobilization and utilization (coordination structure, policy support, dialogues)	35,000	35,000	35,000	MOF	TRAC	Consultant, Workshop	105,000
	1.3 Activity - Provide support to the Ministry of Finance for systemic dialogue between government and development partners for development effectiveness.	30,000	30,000	30,000	MOF	TRAC	Consultant, Workshop	90,000
	1.4 Activity - Strengthen Nepal's participation and contribution to global discourse on development finance and effectiveness.	12,000	12,000	12,000	UNDP	TRAC	Travel	36,000
	1.5 International technical expertise (as per the need)	100,000	120,000	120,000	UNDP	TRAC	Institutional Contract	340,000
	Sub total (A)	**202,000**	**207,000**	**207,000**	-	-	-	**616,000**

[5] Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

[6] Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the Project Board. In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years.

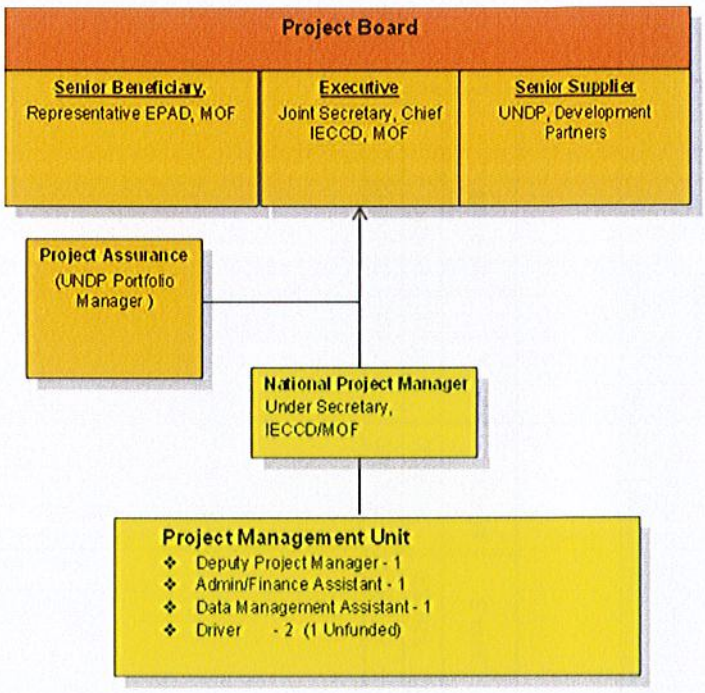
Activity 2: Development finance management and tracking Capacities strengthened for evidence-based decision making	2.1 Maintenance support for DFMIS.	5,000	5,000	5,000	MOF	TRAC	Institutional Contract	15,000
	2.2 Activity - Data integrity and stakeholder proficiency in the DFMIS through the establishment of robust data audit and validation protocols.	4,000	4,000	4,000	MOF	TRAC	Institutional Contract	12,000
	2.3 Activity - Integration of DFMIS with critical government and global data portal such IATI, LMBIS	4,000	2,000	2,000	MOF	TRAC	Institutional Contract	8,000
	2.4 Activity - Periodic training to the focal points of government and development partners on the effective use of DFMIS	2,000	2,000	2,000	MOF	TRAC	Workshop	6,000
	2.5 Activity - Production and Dissemination of knowledge products including Development Cooperation Reports to enhance the use of DFMIS for evidence-based decision making	20,000	20,000	20,000	MOF	TRAC	Workshop, consultant	60,000
	2.6 Activity - Financial and Economic Assessment of projects to be selected and non-performing ODA funded projects	35,000	35,000	35,000	MOF	TRAC	Institutional Contract, consultant	105,000
	Sub-Total (B)	**70,000**	**68,000**	**68,000**	-	-	-	**206,000**
Activity 3 - Institutional Capacity of the Ministry of Finance and relevant entities improved to mobilise development finance through innovative financing instruments.	3.1 Activity - Create enabling environment to attract new sources of financing through the effective functioning of the innovating finance mobilisation committees	15,000	15,000	15,000	MOF	TRAC	Consultant, Workshop	45,000
	3.2 Activity - Provide technical support to MOF and other relevant entities to finalize and approve Bond Framework and make the government ready for the thematic bond issuance	55,000	15,000	15,000	UNDP	TRAC	Institutional contract	85,000
	sub-Total (C)	**70,000**	**30,000**	**30,000**	-	-	-	**130,000**
Project Management Cost	Staff cost (Deputy Project Manager, AFA, Data Management Assistant, Driver)	60,000	60,000	60,000	MOF	TRAC	staff	180,000
	Other operation cost	17,000	17,000	17,000	MOF	TRAC	operation cost	51,000

	Delivering Enabling Service (DES)	21,600	17,900	18,900	MOF	TRAC	DES	58,400
	Sub-Total (D)	**98,600**	**94,900**	**95,900**				**289,400**
Evaluation *(as relevant)*	**EVALUATION (E)**			**30,000**	**UNDP**	**TRAC**	**institutional contract**	**30,000**
TOTAL (A+B+C+D+E)		**440,600**	**399,900**	**430,900**				**1,271,400**

Donor	**Fund code**	**Year 1-2025**	**Year 2-2026**	**Year 3-2027**	**Total**	**Remarks**
UNDP	UNDP Core (TRAC)	300,000	250,000	250,000	800,000	Funded
To be identified		140,600	149,900	180,900	471,400	Unfunded
	Total	**440,600**	**399,900**	**430,900**	**1,271,400**	

VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The project will be implemented using the National Implementation Modality (NIM), with the MOF serving as the primary Implementing Partner. The Joint Secretary/Chief of IECCD/MOF will fulfil the role of National Project Director (NPD). The MOF will appoint an Under Secretary as the National Project Manager (NPM) to assist the NPD with the project's daily operations. Below diagram shows the Governance Structure of the Project.



Project Board - As per POPP, the Project Board will be the governing entity for the project which approves the annual work plan and budget, reviews project's progress towards the annual and final targets, provides guidance to the implementation team, supports in coordination across various government entities, and approves any changes to be made to the project document and budgets if needed. In line with the National Implementation Modality (NIM), the PB will be chaired by the Joint Secretary and Chief of IECCD/MOF and will be comprised of MOF/IECCD, Budget Division or Economic Policy Analysis Division the. Future DPs providing funding will be included on the Project Board.

Specific responsibilities of the Project Board include:

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- Address project issues as raised by the project manager;
- Provide guidance on new project risks, and agree on possible countermeasures and management actions to address specific risks;
- Agree on project manager's tolerances as required;

- Review the project progress, and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans;
- Appraise the annual project implementation report, including the quality assessment rating report; make recommendations for the workplan;
- Provide ad hoc direction and advice for exceptional situations when the project manager's tolerances are exceeded; and
- Assess and decide to proceed on project changes through appropriate revisions.

Senior Supplier - The Senior Supplier is an individual or a group representing the interests of parties providing funding and/or technical expertise to the project, which includes designing, developing, facilitating, procuring, and implementing. The Senior Supplier's primary function within the Board is to offer guidance on the technical feasibility of the project. It is essential for the role to have the authority to commit to or acquire the necessary supplier resources. If necessary, this role may be filled by more than one person. UNDP DRR will play the role of senior supplier.

Specific Responsibilities:

- Ensure that progress towards the outputs aligns with the supplier's perspective.
- Maintain focus on the anticipated project output(s) from the standpoint of supplier management.
- Guarantee the availability of required supplier resources for the project.
- Offer supplier insights on Project Board decisions regarding the implementation of proposed changes.
- Mediate and resolve any conflicts related to supplier priorities or resources.
- Arbitrate on, and ensure resolution of, any supplier priority or resource conflicts.

Senior Beneficiary - The Senior Beneficiary is an individual or group representing the interests of those who stand to benefit from the project. The primary function of the Senior Beneficiary within the Board is to ensure project results are realised from the beneficiaries' perspective. This role is held by a representative from the MOF, other than National Project Director.

The Senior Beneficiary is tasked with validating the needs and monitoring that the project's solutions meet these needs within its constraints. The role involves overseeing progress against targets and quality criteria.

Specific Responsibilities:

- Provide input on beneficiaries' views when the Project Board deliberates on implementing proposed changes.
- Ensure the beneficiaries' needs are clearly, accurately, and unambiguously defined.
- Oversee the implementation of activities at all stages to confirm alignment with beneficiaries' needs and progress towards targets.
- Assess the impact of potential changes from the beneficiaries' perspective.
- Regularly monitor risks that could affect the beneficiaries.

Project Assurance - UNDP provides a three-tiered system of supervision, oversight, and quality assurance funded by the agency fee. This involves UNDP staff in Country Offices, regional, and headquarters levels. Project Assurance must remain fully independent from the Project Management function, carrying out objective oversight and monitoring. The UNDP Portfolio Manager, working within the UNDP Country Office, will undertake this role, ensuring project management milestones are met. Teams at the regional and headquarters levels will support quality assurance functions to fulfil corporate requirements in terms of results and financial management.

National Project Manager (NPM): The Project Manager has the authority to run the project on a day-to-day basis on behalf of the Project Board within the guidance given by the Board. The Project Manager's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost.

Specific Responsibilities:

- Provide direction and guidance to project team(s)/ responsible party (ies);
- Liaise with the Project Board to assure the overall direction and integrity of the project;
- Identify and obtain any support and advice required for the management, planning and control of the project;
- Responsible for project administration;
- Plan the activities of the project and monitor progress against the project results framework and the approved annual workplan;
- Mobilize personnel, goods and services, training and micro-capital grants to initiative activities, including drafting terms of reference and work specifications, and overseeing all contractors' work;
- Monitor events as determined in the project monitoring schedule plan/timetable, and update the plan as required;
- Manage requests for the provision of financial resources by UNDP, through advance of funds, direct payments or reimbursement using the fund authorization and certificate of expenditures;
- Monitor financial resources and accounting to ensure the accuracy and reliability of financial reports;
- Be responsible for preparing and submitting financial reports to UNDP on a quarterly basis;
- Manage and monitor the project risks initially identified and submit new risks to the project board for consideration and decision on possible actions if required; update the status of these risks by maintaining the project risks log;
- Capture lessons learned during project implementation;
- Prepare the annual workplan for the following year; and update the Atlas Project Management module if external access is made available.

- Prepare the Annual Project Report and submit the final report to the Project Board;
- Based on the Annual Project Report and the Project Board review, prepare the AWP for the following year.
- Ensure the interim evaluation process is undertaken as per the UNDP guidance, and submit the interim evaluation report to the Project Board.
- Identify follow-on actions and submit them for consideration to the Project Board;
- Ensure the final evaluation process is undertaken as per the UNDP guidance, and submit the final evaluation report to the Project Board.

As NPM is not assigned to the paid staffs of the project, he/she could not devote full time to the project, He / she can transfer some responsibilities to other staff as needed

PROJECT IMPLEMENTATION UNIT

A Project Implementation Unit (PIU) will be established to support the NPD in daily project execution. In addition to the National Project Manager, a team of five staff will be recruited who will support NPD ad NPM to deliver the project results. The structure of PIU is reflected in the above diagram.

IX. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Nepal and UNDP, signed on 1984. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by Ministry of Finance ("Implementing Partner") in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

X. RISK MANAGEMENT

GOVERNMENT ENTITY (NIM)

1. Consistent with the Article III of the SBAA [or the Supplemental Provisions to the Project Document], the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:

a) put in place an appropriate security plan and maintain the security plan, considering the security situation in the country where the project is being carried;

b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.

2. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.

3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism, that the recipients of any amounts provided by UNDP hereunder do not appear on the United Nations Security Council Consolidated Sanctions List, and that no UNDP funds received pursuant to the Project Document are used for money laundering activities. The United Nations Security Council Consolidated Sanctions List can be accessed via https://www.un.org/securitycouncil/content/un-sc-consolidated-list

4. UNDP and Implementing Partner acknowledges and agrees that sexual harassment and sexual exploitation and abuse of anyone will not tolerate, and each of its responsible parties, their respective sub-recipients and other entities involved in Project implementation, either as contractors or subcontractors and their personnel, and any individuals performing services for them under the Project Document.

(a) In the implementation of the activities under this Project Document, the Implementing Partner, and each of its sub-parties referred to above, shall comply with the standards of conduct set forth in the Secretary General's Bulletin ST/SGB/2003/13 of 9 October 2003, concerning "Special measures for protection from sexual exploitation and sexual abuse" ("SEA").

(b) Moreover, and without limitation to the application of other regulations, rules, policies and procedures bearing upon the performance of the activities under this Project Document, in the implementation of activities, the Implementing Partner, and each of its sub-parties referred to

above, shall not engage in any form of sexual harassment ("SH"). SH is defined as any unwelcome conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment, or creates an intimidating, hostile or offensive work environment. SH may occur in the workplace or in connection with work. While typically involving a pattern of conduct, SH may take the form of a single incident. In assessing the reasonableness of expectations or perceptions, the perspective of the person who is the target of the conduct shall be considered.

5. a) In the performance of the activities under this Project Document, the Implementing Partner shall (with respect to its own activities) and shall require from its sub-parties referred to in paragraph 4 (with respect to their activities) that they, have minimum standards and procedures in place, or a plan to develop and/or improve such standards and procedures in order to be able to take effective preventive and investigative action. These should include policies on sexual harassment and sexual exploitation and abuse; policies on whistleblowing/protection against retaliation; and complaints, disciplinary and investigative mechanisms. In line with this, the Implementing Partner will and will require that such sub-parties will take all appropriate measures to:

i. Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA.
ii. Offer employees and associated personnel training on prevention and response to SH and SEA, where the Implementing Partner and its sub-parties referred to in paragraph 4 have not put in place its own training regarding the prevention of SH and SEA, the Implementing Partner and its sub-parties may use the training material available at UNDP.
iii. Report and monitor allegations of SH and SEA of which the Implementing Partner and its sub-parties referred to in paragraph 4 have been informed or have otherwise become aware, and status thereof.
iv. Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and
v. Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. The Implementing Partner shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties referred to in paragraph 4 with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardise the conduct of the investigation, including but not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws applicable to it. Following the investigation, the Implementing Partner shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.

b) The Implementing Partner shall establish that it has complied with the foregoing, to the satisfaction of UNDP, when requested by UNDP or any party acting on its behalf to provide such confirmation. Failure of the Implementing Partner, and each of its sub-parties referred to in paragraph 4, to comply of the foregoing, as determined by UNDP, shall be considered grounds for suspension or termination of the Project.

6. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (http://www.undp.org/ses) and related Accountability Mechanism (http://www.undp.org/secu-srm).

7. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.

8. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

9. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, responsible parties, subcontractors and sub-recipients in implementing the project or using UNDP funds.

10. In the implementation of the activities under this Project Document, UNDP places reasonable reliance upon the Implementing Partner for it to apply its laws, regulations and processes, and applicable international laws regarding anti money laundering and countering the financing of terrorism, to ensure consistency with the principles of then in force the UNDP Anti-Money Laundering and Countering the Financing of Terrorism Policy.

11. The Implementing Partner will ensure that its financial management, anti-corruption, anti-fraud and anti-money laundering and countering the financing of terrorism policies are in place and enforced for all funding received from or through UNDP.

12. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. The Implementing Partner agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.

13. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP projects and programmes in accordance with UNDP's regulations, rules, policies and procedures. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.

14. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, credible allegation of fraud or corruption or other financial irregularities with due confidentiality.

Where the Implementing Partner becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform

the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

15. UNDP shall be entitled to a refund from the Implementing Partner of any funds provided that have been used inappropriately, including through fraud, corruption or other financial irregularity, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Such amount may be deducted by UNDP from any payment due to the Implementing Partner under this or any other agreement.

Where such funds have not been refunded to UNDP, the Implementing Partner agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud, corruption or other financial irregularity, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors, and sub-recipients.

16. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.

17. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.

18. The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, mutatis mutandis, in all sub-contracts or sub-agreements entered into further to this Project Document.

1. **Capacity Assessment:** Results of capacity assessments of Implementing Partner (including Partner Capacity Assessment Tool (PCAT) and HACT Micro Assessment)

2. **Project Board Terms of Reference and TORs of key management positions.** The standard Project Board TOR can be found here.

EFD Project Board

UNDP Standard Terms of Reference (ToR)

I. Background

All UNDP projects must be governed by a multi-stakeholder Board or committee established to review performance based on established monitoring and evaluation metrics and high-level implementation issues to ensure quality delivery of results. For the purpose of this ToR and to ensure standardisation, henceforth, as regards project documentation, such a body shall only be referred to by one of two names: 'Project Board' or 'Project Steering Committee.'[7] The Project Board is the most senior, dedicated oversight body for a UNDP 'Development Project', which is defined in the PPM as an instrument where UNDP "Delivers outputs where UNDP has accountability for design, oversight and quality assurance of the entire project."

II. Duties and Responsibilities

The two prominent (mandatory) roles of the Project Board are as follows:

1) High-level oversight of the project (as explained in the "Provide Oversight" section of the PPM). This is the primary function of the Project Board. The Project Board reviews evidence of project performance based on monitoring, evaluation, and reporting, including progress reports, monitoring missions' reports, evaluations, risk logs, quality assessments, and the combined delivery report. The Project Board is the main body responsible for taking corrective actions as needed to ensure the project achieves the desired results. And its function includes oversight of annual (and as-needed) assessments of any major risks to the programme or project, and related decisions/agreements on any management actions or remedial measures to address them effectively.

   The Project Board also carries the role of quality assurance of the project taking decisions informed by, among other inputs, the project quality assessment. In this role the Board is supported by the quality assurer, whose function is to assess the quality of the project against the corporate standard criteria. This function is performed by a UNDP programme or monitoring and evaluation officer to maintain independence from the project manager regardless of the project's implementation modality.

   The Project Board reviews updates to the project risk log.

2) **Approval of key project execution decisions** (as explained in the "Manage Change" section of the PPM). The Project Board has an equally important, secondary role in approving certain adjustments above provided tolerance levels, including substantive programmatic revisions (major/minor amendments), budget revisions, requests for suspension or extension and other major changes (subject to additional funding partner/donor requirements).

The Project Board is responsible for making management decisions by consensus when required, including the approval of project plans and revisions, and the project manager's tolerances. The Project Board approves annual work plans and reviews updates to the project risk log.

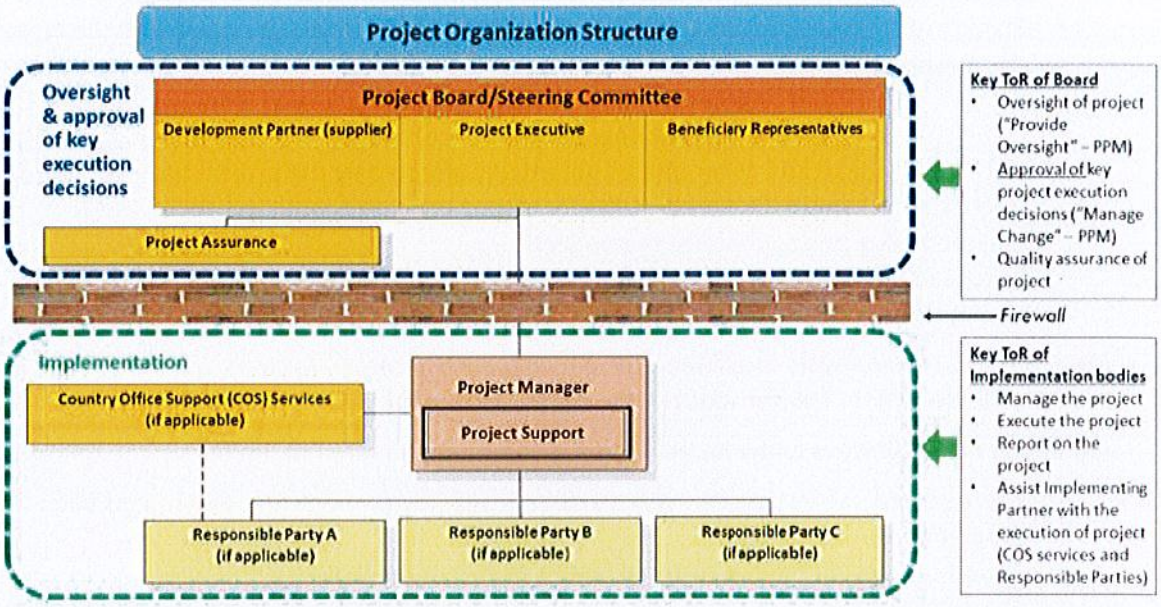
Within the overall governance and management arrangements of the project, the role of the Project Board as regards these two key functions *('High-level oversight of the project' and 'Approval of key*

[7] Please insert the appropriate entity name in the relevant sections in the document. Where this ToR refers to "Board" it is intended to apply to both these entities and should be changed accordingly to match the entity chosen for the specific project

project execution decisions') is distinct from the roles of entities involved in the implementation of the project, namely the Implementing Partner (IP), responsibilities parties (if applicable), service providers and project staff.

The diagram below outlines the main entities involved (and their respective responsibilities) in the 'oversight/approval of key execution decisions' layer and the 'implementation' layer of the project structure.

DIAGRAM 1 – STANDARD FIGURE OF PROJECT ORGANISATION STRUCTURE VIS-À-VIS OVERSIGHT & APPROVAL AND IMPLEMENTATION ROLES



In order to ensure UNDP's ultimate accountability, the Project Board decisions should be made in accordance with the Quality Standards for Programming that shall ensure management for development results, best value money, fairness, integrity, transparency and effective national and international competition. An effective Project Board needs credible data, evidence, quality assurance and reporting to support decision-making (see next section on supporting functions to the Board). The Project Board also needs to be accountable to protect against conflicts of interest and fraud.

Specific responsibilities of the Project Board include the following:

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints, and promote gender equality and social inclusion (GESI) in the project implementation.
- Review project performance based on monitoring, evaluation, and reporting, including standard quality assurance checks, progress reports, risk logs, spot checks/audit reports and the combined delivery report.
- Address any high-level project issues as raised by the project manager and project assurance.
- Provide guidance on emerging and/or pressing project risks and agree on possible mitigation and management actions to address specific risks (including ensuring

compliance with UNDP's Social and Environmental Standards, Fraud/corruption, Sexual Exploitation and Abuse and Sexual Harassment).

- Agree or decide on project manager's tolerances as required, within the parameters set by UNDP (Manage Change in the PPM) and the donor, and provide direction and decisions for exceptional situations when the project manager's tolerances are exceeded;
- Advise on major and minor amendments to the project within the parameters set by UNDP and the donor.
- Agree or decide on a project suspension or cancellation, if required; (note that for GEF and GCF projects it is UNDP that decides to suspend or cancel and project and the Project Board is informed/consulted only).
- Provide high-level direction and recommendations to the PMU to ensure that the agreed deliverables are produced satisfactorily according to plans.
- Receive and address project level grievance, including overseeing whatever specific compliance and stakeholder response (or grievance) mechanisms have been put in place so that individuals and communities potentially affected by the project have access to effective mechanisms and procedures for raising concerns about the social and environmental performance of the project[8].
- Engage in the low value grant selection process where there is no Grant Selection Committee, as guided by the Low Value Grants – UNDP Operational Guide.

Note: Specific requirements may apply for donor-funded projects, such as GEF- or GCF-financed projects. Please refer to the provisions in the project document.

Additional responsibilities of the Project Board can include, but are not limited to, the following

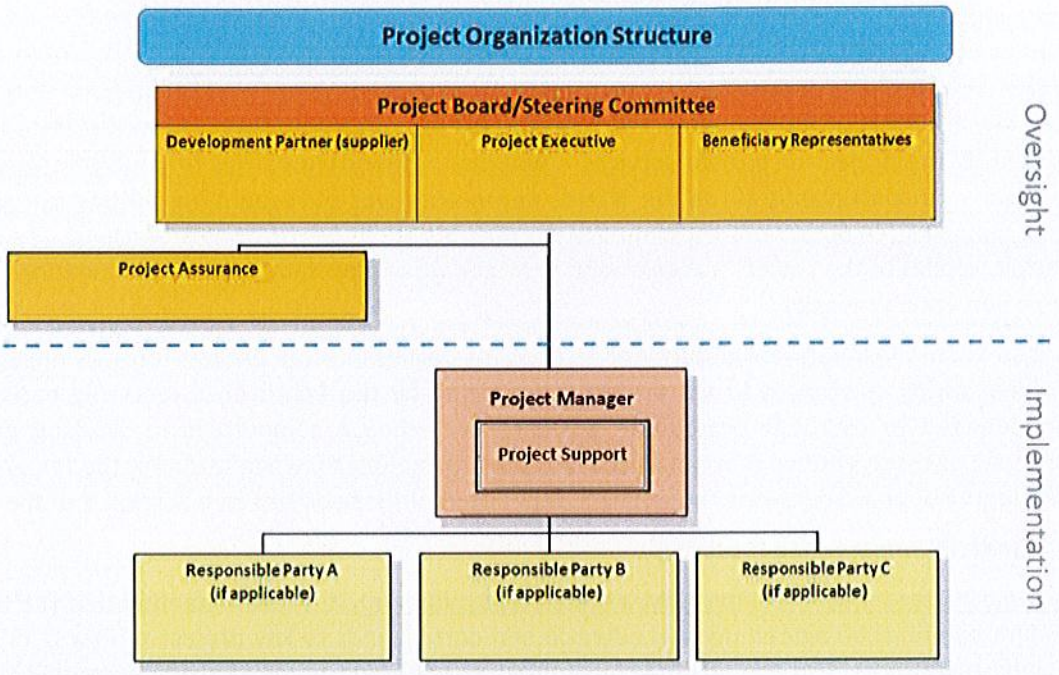
- Ensure coordination between various donors and government-funded projects and programmes.
- Report to relevant inter-ministerial bodies or higher-level oversight bodies.
- Ensure coordination with multiple government agencies and their participation in project activities.
- Track and monitor co-financing for this project.
- Appraise the annual project implementation report, including the quality assessment rating report.
- Ensure commitment of human resources to support project implementation, arbitrating any issues within the project.
- Act as an informal consultation mechanism for stakeholders.
- Approve the Project Inception Report, Mid-term Review and Terminal Evaluation reports and corresponding management responses.
- Review the final project report package during an end-of-project review meeting to discuss lessons learned and opportunities for scaling up.
- Providing guidance or reporting protocols to technical committees or sub-bodies reporting to the Board (if applicable).

III. Composition of the Project Board

[8] The responsibilities of the Board in this regard should follow UNDP's Social and Environmental Standards (SES) as codified in the PPM. It should be noted that while a Project Board can play a role in addressing or assisting with the compliance and stakeholder response (or grievance) mechanisms put in in place for a given project (as part of their quality assurance and oversight function), this will be in addition to and does not substitute for UNDP's core responsibility to ensure compliance with the SES throughout the project management cycle as part of UNDP's Programming Quality Assurance system.

As noted in the diagram below, every Project Board in a UNDP project has three categories of formal members (e.g. voting members). The role of every formal Project Board member must correspond to one of these three roles and be identified accordingly in the project documentation.

DIAGRAM 2 – STANDARD FIGURE FOR A PROJECT ORGANISATION STRUCTURE



The three categories of Project Board members are the following:

3. **Project Director/Executive(s):** This is an individual(s) who represents ownership of the project and chairs (or co-chairs) the Project Board. The executive usually is the most senior national counterpart for nationally implemented projects (typically from the same entity as the Implementing Partner), and it must be UNDP for projects that are direct implementation (DIM). In exceptional cases, two individuals from different entities can co-share this role and/or co-chair the Project Board. If the project executive co-chairs the Project Board with a representative of another category, it typically does so with a development partner representative. The Project Executive is: Joint Secretary/Chief of IECCD/MOF

4. **Beneficiary Representative(s):** This is an individual(s) representing the interests of those groups of stakeholders who will ultimately benefit from the project. Their primary function within the Board is to ensure the realisation of project results from the perspective of project beneficiaries. Often representatives from civil society, industry associations, community groups or other government entities benefiting from the project can fulfil this role. If the project has a specific geographic focus, often representatives from GON entities in the targeted area/region will play this role. There can be multiple beneficiary representatives in a Project Board. The Beneficiary Representative(s) is: MOF.

5. **Development Partner(s):** Individuals representing the interests of the parties concerned that provide funding, strategic guidance and/or technical expertise to the project[9]. There can be

[9] With the exception of responsible parties or any firms/entities engaged by the project to provide technical expertise with project funds

multiple DPs representatives in a Project Board. The Development Partner(s) representative(s) is: Deputy Resident Representative, UNDP and donor(s).

6. A **UNDP representative must always be represented in the Project Board** in either the project executive or development partner role.

Where applicable, representatives from responsible parties to the project cannot sit on the Project Board as a formal voting member; they can (if requested) attend Board meetings as observers. Since the chief responsibility of the Board is to provide high-level oversight of project implementation, to avoid any conflicts of interest, it is not appropriate for representatives of third-party entities engaged by the project to provide services – whether responsible parties or contractors/service providers – to concurrently sit on the Board. Representatives of responsible parties can attend Board meetings (as observers) but can have no official role in Board decision-making. The same principle applies to the project manager who in attending and presenting at Board meetings, does so in a non-voting capacity.

In cases where the inputs and guidance of responsible parties or other entities formally engaged in providing goods or services to the project are needed by the Board on a recurring basis, it is recommended to establish appropriate advisory or technical committees or working groups composed of those entities that can formally report to the Board, while ensuring the impartiality and integrity of Board decisions happening independent of those bodies (see Section V of the ToR).

IV. Standard Project Board Protocols

The Project Board must meet one time annually at a minimum. It is recommended that the timing of Board meetings be agreed upon in advance and corresponds to key project reporting or work planning milestones. This Project Board will meet at least two times annually according to this provisional schedule Project Board members cannot receive remuneration from project funds for their participation in the Board. However, it is allowable for Board members to be reimbursed from project funds for certain reasonable, qualified expeses related to travel or lodging to attend Board meetings. Such protocols are outlined in this ToR and the benefits are applicable to all eligible Board members.

All Project Boards must have rules for quorum and documentation/minuting of Board decisions. All Board decisions and minutes should be kept by the PMU and UNDP. Guidelines on decisions taken in between Board meetings or virtually should be clearly elaborated in the Terms of Reference (ToR) of the Project Board.

Unless otherwise specified, Project Board decisions are made by unanimous consensus. If a consensus cannot be reached within the Board, the final decision shall rest with the UNDP representative on the Project Board or a UNDP staff member with delegated authority as the programme manager.[10]

It is required that as per internationally recognised professional standards and principles of sound governance, conflicts of interest affecting Board members in performing their duties must be formally disclosed if not avoidable. Where a Board member has a specific personal conflict of interest with a given matter before the Board, he/she must recuse oneself from their participation

[10] UNDP has this special right since the ultimate legal and fiduciary accountability for a UNDP project, irrespective of modality, rests with UNDP and UNDP must (in line with its obligations to donors and to the Executive Board) be able to ensure that no action is taken by any body in a UNDP project that contravenes UNDP rules and regulations.

in a decision. No Board member can vote or deliberate on a question in which he/she has a direct personal or pecuniary interest not common to other members of the Board.

All Board members should be presented with a ToR for the Project Board, which will include the responsibilities already outlined and indicate agreed Board practices and logistics.

V. Standard Outputs of Project Board Meetings

In its oversight function, the Project Board will (at a minimum) review and assess the following project-related evidence at each meeting:

- Assessment of project progress to date against project output indicators (as documented in the project document results framework)
- Approval/review of annual work plans
- Assessment of the relevant Monitoring & Evaluation mechanisms, including all evaluations11
- Review and assessment of the Project Risk Log (with updating/amendments as needed)
- Assessment of project spending, based on a review of the combined delivery report.
- Review of required resources versus available funding (if applicable) and steps taken to reduce funding gap identified at the project design stage

This will be in addition to the review and approval of any required project execution decisions.

The output of every Project Board should be a written record (minutes) that captures the agenda and issues discussed and the agreed upon action items and decisions (if applicable). Each report should clearly document the members attending the meeting (as well as all participants in the meeting) and the modality used to agree on a certain action or decision (whether formal voting or no-objection or other mechanism). All records of Board meetings should be documented and kept by UNDP in their quality assurance function (see next section).

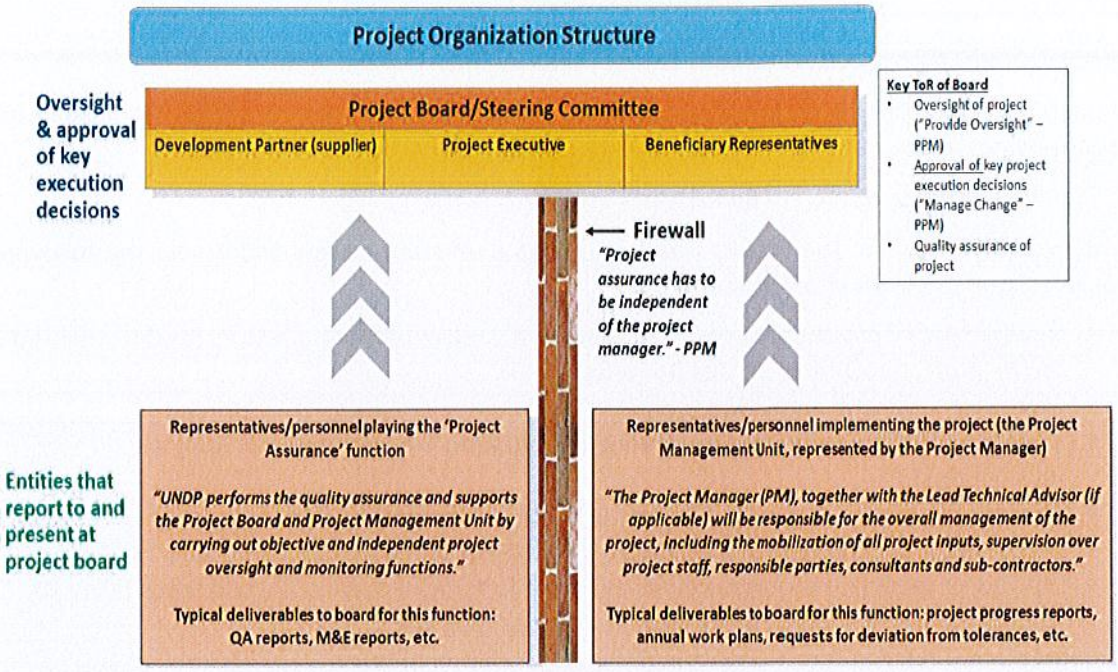
VI. Support Functions to the Project Board

There are two main entities/functions outside the Project Board structure whose role is to report to the Project Board and support Board members in effectively fulfilling their roles: project assurance and project management.

The diagram below explains the primary role of these two entities in the context of their support to Board operations. A description of these two entities follows.

DIAGRAM 3 – STANDARD FIGURE OF PROJECT ORGANISATION STRUCTURE – BOARD SUPPORT ENTITIES

[11] Including audit reports and spot checks.



Project Assurance: Project assurance is the responsibility of each Project Board member; however, UNDP has a distinct assurance role for all UNDP projects in carrying out objective and independent project oversight and monitoring functions. UNDP performs quality assurance and supports the Project Board (and Project Management Unit) by carrying out objective and independent project oversight and monitoring functions, including applying UNDP's social and environmental management system to ensure the SES are applied through the project cycle. The Project Board cannot delegate any of its quality assurance responsibilities to the project manager. Project assurance is totally independent of project execution. [In the case where UNDP is also supporting project implementation, protocols should be put in place ensuring proper segregation between UNDP's role in the Board and in the function of project assurance, and any concurrent role in implementation].

A designated representative of UNDP playing the project assurance role is expected to attend all Project Board meetings and support Board processes as a non-voting representative. It should be noted that while in certain cases UNDP's project assurance role across the project may encompass activities happening at several levels (e.g. global, regional), at least one UNDP representative playing that function must, as part of their duties, specifically attend Board meetings and provide Board members with the required documentation required to perform their duties.

Project Support, this function is often covered by the Project Management Unit: The Project Manager (PM) (also called project coordinator) is the senior most representative of the Project Management Unit (PMU) and is responsible for the overall management of the project on behalf of the Implementing Partner, including the mobilisation of all project inputs, supervision over project staff, responsible parties, consultants, and sub-contractors. The project manager typically presents key deliverables and documents to the Board for review and approval, including progress reports, annual work plans, adjustments to tolerance levels and risk logs.

A designated representative of the PMU is expected to attend all Board meetings and present the required progress reports and other documentation needed to support Board processes as a non-voting representative.

VII. TOR for Key Project Positions

To be drafted.

XI. ANNEXES

ANNEX – 1 – RISK REGISTER

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(~~individual~~ team accountable for managing the risk)*	Risk Treatment and Treatment Owner
1	There is a risk that close coordination and collaboration between three levels of governments to mobilize and manage development finance does not progress at the level expected by the project to deliver the results	As a result of the slow progress in the implementation of federalism to mobilize and manage development finance in line with the Constitution.	Which will impact in the delay of designing, approval and execution of the projects.	**7. STRATEGIC (7.5. Government commitment) - UNDP Risk Appetite: OPEN TO SEEKING**	Likelihood: **3 - Moderately likely** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Jan-25 To: 31-Dec-27	Portfolio Manager...	Risk Treatment 1.1: ...The project will implement various advocacy and capacity building measures to strengthen collaboration between all three levels of governments Risk Treatment Owner: Portfolio Manager
2	There is a risk that the approval of policies and tools to mobilize innovative finance sources including the issuance of thematic bond might be delayed	As a result of the delay by the government to approve the policies and other necessary instruments	Which will impact in delay the implementation of the project activities for the preparatory works and capacity building initiatives planned by the project ...	**7. STRATEGIC (7.5. Government commitment) - UNDP Risk Appetite: OPEN TO SEEKING**	Likelihood: **2 - Low likelihood** Impact: **4 - Extensive** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Jan-25 To: 31-Dec-25	Portfolio Manager	Risk Treatment 2.1: The project will provide necessary technical support to incentivize government to expedite the approval of the policies and other necessary tools Risk Treatment Owner: ... Portfolio Manager ...

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(~~individual~~ team accountable for managing the risk)*	Risk Treatment and Treatment Owner
3	There is a risk that the publication of Development Cooperation reports and other knowledge products are not produced in a timely manner and of the poor quality with incomplete data and information.	As a result of insufficient commitment and willingness of development partners to upload complete data in DFMIS in a timely manners	Which will impact in the credibility of DCRs and reports and limiting their wider use for advocacy and evidence based decision makin	**7. STRATEGIC (7.3. Stakeholder relations and partnerships) - UNDP Risk Appetite: OPEN TO SEEKING**	Likelihood: **2 - Low likelihood** Impact: **4 - Extensive** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Jan-25 : 31-Dec-27	Portfolio Manager	Risk Treatment 3.1: ...The project will systematically organize trainings on the DFMIS to the focal points of government entities and development partners and also advocate with MOF for other incentive mechanism to ensure the complete and timely submission of the data. Risk Treatment Owner: Portfolio Manager
4	There is a risk that the project will not be able to mobilise the unfunded budget to deliver results	As a result of change in the priorities of development partners and unwillingness to fund this project	Which will impact in compromising the achievement of project results due to the inability to deliver many project activities due to the funding gap,	**2. FINANCIAL (2.6. Budget availability and cash flow) - UNDP Risk Appetite: MINIMAL TO CAUTIOUS**	Likelihood: **3 - Moderately likely** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Jan-25 To: 31-Dec-27	Portfolio Manager	Risk Treatment 4.1: ...The project in close coordination and support of the Ministry of Finance will explore potential development partners for funding opportunities. Risk Treatment Owner: ... Portfolio Manager

SOCIAL AND ENVIRONMENTAL SCREENING TEMPLATE (2022 SESP TEMPLATE, VERSION 1)

The completed template, which constitutes the Social and Environmental Screening Report, must be included as an annex to the Project Document at the design stage. Note: this template will be converted into an online tool. The online version will guide users through the process and will embed relevant guidance.

Project Information

Project Information	
1. Project Title	Effective Financing for Development Project
2. Project Number (i.e. Atlas project ID, PIMS+)	01003761
3. Location (Global/Region/Country)	Nepal
4. Project stage (Design or Implementation)	Design
5. Date	26 December 2024

Part A. Integrating Programming Principles to Strengthen Social and Environmental Sustainability

QUESTION 1: How Does the Project Integrate the Programming Principles in Order to Strengthen Social and Environmental Sustainability?
Briefly describe in the space below how the project mainstreams the human rights-based approach
The project will provide technical support to create enabling environment as well as strengthen capacity of government and other stakeholder to mobilise and manage development finance to support the achievement of SDGs, contributing to improve people's social and economic rights thereby contributing in promoting human rights based approach.
Briefly describe in the space below how the project is likely to improve gender equality and women's empowerment
The project will integrate gender equality and social inclusion in all knowledge products including Development Cooperation Reports thereby contributing to gender equality and social inclusion. The project will also ensure the analysis of ODA funded project from gender lens with a dedicated chapter in DCRs.
Briefly describe in the space below how the project mainstreams sustainability and resilience

Since the project will contribute to the achievement of SDGs, all project activities will focus on ensuring sustainability agenda. The project plans to support to mobilise additional resources through climate finance and thematic bonds such as sustainability linked bonds.
Briefly describe in the space below how the project strengthens accountability to stakeholders
The project plans to support the development of manuals and other necessary tools for the effective implementation of the new International Development Cooperation Policy (IDCP) combined with a series of trainings and other capacity building measures for the stakeholders to empower them for the accountability. Importantly, the project will produce several thematic reports based on the Development Finance Management Information System (DFMIS) database and widely disseminate to generate meaningful dialogues.

Part B. Identifying and Managing Social and Environmental Risks

QUESTION 2: What are the Potential Social and Environmental Risks? *Note: Complete SESP Attachment 1 before responding to Question 2.*	**QUESTION 3: What is the level of significance of the potential social and environmental risks?** *Note: Respond to Questions 4 and 5below before proceeding to Question 5*			**QUESTION 6: Describe the assessment and management measures for each risk rated Moderate, Substantial or High**
Risk Description (broken down by event, cause, impact)	***Impact and Likelihood (1-5)***	***Significance (Low, Moderate Substantial, High)***	***Comments (optional)***	***Description of assessment and management measures for risks rated as Moderate, Substantial or High***
Risk 1 : Government may not have sufficient capacity to implement innovative financing instruments including issuance of thematic bond	3 2	**Low**	The project may not be able to do sufficient advocacy for government to make timely decision.	The project will provide necessary technical support to empower government for the implementation of innovative financing instruments.

	QUESTION 4: What is the overall project risk categorization?				
	Low Risk	X			
	Moderate Risk	☐			
	Substantial Risk	☐			
	High Risk	☐			
	QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are triggered? (check all that apply)				
	Question only required for Moderate, Substantial and High Risk projects				
	Is assessment required? (check if "yes")	**Yes**			***Status? (completed, planned)***
	if yes, indicate overall type and status		☐	**Targeted assessment(s)**	
			☐	ESIA (Environmental and Social Impact Assessment)	
			☐	SESA (Strategic Environmental and Social Assessment)	
			☐	GESI Analysis/Assessment	
			X	Stakeholder mapping and consultation	To be done
			☐	Mapping of health hazards to the beneficiaries	
	Are management plans required? (check if "yes)	**Yes**			
	If yes, indicate overall type		☐	Targeted management plans (e.g. Gender Action Plan, Emergency Response Plan, Waste Management Plan, others)	

			☐	ESMP (Environmental and Social Management Plan which may include range of targeted plans)	
			☐	ESMF (Environmental and Social Management Framework)	
			☐	Gender Action Plan	
			☐	Stakeholder Engagement Plan	
			☐	OSH management plan	
	Based on identified <u>risks</u>, which Principles/Project-level Standards triggered?		**Comments (not required)**		
	Overarching Principle: Leave No One Behind				
	Human Rights	☐			
	Gender Equality and Women's Empowerment	☐			
	Accountability	☐			
	1. Biodiversity Conservation and Sustainable Natural Resource Management	☐			
	2. Climate Change and Disaster Risks	☐			
	3. Community Health, Safety and Security	☐			
	4. Cultural Heritage	☐			
	5. Displacement and Resettlement	☐			
	6. Indigenous Peoples	☐			
	7. Labour and Working Conditions	☐			
	8. Pollution Prevention and Resource Efficiency	☐			

Final Sign Off

Final Screening at the design-stage is not complete until the following signatures are included

Signature	*Date*	*Description*
QA Assessor Dharma Swarnakar; Policy Advisor		UNDP staff member responsible for the project, typically a UNDP Programme Officer. Final signature confirms they have "checked" to ensure that the SESP is adequately conducted.
QA Approver Julien Chevillard; Deputy Resident Representative		UNDP senior manager, typically the UNDP Deputy Country Director (DCD), Country Director (CD), Deputy Resident Representative (DRR), or Resident Representative (RR). The QA Approver cannot also be the QA Assessor. Final signature confirms they have "cleared" the SESP prior to submittal to the PAC.
PAC Chair		UNDP chair of the PAC. In some cases PAC Chair may also be the QA Approver. Final signature confirms that the SESP was considered as part of the project appraisal and considered in recommendations of the PAC.

SESP Attachment 1. Social and Environmental Risk Screening Checklist

Checklist Potential Social and Environmental Risks		
INSTRUCTIONS: The risk screening checklist will assist in answering Questions 2-6 of the Screening Template. Answers to the checklist questions help to (1) identify potential risks, (2) determine the overall risk categorization of the project, and (3) determine required level of assessment and management measures. Refer to the SES toolkit for further guidance on addressing screening questions.		
Overarching Principle: Leave No One Behind **Human Rights**		Answer (Yes/No)
P.1	Have local communities or individuals raised human rights concerns regarding the project (e.g. during the stakeholder engagement process, grievance processes, public statements)?	*No*
P.2	**Is there a risk that duty-bearers (e.g. government agencies) do not have the capacity to meet their obligations in the project?**	*Yes*
P.3	Is there a risk that rights-holders (e.g. project-affected persons) do not have the capacity to claim their rights?	*No*
Would the project potentially involve or lead to:		*No*
P.4	adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?	*No*
P.5	inequitable or discriminatory impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups, including persons with disabilities?[12]	*No*
P.6	restrictions in availability, quality of and/or access to resources or basic services, in particular to marginalized individuals or groups, including persons with disabilities?	*No*
P.7	exacerbation of conflicts among and/or the risk of violence to project-affected communities and individuals?	*No*
Gender Equality and Women's Empowerment		
P.8	Have women's groups/leaders raised gender equality concerns regarding the project, (e.g. during the stakeholder engagement process, grievance processes, public statements)?	No
Would the project potentially involve or lead to:		
P.9	adverse impacts on gender equality and/or the situation of women and girls?	*No*
P.10	reproducing discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	*No*
P.11	limitations on women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services?	*No*

[12] Prohibited grounds of discrimination include race, ethnicity, sex, age, language, disability, sexual orientation, gender identity, religion, political or other opinion, national or social or geographical origin, property, birth or other status including as an indigenous person or as a member of a minority. References to "women and men" or similar is understood to include women and men, boys and girls, and other groups discriminated against based on their gender identities, such as transgender and transsexual people.

	For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being	
P.12	exacerbation of risks of gender-based violence? *For example, through the influx of workers to a community, changes in community and household power dynamics, increased exposure to unsafe public places and/or transport, etc.*	*No*
Sustainability and Resilience: Screening questions regarding risks associated with sustainability and resilience are encompassed by the Standard-specific questions below		
Accountability		
Would the project potentially involve or lead to:		
P.13	exclusion of any potentially affected stakeholders, in particular marginalized groups and excluded individuals (including persons with disabilities), from fully participating in decisions that may affect them?	No
P.14	grievances or objections from potentially affected stakeholders?	No
P.15	risks of retaliation or reprisals against stakeholders who express concerns or grievances, or who seek to participate in or to obtain information on the project?	No
Project-Level Standards		
Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management		
Would the project potentially involve or lead to:		
1.1	adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? *For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes*	No
1.2	activities within or adjacent to critical habitats and/or environmentally sensitive areas, including (but not limited to) legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	No
1.3	changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)	*No*
1.4	risks to endangered species (e.g. reduction, encroachment on habitat)?	*No*
1.5	exacerbation of illegal wildlife trade?	*No*
1.6	introduction of invasive alien species?	*No*
1.7	adverse impacts on soils?	*No*
1.8	harvesting of natural forests, plantation development, or reforestation?	*No*
1.9	significant agricultural production?	*No*
1.10	animal husbandry or harvesting of fish populations or other aquatic species?	*No*
1.11	significant extraction, diversion or containment of surface or ground water?	*No*

	For example, construction of dams, reservoirs, river basin developments, groundwater extraction	
1.12	handling or utilization of genetically modified organisms/living modified organisms?[13]	*No*
1.13	utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)[14]	*No*
1.14	adverse transboundary or global environmental concerns?	*No*
Standard 2: Climate Change and Disaster Risks		
Would the project potentially involve or lead to:		
2.1	areas subject to hazards such as earthquakes, floods, landslides, severe winds, storm surges, tsunami or volcanic eruptions?	No
2.2	outputs and outcomes sensitive or vulnerable to potential impacts of climate change or disasters? *For example, through increased precipitation, drought, temperature, salinity, extreme events, earthquakes*	No
2.3	increases in vulnerability to climate change impacts or disaster risks now or in the future (also known as maladaptive or negative coping practices)? *For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding*	*No*
2.4	increases of greenhouse gas emissions, black carbon emissions or other drivers of climate change?	*No*
Standard 3: Community Health, Safety and Security		
Would the project potentially involve or lead to:		
3.1	construction and/or infrastructure development (e.g. roads, buildings, dams)? (Note: the GEF does not finance projects that would involve the construction or rehabilitation of large or complex dams)	No
3.2	air pollution, noise, vibration, traffic, injuries, physical hazards, poor surface water quality due to runoff, erosion, sanitation?	*No*
3.3	harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	*No*
3.4	risks of water-borne or other vector-borne diseases (e.g. temporary breeding habitats), communicable and noncommunicable diseases, nutritional disorders, mental health?	No
3.5	transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	*No*
3.6	adverse impacts on ecosystems and ecosystem services relevant to communities' health (e.g. food, surface water purification, natural buffers from flooding)?	*No*
3.7	influx of project workers to project areas?	*No*

[13] See the Convention on Biological Diversity and its Cartagena Protocol on Biosafety.
[14] See the Convention on Biological Diversity and its Nagoya Protocol on access and benefit sharing from use of genetic resources.

3.8	engagement of security personnel to protect facilities and property or to support project activities?	*No*
Standard 4: Cultural Heritage		
Would the project potentially involve or lead to:		
4.1	activities adjacent to or within a Cultural Heritage site?	*No*
4.2	significant excavations, demolitions, movement of earth, flooding or other environmental changes?	*No*
4.3	adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	*No*
4.4	alterations to landscapes and natural features with cultural significance?	*No*
4.5	utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	*No*
Standard 5: Displacement and Resettlement		
Would the project potentially involve or lead to:		
5.1	temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	*No*
5.2	economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	*No*
5.3	risk of forced evictions?[15]	*No*
5.4	impacts on or changes to land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?	*No*
Standard 6: Indigenous Peoples		
Would the project potentially involve or lead to:		
6.1	areas where indigenous peoples are present (including project area of influence)?	No
6.2	activities located on lands and territories claimed by indigenous peoples?	*No*
6.3	impacts (positive or negative) to the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)? *If the answer to screening question 6.3 is "yes", then the potential risk impacts are considered significant and the project would be categorized as either Substantial Risk or High Risk*	*No*

[15] Forced eviction is defined here as the permanent or temporary removal against their will of individuals, families or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection. Forced evictions constitute gross violations of a range of internationally recognized human rights.

6.4	the absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	*No*
6.5	the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	*No*
6.6	forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources? *Consider, and where appropriate ensure, consistency with the answers under Standard 5 above*	*No*
6.7	adverse impacts on the development priorities of indigenous peoples as defined by them?	*No*
6.8	risks to the physical and cultural survival of indigenous peoples?	*No*
6.9	impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices? *Consider, and where appropriate ensure, consistency with the answers under Standard 4 above.*	*No*
Standard 7: Labour and Working Conditions		
Would the project potentially involve or lead to: (note: applies to project and contractor workers)		
7.1	working conditions that do not meet national labour laws and international commitments?	No
7.2	working conditions that may deny freedom of association and collective bargaining?	*No*
7.3	use of child labour?	*No*
7.4	use of forced labour?	*No*
7.5	discriminatory working conditions and/or lack of equal opportunity?	*No*
7.6	occupational health and safety risks due to physical, chemical, biological and psychosocial hazards (including violence and harassment) throughout the project life-cycle?	No
Standard 8: Pollution Prevention and Resource Efficiency		
Would the project potentially involve or lead to:		
8.1	the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	*No*
8.2	the generation of waste (both hazardous and non-hazardous)?	*No*
8.3	the manufacture, trade, release, and/or use of hazardous materials and/or chemicals?	*No*
8.4	the use of chemicals or materials subject to international bans or phase-outs? *For example, DDT, PCBs and other chemicals listed in international conventions such as the Montreal Protocol, Minamata Convention, Basel Convention, Rotterdam Convention, Stockholm Convention*	*No*

8.5	the application of pesticides that may have a negative effect on the environment or human health?	*No*
8.6	significant consumption of raw materials, energy, and/or water?	*No*