



Local Capacity Development Investments for MDG Localization in Nepal

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Acknowledgements

In the context of accelerating progress toward the achievement of the MDGs, the need for local capacity development is crucial. The more stakeholders are capable of formulating, implementing and monitoring suitable policies, plans and programs, the higher the chances of meeting these targets. When stakeholders can competently handle planning and implementation tasks, both the efficiency and effectiveness of development efforts is enhanced. In view of this, the task of developing local capacities is considered an essential input to all sectors of development.

Given that limited research has been carried out in Nepal regarding local capacity development, exploring its current status was considered essential for the identification of issues and opportunities. It is believed that with their recognition suitable strategies supporting progress towards the MDG targets can be developed.

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
ADDCN	Association of District Development Committees of Nepal
CA	Constitutional Assembly
CBO	Community Based Organization
CD	Capacity Development
CDI	Capacity Development Initiative
CDS	Capacity Development Strategy
CEP	Country Engagement Plan
CO	Community Organisations
CSOs	Civil Society Organizations
DDC	District Development Committee
DDA	District Development Advisor (DLGSP)
DFDP	Decentralised Financing and Development Programme
DIMC	Decentralization Implementation Monitoring Committee
DLGSP	Decentralized Local Governance Support Programme
DoA	Department of Agriculture (GoN)
DoE	Department of Education (GoN)
DoHS	Department of Health Services (GoN)
DTO	District Technical Officer
DWSS	Department of Water Supply & Sewerage
EFA	Education for All
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GoN	Government of Nepal
GTZ	Gesellschaft für Technische Zusammenarbeit (Germany)
HRD	Human Resources Development
INGO	International Non-Governmental Organisation
LBFC	Local Bodies' Fiscal Commission
LDF	Local Development Funds
LDO	Local Development Officer
LDTA	Local Development Training Academy
LGB	Local Government Bodies
LGP	Local Governance Programme
LSGA	Local Self Governance Act
MDGs	Millennium Development Goals
MLD	Ministry of Local Development
MoES	Ministry of Education and Sports (GoN)

MoF	Ministry of Finance (GoN)
MoWR	Ministry of Water Resources (GoN)
MoAC	Ministry of Agriculture and Cooperatives (GoN)
MoES	Ministry of Education and Sports (GoN)
MoHP	Ministry of Health and Population (GoN)
MoFA	Ministry of Foreign Affairs (GoN)
MoWCSW	Ministry of Women, Children and Social Welfare (GoN)
MuAN	Municipal Association of Nepal
NGO	Non-Governmental Organisation
NHDR	National Human Development Report
NPC	National Planning Commission (GoN)
PDDP	Participatory District Development Programme
REP	Regional Engagement Plan
SDC	Swiss Development Cooperation
SMC	School Management Committee
SNV	Netherlands Development Organisation
TOR	Terms of Reference
UC	User Committee
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNDG (CDG)	UNDP Capacity Development Group
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
VDC	Village Development Committee
WB	World Bank

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I. BACKGROUND

Nepal has undergone significant political change in the recent years. The election of the Constituent Assembly has been completed and the country has been declared a Republic state by demolishing the history of a Kingdom which remained in power for 240 years. This shift has not only changed the political structure of the country but also raised aspirations of all segments of the population for a better life. In particular, the Janajatis, Dalits, Madhesis and Muslims, including women, who were often excluded from development opportunities in the past, are increasingly required to be integrated into the new development mainstream. Accordingly, national development plans have emphasized their greater participatory roles.

Nepal follows a post-conflict development strategy, which demands recovery of the lost opportunities of the past¹ and an addressing of the challenges of achieving the MDG targets by 2015. These efforts aim to ensure access of the Nepalese people to the post-conflict peace dividends and also lay foundations for socio-economic transformation of the disadvantaged groups for a prosperous Nepal envisaged under the recent political changes.

Meeting new development challenges requires capacity development of local stakeholders to formulate, implement and monitor suitable policies, programmes and projects. This requires increased investments from all development partners.²

UNDP and SNV have selected Nepal as one of the four countries for the implementation of a Country Engagement Plan (CEP), which provides support to develop the planning and implementation capacities of key stakeholders at national and local levels.³ Similarly, a Regional Engagement Plan (REP) has been launched to share local capacity development experiences across some Asian countries including Nepal.

In November 2007, a REP workshop was organized in Bangkok. This workshop identified knowledge gaps critical to planning and implementation of local capacity development activities. Following this, the workshop proposed stocktaking of local

¹ During the conflict period, Nepal encountered serious damage of development infrastructure, worth billions (Re: The Economic Cost of Strike published in the Nepalnews June 17, 2006). The intensification of conflict led to almost 2 percent drop in the GDP growth rate per year (Re: *Nepal Development Policy Review: Restarting Growth and Poverty Reduction*, Kathmandu). In 2002, the country observed a negative GDP growth rate of 0.6 percent, in a history of nineteen years.

² Investment of resources for development was relatively low during the conflict period. The country was fully dragged into the trap of maintaining security, which consumed budgetary allocations at the cost of development. The total security expenditure (e.g. military, armed police force and civil police) of the country rose from 9.7 percent of the annual budget in 1998 to 15 percent in 2005 (Re: Economic Survey, FY 2004/05, Ministry of Finance, Kathmandu).

³ Other countries covered under similar UNDP and SNV support are: Bhutan, Lao PDR and Vietnam.

capacity development investments made by different countries including Nepal. This research study is one outcome of these discussions.

It is believed that the findings of this research will be useful in establishing a baseline of local capacity development activities in Nepal, which will add value to the formulation of local capacity development strategies at the national and regional levels.

II. STUDY RATIONALE

Design and implementation of suitable policies and programmes are necessary for successful accomplishment of MDG targets. To ensure this, planning of development interventions should be founded on adequate knowledge and competence of key stakeholders. Though the Tenth Five Year Plan (2002 – 2007) emphasized local capacity development as one of its priorities, it did not adequately address this issue at the sub-national level in practical terms. To overcome this situation, the current Three Year Interim Plan (2008 – 2010) has again carried forward local capacity development as one of its priority challenges to overcome in the coming years. This research study is linked to this local capacity development challenge and hopes to make the following contributions:

- Enhance the local needs-based decision making process at the sub-national level;
- Accumulate more resources to meet the financial gaps for local capacity development;
- Enhance effectiveness and accountability of interventions made by various development partners;
- Reduce in-country inequalities of various kinds (e.g. between the rural and urban areas; between the lowland and highland population; between the majority and minority populations, etc); and
- Localize achievable MDG targets.

III. OBJECTIVES OF THE STUDY

The primary objective of this study is to build a body of evidence that supports local capacity development efforts for the achievement of MDG targets. Specific objectives are:

- To analyze emerging approaches, strategies and experiences related to sub-national level capacity development investments;
- To identify current capacity development trends (especially with regard to how capacity development is viewed; how it is approached and at what level of financial and time investment);
- To provide data for establishing a baseline of information on local capacity development (so that changes taking place over the years can be assessed); and
- To suggest measures for strategically guiding and advocating for better targeted capacity development efforts at the local level.

IV. INVESTIGATION FOCUS AND METHODOLOGY

The conceptual framework for this study was organized into several guide questions, which determined the research approach and methodology; this is described in the following section.

4.1 Guide Questions for Research

The scope of this research study was guided by the following questions, which all refer specifically to Nepal:

- What approaches are followed for local capacity development?
- Who are the primary targets for local capacity development initiatives?
- How much budgetary allocations have been targeted for local capacity development?
- What are the government and donor investment policies and practices for local capacity development?
- What good practices have emerged at the government and donor level regarding successful local capacity development investments directed towards MDG progress?
- Are approaches to local capacity development gender responsive?

4.2 Methodology Followed for Information Collection

Information was collected from both primary and secondary sources. Interviews were also carried out with key stakeholders at both central and district levels. The four districts selected for local-level consultations were: Banke, Jumla, Kavre and Parbat. The criteria for their selection were: (a) each district is implementing localized MDG targets, (b) they represent both hill and Terai districts, and (c) they represent districts of varying levels of remoteness.

Desk reviews were undertaken focusing on the Government, donor and civil society organizations' efforts. Attempts were made to identify their best investment practices. Different types of local capacity development initiatives were covered. Their subsequent effects on achieving the progress towards MDG targets were also observed. Interrelationships were explored between the local capacity development investments and their resulting development outcomes.

As the term "capacity development" was interpreted differently by different actors, information was gathered on whether a given "capacity development" activity was simply focused on training or it covered other dimensions too. Attempts were made to see whether the interventions were based on effective demand of the local institutions or were simply supply driven.

Capacity development activities were identified together in relation to their associated financial support. While identifying these components, attempts were also made to investigate the time devoted to training and to the establishment of systems for project planning, implementation and monitoring. Information was also collected regarding the extent of human and financial resources dedicated to managing the capacity development intervention.

The local capacity development contribution of Government, donors and civil society actors was assessed with attention to the level of gender-responsiveness. The collection of all the abovementioned categories of information was largely guided by the overall objective of this study, which is to identify better quality investment opportunities for local capacity development and thereby contribute to achievement of MDG targets. Major subject areas covered in the collection of information from both primary and secondary sources can be summarized as follows:

- Approaches applied for local capacity development;
- Primary institutions targeted for local capacity development;
- Allocation of budget for local capacity development;

- Policies and practices followed by different actors (e.g. Government, donors and NGOs) for local capacity development;
- Gender-responsiveness of the local capacity development process being followed;
- Good practices observed for local capacity development; and
- Links between national and local capacity development investments aimed at MDG achievement.

4.3 Critical Factors Covered in the Information Analysis

Both government and donor agencies emphasize development of practical strategies for enhancing planning and implementation capacities of key stakeholders in line with the MDG targets. As resources available for local capacity development are always mitigated by other development demands, it is quite natural for development partners to seek cost effective interventions. This suggests that the components of any local capacity development intervention must be prioritized with other development activities. In this connection, this study has analyzed the data collected through the lens of the following critical factors:

- Criteria followed for local capacity development;
- Measures taken for accessing resources to meet the identified capacity gaps at the local level;
- Approach followed for inclusive targeting (partner organizations and beneficiaries) at the local level;
- Constraints and opportunities informing the components of local capacity development packages;
- Identification of best practices for effective capacity development at the local level;
- Local capacity development practices which promote the delivery of services linked to MDG targets;
- Gender-responsive packages for local capacity development;
- Investment areas emphasized for local capacity development by the Government, donors and NGOs;
- Inter-agency (Government, Donor and NGO) coordination for local capacity development;
- Factors contributing to the sustainability of local capacity development results.

V. DISCUSSION OF FINDINGS

In addition to the findings discussed below, case studies were prepared for each district covered in the fieldwork. These case studies can be found in Chapter VI.

5.1 Local capacity development policies and practices followed by the Government in Nepal

The Government of Nepal has been emphasizing local capacity development in line with the spirit of decentralization. Other development partners are also contributing financial and technical support to this end.⁴ However, these efforts are still experimental and are of project-based duration. Institutionalizing decentralized systems and procedures has been difficult due to the inconsistency of political parties as well as the reluctance of bureaucrats to give up control.

The LSGA has made provisions for avoiding functional duplications in the local governance process. However, this has not translated into action. Given the lack of a common coordination policy, the various mandates of sectoral institutions and donors often guide activities.

Though the LSGA underscores the importance of coordinated planning and implementation of development activities, this is not reflected in reality. There is a high-level Decentralization Monitoring Committee formed under the Chairmanship of the Prime Minister. It could provide instructions to address this issue of non-compliance. However, it has not made any serious effort to control the deviations caused by sectoral ministries against the LSGA provisions.

Given this suboptimal environment of planning and implementation coordination, Nepal needs to build consensus among stakeholders at both vertical and horizontal levels (e.g. between the policy makers and political leaders at the vertical level and among the local leaders and community people at the horizontal level). Building such consensus might contribute to inter-institutional coordination, which could ultimately help to enhance capacities for proper utilization of resources, undertaking of mutually supportive development tasks, collective monitoring of implemented activities and adequate delivery of development services.

There is a tendency among the sectoral ministries to set their own targets and organize local development activities on their own. This kind of practice is inconsistent with the spirit of partnership being emphasized for local capacity development in the country.

⁴ ESCAP (2004), Country Reports on Local Government Systems: Nepal, Bangkok.

The ministries often fix their targets as guided from the top. Therefore, there may not be adequate room for adjustment at the local level.

5.2 Approaches to local capacity development

Most organizations in Nepal still perceive "capacity development" as simply a matter of providing training. This is more so at the local level, where awareness is limited about other dimensions of capacity development such as establishment of systems, procedures, infrastructure and the allocation of resources to enhance the competence of stakeholders. When planning and monitoring systems are introduced to the development process, they are rarely recognized as "capacity development". However, there are some exceptions.

Some capacity development packages are designed in a composite form by integrating training, supportive infrastructure, operational guidelines and monitoring procedures. Such interventions often focus on developing capacities at different stages of the project cycle (i.e. from the initial stage of orientation through to the withdrawal of support). In such circumstances, the term "capacity development" is interpreted as a composite package (which is different from simply training). The following table illustrates approaches followed by some development partners:

Table 1: Capacity Development Packages Adopted by Some Development Partners

Agency	Project / Programme	Components Covered in the Capacity Development Package
CARE	Bajura	<ul style="list-style-type: none"> ○ Participatory planning, monitoring and technical skills development training. ○ Study tours.
Danida	DASU	<ul style="list-style-type: none"> ○ Strengthening capacity of DIMC and its working committees (e.g. LGFC, ADDCN, LDTA, DDCs, municipalities and VDCs). ○ Improving skills of the DDCs, municipalities, VDCs and wards in participatory planning, leadership development and management. ○ Study tours abroad.
GTZ	UDLE	Planning, financial management and community development capacity building for the municipalities.
SDC	NLS	<ul style="list-style-type: none"> ○ Participatory planning and financial management training in line with the roles and functions of local government bodies. ○ Entrepreneur development training to run service outlets (e.g. agro-vet and pharmacy) to supplement the local government's service delivery process.

SNV	MHDP	<ul style="list-style-type: none"> ○ Training in leadership development, project and financial management, gender, planning and legal rights. ○ Exposure visits. ○ Improving participatory planning, social mobilisation and project management.
UNCDF	DFDP	<ul style="list-style-type: none"> ○ Offering MC / PM⁵ criteria based block grant support ○ Improving financial management capacity through support for pilot projects. ○ Improving monitoring and evaluation skills.
UNDP	DLGSP	<ul style="list-style-type: none"> ○ Management support / training in participatory planning, financial management, social mobilization and information management. ○ Appointment of District Advisors and Social Mobilizers at the DDCs. ○ Support for community infrastructure development. ○ Study tours abroad.

Source:1 ESCAP (2004), Country Reports on Local Government Systems: Nepal, Bangkok.

2 Evans, Hugh et al. (2006), Decentralised Local Governance Support Programme Mid-Term Review, UNDP, Kathmandu, 20 August 2006.

Most of the local capacity development interventions emphasize democratic decision making, community participation, empowerment of marginalized groups and sustainability. They also support effective technical and managerial service delivery mechanisms contributing towards institutionalizing decentralization. Such support focuses on the adoption of pro-decentralization policies and encourages participation of local government bodies (e.g. DDCs, Municipalities and VDCs). These trends are likely to continue to expedite the decentralization process.

5.3 Institutions targeting local capacity development

The primarily targeted institutions for local capacity development belong to the category of organizations whose role relates to the provision of the Local Self Governance Act (LSGA), 1999. This Act emphasizes implementation of decentralized development activities with the active engagement of local government bodies such as District Development Committee (DDC), Municipality and Village Development Committee (VDC). All these local government bodies have their respective federative structures such as the Association of District Development Committees of Nepal (ADDCN), Municipality Association of Nepal (MUAN) and National Association of VDCs in Nepal (NAVIN).

The LSGA emphasizes that the Government should respect the role and authority of the local government bodies, while planning and implementing development activities within their administrative jurisdictions. They should be allowed to choose their implementation

⁵ Minimum conditions/performance measure

arms (community organizations, NGOs and other partner institutions) whenever opportunities arise. According to the Act, no other agency should undermine their structure and local development role. Therefore, all directives, manuals and guidelines issued for local capacity development by development partners should be issued in compliance with their locally designated functions.

Some programmes have created local supporting institutions to complement the functional role of local government bodies. The CDF created by DLGSP / UNDP is an example to this.⁶ This local level institution was created at the VDC level under Clause No. 275 of the Local Self-Governance Act, 1999.⁷ It undertakes social mobilization processes for strengthening local development organizations, formation of capital and skills development of stakeholders involved in planning and managing local development functions. The establishment of such organizations has been considered one of the means for sustaining project planning and implementation capacities at the local level.⁸

Training support to the DDCs, Municipalities and VDCs is provided through the Local Development Training Academy (LDTA) supported by the Ministry of Local Development (MLD). The LDTA is actively engaged in organizing knowledge and skills oriented training courses and workshops for line agency staff, staff working with local government bodies and political representatives (both appointed and elected). These participants are trained on planning, administrative procedures, financial management, resource mobilization guidelines, gender-responsiveness, local self-governance and leadership development. The LDTA has five learning centres located in different municipalities in the country.

The DDCs, Municipalities and VDCs also run training programmes and workshops. Some of their training programmes are supported by donors under various projects. The donors supporting such efforts are: UNDP, UNCDF, UNICEF, DANIDA, SNV, SDC, GTZ, CARE-Nepal and DFID. Furthermore, some training programmes and workshops are also organized by ADDCN, MuAN and NAVIN. Their training activities often focus on the procedural aspects of planning, implementation and monitoring of local development programmes.

⁶ The DLGSP has established 400 CDFs in 45 VDCs.

⁷ Community Development Fund (CDF) Operational Guidelines, 2063, Ministry of Local Development, March 11, 2007.

⁸ However, some stakeholders consider the role of such organization risky as it might undertake a parallel function to that of the role being played by the VDC.

The NGOs are additional actors in the capacity development market. They offer occasional training courses and workshops.⁹ The LSGA and some sectoral regulations (e.g. related to the irrigation, forestry, drinking water and health) recognize the role of these civil society organizations in the context of facilitating local capacity development efforts. As stated under the provisions of the LSGA, local bodies are encouraged to engage NGOs in planning and implementation of relevant activities. The LSGA also emphasizes the need to coordinate their activities in the local development process.¹⁰

Most training activities targeted at local capacity development in Nepal are supply driven.¹¹ This is primarily because local government bodies do not have sufficient resources (human and financial) to run programmes on their own (i.e. without support from Government and donors).

5.4 Inclusive targeting of beneficiaries

Nepal is a home for many caste groups. The country's population is 26 percent Brahmins and Chhetris¹², followed by 20 percent Janajatis. Similarly, the population of Dalits and Muslims is almost 7 percent each. Except for Brahmins and Chhetris, the proportion of poor people is higher among Janajatis, Dalits and Muslims.

Table 2: Poverty Measurement by Caste and Ethnicity

Caste	Percentage	
	Country Population	Population of Poor
Brahmin and Chhetri	26.3	15.7
Janajati	19.5	27.8
Dalits	7.4	10.9
Muslims	6.5	8.7

Source: CBS (2005), Poverty Trends in Nepal, Central Bureau of Statistics (CBS), Kathmandu.

For the country's development, each and every segment of the population should be equally involved. Unfortunately, the Dalits, Janajatis, Madhesis and Muslims, including women, were largely excluded from the development mainstream in the past. Given that the poverty incidence is high among these caste groups, there is an urgent need for the country to integrate them into the development process soon. In this connection, these people need to be empowered through inclusive opportunities.

⁹ Around 30,000 NGOs work in Nepal with mobilization of both internal and external resources. It is estimated that more than 50 percent of NGOs work in the field of community and rural development. Their activities are still to be fully mainstreamed into the national plans (Re: Poudyal, Lokendra (2007), Nepal Field Programme Development Report, FAO Regional Office, Bangkok, December 2007).

¹⁰ ESCAP (2004), Country Reports on Local Government Systems: Nepal, Bangkok.

¹¹ Haugaard, Jacob (2005), Capacity Development of Local Bodies in Nepal, Working Paper, LENPA Forum on Capacity Development, Washington D. C., USA, April 25 28, 2005.

¹² Some claim this as 28 percent.

In recent years, the DDCs and VDCs have increasingly designed their plans and projects with attention to social inclusion. Some DDCs (e.g. Kavre and Jumla) claim that around 60-70 of their projects strategically prioritize the representation and participation of socially excluded groups. These projects try to promote an enabling environment for marginalized groups to secure their livelihoods. In this regard, development actors do attempt to link their efforts to those of other national structures such as the National Human Rights Commission (NHRC), National Women Commission (NWC), National Dalit Commission and other human rights organizations. Apart from these linkages for human rights and protection, there is also emphasis on skills development. Such support has brought about some positive changes.

The interventions of development organizations, including local government bodies, have also focused on promoting access to employment, education and health services. For women in particular, support is provided for increased access and control over the resources and new development opportunities. Training and orientation programmes are launched for conflict transformation and peace education. These interventions seem useful in establishing linkages between the disadvantaged people and the local government bodies.

The awareness of disadvantaged people has been raised through workshops, rallies, meetings and discussions. To translate the inputs of these orientation sessions into practice, the Government needs follow-up strategies to create appropriate roles for these disadvantaged people in the local development process. In the same vein, the Government also needs to deal with conflict-affected people (both Maoists and non-Maoists). They should be integrated into an eventual conflict-free life. This requires that plans are developed and implemented with greater sensitivity at all levels. It also requires a focus on the change of attitudes for mutual cooperation.

Socially excluded groups have increasingly become capable of defending their rights. Various organizations have supported them to raise their voices against injustice and inequality. They have been encouraged to take initiative and participate in decision-making and empowerment processes.

Owing to these emerging and existing challenges for inclusion and change, development actors are increasingly becoming involved in restructuring social power relationships.

The empowerment process has also given disadvantaged people the confidence to influence management of the development activities in which they are stakeholders.

They are increasingly motivated, aware, skilled, capable of mobilizing resources, and able to establish linkages with organizations that support their interests. The empowerment process has also helped them influence the process of setting priorities for local development.

Clause 189 of the Self Governance Act (1999) has specified poverty reduction as one of the functions of the local bodies. Some provisions related to this are: inclusion of disadvantaged groups in the formation of local bodies, adoption of participatory methods during plan formulation, prioritization of poverty reduction projects, increased budgetary allocations for poverty-related activities, preparation of poverty maps for identify target groups, establishment of a poverty-focused database for social mobilization purposes, emphasis on basic education, health and sanitation facilities.

5.5 Arrangement of resources for local capacity development

The current size of the Nepalese budget is around NRs. 169 billion (approximately US \$2.6 billion). This is 17.4 percent higher than the total expenditure of Fiscal Year 2006/07.¹³ The Government budget has allocated NRs. 1 million (approximately US \$15,300) to each VDC for the operation of local development activities.¹⁴ The DDCs and Municipalities also receive such grants of varying sizes.

The local government bodies (i.e. DDC, Municipality and VDC) are also entitled to raise local revenues. The LSGA has made provisions for them to levy local taxes and charge services fees. However, they lack the capacity to effectively take advantage of such provisions.¹⁵ They need adequate negotiation and financial management skills. For this, they need to embark on a strong capacity development process.

Given that the local government bodies have varied capacities and potential to access resources from diverse sources, it is difficult to generalize their cash flow estimates. In urbanized areas with high real estate value, the municipalities are likely to receive more resources than their VDC counterparts. Similarly, districts near national forests and nearby access to markets can benefit from revenues generated from forest products. Likewise, the DDCs in the hills and mountains are likely to benefit more from hydropower revenues than their counterparts in the plains areas.¹⁶

¹³ Ministry of Finance, Kathmandu, 2007

¹⁴ In 1990, the VDCs obtained NRs. 25,000-, which was increased to Rs.500,000.- and recently, it has reached NRs. 1 million.

¹⁵ Kandel, P. R. (2006), Patterns of Local Governance Expenditures in the Context of Rural Poverty Alleviation, Economic Policy Network, Policy Paper No. 22, NPC / ADB, Kathmandu, Nepal.

¹⁶ ESCAP (2004), Country Reports on Local Government Systems: Nepal, Bangkok.

In aggregate terms, multi-lateral and bilateral donors¹⁷ are major sources of financial and technical support in the country's capacity development processes. As one of the least developed countries in the region, Nepal has been successful in attracting donor support. The appeal for support has become even stronger in recent years given the country's post-conflict status.

The MDG Needs Assessment carried out by the National Planning Commission in 2006 indicates a financial gap of nearly US \$8 billion to meet MDG targets. Realizing this, the Government made an appeal to all development partners to increase external assistance to fill this gap. Some donors (e.g. World Bank, ADB, DFID and Japan) responded positively to this request; others are expected to follow suit as they have been continuously helping Nepal to establish both peace and progress.¹⁸ In general, the donors working in Nepal are positive inclined to support the development efforts reflected in the MDGs, APP, PRSP and the Interim Plan.

The financing support of some external development partners (bilateral and multi-lateral) is following an upward trend.¹⁹ The resource commitments of the World Bank and Asian Development Bank increased after the country entered the Poverty Reduction and Growth Facility (PRGF).²⁰ Following the structural and institutional reforms carried out by the Government in the financial, governance and fiscal sectors, the World Bank promoted Nepal's status from 'low-case' to 'base-case'. This change makes Nepal eligible for receiving financial assistance of US \$250 million per year.

The share of donor contributions is a sizable part of Nepal's development budget. As a result, local capacity development efforts in the country also depend on the extent of external support. Most VDCs fill around 75 percent of their budgets with grants provided by the Government, DDC and donors.²¹ Similarly, the Municipalities fill 42 percent from such external sources. These figures reveal their inability to undertake locally funded capacity development activities.

Some projects have made an effort to generate local resources for capacity development purposes. The CDF established under the DLGSP / UNDP is an example

¹⁷ Multi-laterals: World Bank, ADB, UNDP, IFAD, FAO, ESCAP, WFP, UNFPA, WHO, Global Fund, ILO, UNICEF, IFC, Global Fund and OPEC; Bilaterals: DFID, Japan, USAID, India, PR China, Germany, EU, Denmark, Norway, Finland Korea, France, Canada, Australia, Kuwait, Saudi Arabia, Switzerland, Netherlands.

¹⁸ Koirala, B. (2005), Report on Mapping out Donor Assistance in the Perspectives of Millennium Development Goals in Nepal, unpublished report prepared for the National Planning Commission, Kathmandu, Nepal, December 2005.

¹⁹ Poudyal, Lokendra (2007), Nepal Field Programme Development Report, FAO Regional Office, Bangkok, December 2007.

²⁰ Arrangements made with the International Monetary Fund (IMF) and Poverty Reduction Strategy Credits (PRSC).

²¹ ESCAP (2004), Country Reports on Local Government Systems: Nepal, Bangkok.

of this. The CDFs working in 400 VDCs in the country have generated working capital at the community level. Their fund size ranges from less than NRs. 0.5 million per CDF to above NRs. 1.5 million. These CDFs mobilize their own funds and contribute 6 percent of their earnings to the LDF at the DDC level for technical capacity building support from the DDC as and when needed. Similarly, the DFDP / UNCDF has set another example of a contribution for local capacity development. It makes a provision to transfer 6 percent of the block grant allocations for the recruitment of technical staff at the district level for capacity strengthening purposes.²²

In developing countries, the average allocation to the sub-national government is around 15 percent of the country's total budget. In Nepal, it is around 5.8 percent. Of this local allocation, the breakdown of administrative and programme costs is 45:55. Programme costs are even less if the salaries of primary school teachers and Village Secretaries is removed.²³

The trend of allocation to the local level indicates that a majority of the allocation goes to the infrastructure sector. In the case of capacity development activities (e.g. technical aspects of project planning and monitoring and aspects related to institutional development, the DDCs and VDCs do not receive greater allocations.

Of the sub-national allocation of 5.8 percent from the national budget, some activities related to agriculture, livestock, education and health are devolved. Within the allocations for such devolved activities, a chunk of around 78 percent flows to the education sector and a great portion of this allocation is for teacher salaries. This is followed by an allocation of 14 percent to the health sector, while the agriculture and livestock sectors receive 5 percent and 3 percent respectively.

5.6 Opportunities and constraints associated with local capacity development

Recent political transition in Nepal, particularly the move from a kingdom to a republic state, has offered new opportunities and hope for inclusive development.

The LSGA (1999) has already paved the way for a decentralized process of planning and implementation of development activities. This has been reinforced by assigning functional roles to the DDCs, Municipalities and VDCs as well as to local government associations such as ADDCN, MuAN and NAVIN. These associations are engaged in

²² Poudyal, Lokendra and Chapagain, Yadav (2008), Report on the Strategies for Social Mobilization / Community Empowerment and Exit of Support to the DLGSP, UNCDF / UNDP, Kathmandu, March 2008.

²³ Kandel, P. R. (2006), Patterns of Local Governance Expenditures in the Context of Rural Poverty Alleviation, Economic Policy Network, Policy Paper No. 22, National Planning Commission and Asian Development Bank, Kathmandu, Nepal.

the design of capacity development activities as well. Some examples along these lines are the capacity development strategy prepared by the ADDCN for 20 DDCs²⁴ and the project planning training manual prepared by NAVIN. Though the functions of these associations have been well recognized by the development partners, there is still more potential for involving them in the capacity development process. One of the major hindrances to their active involvement is poor budgetary allocations.

Nepal has also made other institutional provisions such as creation of the Decentralization Implementation Monitoring Committee (DIMC), with representation by local government bodies, Fiscal Commission, Fund Board, Road Board and various other commissions/committees. These arrangements have been useful for reflecting capacity development needs of local government bodies, including different aspects of managing development tasks. However, they are still to be effectively mobilized in the formulation of suitable policies, programmes and projects.

The DIMC is headed by the Prime Minister. It is supposed to issue need-based directives to create synergy across all sectors of development. However, for reasons unknown, this committee is wonderfully inactive. This has affected capacity development efforts intended to be coordinated under the LSGA.

A total of 59 DDCs (out of 75) have developed Periodic Plans. However, these plans are hardly taken into account during the design of Annual Plans. Nor are these Periodic Plans a subject of mid-term reviews and corresponding updates. One of the reasons hampering the effective formulation of these plans is the absence of locally elected bodies. Arrangements have been made to appoint new political representatives in their place. However, these nominees are not accountable to any voters. As a result, they simply ignore the projects that were listed in the Periodic Plans by previous political leaders. Rather than fostering a culture of mutual trust and support, they tend to adhere to priorities articulated along party lines. This has made the Village Secretary's and LDO's roles difficult in terms of building consensus on the major priorities of the DDC and VDC.

As has been discussed earlier, there has been incomplete with the LSGA. Some DDCs even lack an Accounts Committee, Revenue Advisory Committee and Vacant Position Fulfilment Committee (Pad Puri Samiti).²⁵ Similarly, the lack of private sector partnership, the lack of poverty mapping and the lack of capacity to raise adequate revenues are among the difficulties of the local capacity development process.

²⁴ Including Kavre district selected for this research.

²⁵ Kandel, P. R. (2006), Patterns of Local Governance Expenditures in the Context of Rural Poverty Alleviation, Economic Policy Network, Policy Paper No. 22, National Planning Commission and Asian Development Bank, Kathmandu, Nepal.

Monitoring is one mechanism for generating useful information. It promotes efficiency in the tasks being carried out by the local bodies. Despite its importance, regular monitoring is lacking in most projects. One reason is the lack of accurate information available to the DDCs and VDCs for effective planning and proper targeting. Though the DDCs have established an Information Center, their capacity to collect and maintain up-to-date information is limited. There is no formally established data integration system spanning different levels (e.g. from VDC to DDC and DDC to the center), so the quality of planning and monitoring exercises undertaken at different levels is affected.

Many potential beneficiaries are still deprived of participation opportunities. As a result, they cannot make decisions on matters affecting their lives. This situation has meant that existing policies, programmes and projects may be less relevant to some groups.²⁶ These excluded groups have room to pose questions on whether the projects implemented by the Government have taken their interests into account.²⁷ Efforts to include disadvantaged groups have increased in recent years. These are the people who lacked access to education and other basic services in the past.

Studies have revealed that around 58 percent of the projects operated under the DDC at the local level are not completed without delay. This reflects the poor capacity of local stakeholders to manage projects. One of the factors influencing such poor management is untrained user groups who are not familiar with project management. They may also lack proper accounting skills.²⁸

It is said that decentralization brings the decision-making process closer to the people, subsequently helping to address local needs and priority services. However, due to the lack of adequate resources, local government bodies in Nepal are still at the stage of experimentation with this concept. One of the factors preventing successful decentralization is the reluctance of the centre to fully devolve planning and implementation power to the local bodies.²⁹ Among the local government bodies across the country, the DDCs and VDCs located in the Mid and Far Western Development Region have acute development needs, owing to their disadvantaged position with respect to road connections. However, these DDCs and VDCs are still receiving a low level of resources in comparison with others.

²⁶ Nepal, Govinda and Vishwo B. Amatya (2006), Understanding Rural Energy Programme and PR Linkage: An Empirical Study of Nepal, Energy Sector Assistance Programme, Kathmandu.

²⁷ World Bank (2001), "Attacking Poverty: Opportunity, Empowerment and Security", World Development Report, Washington D.C., USA.

²⁸ Kandel, P. R. (2006), Patterns of Local Governance Expenditures in the Context of Rural Poverty Alleviation, Economic Policy Network, Policy Paper No. 22, National Planning Commission and Asian Development Bank, Kathmandu, Nepal.

²⁹ Ibid, 2006.

Most DDCs and VDCs suffer from high administrative costs relative to their limited income. Since all do not have equal revenue generating capacity, some are bound to exceed the specified administrative cost limit (i.e. 25 percent of the total income). This type of situation has minimized the chances for investing in development programmes including local capacity development.

Some agencies such as MLD, Office of the Auditor General, Commission for the Investigation of Abuse of Authority etc. are undertaking oversight functions in the country. However, they have not attempted to regularize transparency of the local government bodies as per the LSGA provisions.

The DDCs and VDCs also lack qualified professionals. For example, at the VDC level, the qualification of a Secretary is either school leaving certificate or intermediate level. However, in terms of functions, this person may need to do the job of an accountant, secretary, politician, technical person and so forth. In most cases, these local staff members are neither adequately trained nor properly exposed to similar work in other areas.

Despite being designed almost a decade ago, the LSGA (1999) has still not been fully implemented. Some provisions in this Act contradict the provisions of sector-specific Acts. For example, the Forest Act (1993) overlaps with the provisions of the LSGA. As a result, it has added confusion in the management of community forests. The LSGA allows local government bodies to claim ownership of all natural resources lying within their jurisdiction. Contrary to this, the Forest Act gives authority to the Community Forestry User Groups (CFUGs) to manage such forests. As a result, the CFUGs do not accept the move of the government towards handing over of the forest to the local government bodies. The local associations and occasional studies have time and again suggested amendments to avoid such overlaps. However, no action has been taken by the Government yet.

Lack of transparency is commonly voiced as an issue in most DDCs and VDCs in the country. Except for the summarized presentation of activities in their respective council meetings, the expenditure details, audit reports and other relevant materials of these entities are hardly shared with the outsiders including the media.

5.7 Initiatives taken for local capacity development and the delivery of services for MDG targets

The National Planning Commission, with support from UNDP, undertook a MDG Needs Assessment in 2006, which established a benchmark of where the country stands in terms of achieving MDG targets. It also provided an estimate of resource gaps as related to the envisaged targets. Following this assessment, a pilot study was carried out in Rupandehi district to identify absorption capacity for the disaggregated national targets. This Rupandehi assessment was useful in identifying linkages between what was expected at the national level and what could be practically absorbed in the district. This assessment also highlighted the fact that capacity development is necessary to meet the sectoral targets contributing to the MDGs. It underlined the need for consistent, coherent and coordinated planning to meet desired outcomes. It stated that the accomplishment of the MDGs is not possible without establishing effective links between programmes implemented at the district level and the targets consolidated at the national level. To make these elements compatible and adequately based on the ground realities, it proposed assessment of MDG status against sector specific targets in all districts. Through such an assessment, the gaps to be filled could be identified with plans for optimum utilization of district's potential.

The Rupandehi assessment indicated that there is a need to sensitize local development partners about MDG activities (i.e. sectoral activities) as most of them do not know how their sectoral targets correspond with the MDGs. Such a sensitization process would contribute to strengthening the commitment of district level functionaries towards their respective sectoral activities. A further suggestion provided for regular monitoring of progress so that necessary adjustments could be made against the deviated targets, if any. The assessment highlighted the need for aligning major sectoral activities along MDG lines. For this purpose, it suggested undertaking the following activities:

- Establishment of a partnership among the public sector, private sector and NGOs to undertake planning, implementation and monitoring of activities related to the MDGs.
- Institutionalization of a database system and progress indicators at the district and sub-district levels.
- Identification of poverty pocket areas (rural and urban) for MDG-focused design of interventions.
- Establishment of medium and long term sectoral priority targets in line with the MDGs.

- Identification of funding sources to be accessed for implementation of the sectoral targets.
- Identification of institutional and policy constraints to overcome factors inhibiting progress.
- Adoption of a collective investment strategy for coordinated contributions from the Government, donors, NGOs and the private sector.

For Rupandehi district, the financial requirements estimated to be necessary for achieving the MDGs was around NRs. 36 billion (approximately US \$554 million).³⁰ Currently, the average annual budget expenditure of Rupandehi district is around NRs. 581 million. According to the needs assessment study, the annual budget requirement for the district would gradually rise over the years and reach a level of NRs. 6 billion by 2015.³¹ This estimate reveals almost a ten-fold increase in the demand of budget compared to the current level. Four funding sources that could contribute to meeting this resource gap are: (i) Government (ii) Donors, (iii) I/NGOs, and (iv) Out-of-pocket expenditure from households. According to the national needs assessment, the following proportionate contribution is expected from these development partners:

Table 3: Anticipated Financing Proportions for the Sectors Related to MDGs

Sector / Sub-Sector	(In Percentage)	
	Government and Donors	Private Sector and NGOs
Poverty and Hunger	80	20
Education	85	15
Health	85	15
Drinking Water and Sanitation	80	20
Rural Transport	90	10
Rural Electrification (Including Solar and Bio-gas)	60	40
Gender Empowerment	80	20

Source: Derived from the National MDG Needs Assessment, NPC 2006.

The district assessment indicates that the implementation capacity of the Government is not so strong. This is one reason for the underutilization of available project resources committed by donors. This situation needs to be reconciled before mobilizing additional resources to attain the MDGs.³² This highlights the need for capacity development.

³⁰ NPC (2007), Three Year Interim Plan (2008 – 2010), National Planning Commission (NPC), Kathmandu.

³¹ NPC (2007), Needs Assessment Study on Attaining Millennium Development Goals in Rupandehi District, National Planning Commission (NPC), Kathmandu. Ibid, 2007

³² Ibid, 2007

Except for some training programmes included in the annual plan of some sectors, still there is no clear cut allocation for capacity development. As the allocation requirements vary according to the nature of the activity to be undertaken within the sector concerned, the allocation estimates cannot simply be generalized (e.g. the capacity development allocation in roads is almost nil as compared to the education, health and gender empowerment sectors). In view of this situation, estimated resource requirement for capacity development should be derived in view of each sectoral need. To make the interventions more cost-effective, it is also important to coordinate the estimates across all sectors of development.

Given that the MDG targets are interlinked with multiple support components, the line ministries need to plan their activities in a composite form emphasizing coordination among the physical, technical, financial and human resource related aspects. This requires implementation of not only training programmes but also establishment of suitable operational procedures, monitoring systems and associated infrastructure.

The Government has been emphasizing crucial developmental roles being entrusted to the DCCs, Municipalities and VDCs at the local level. The current Three-Year Interim Plan (2008 – 2010) maintains this tradition. It highlights the need for integrating support of local service delivery organizations (e.g. NGOs, CBOs and private sector enterprises). It suggests that donor-supported projects should make an attempt to harmonize their activities with these local service delivery organizations to the extent they fit to the plans and programmes related to the local government bodies. Some development programmes operating in such a way include: DFDP / UNCDF, DLGSP / UNDP and Localization of MDGs in District Planning and Monitoring supported by SNV.

Given that Nepal is a post-conflict environment, its development challenges are two-pronged: (a) rehabilitation of destroyed infrastructures (e.g. office buildings, health posts, bridges, roads and institutions), and (b) acceleration of progress in meeting the MDG targets with new initiatives. In this context, both capacity development investments and the process of effectively delivering MDG-related services need to move hand in hand.

Until the 1990s, donors in Nepal endorsed involvement of user committees in the implementation of development programmes. However, their involvement was not backed by any capacity development programmes, which could sustain their

contributions for a longer time.³³ Realizing the need for local capacity development for sustained delivery of services, UNDP in collaboration with the Government then introduced a Decentralization Support Programme in 1992. This programme emphasized development of planning capacity at the local level. This was a significant departure in the context of developing capacity at the local level. The DDC was recognized as a key organization that could facilitate improved planning and implementation. In its next phase in 1995, the programme went further with Participatory District Development Programme (PDDP) and Local Governance Programme (LGP) covering more than 60 districts of the country. A successor project of this intervention is still running in the name of DLGSP.

Like UNDP, the World Bank has also engaged in developing the capacity of the DDCs. It has focused largely on infrastructure development projects. Similarly, other donors like FINIDA, EU and DFID have supported other capacity development activities in partnership with local government bodies. DANIDA provided capacity development support under DASU, which focused on local governance. It covered management training programmes targeted at the local government bodies. Along similar lines, UNICEF supported capacity development for planning under its Decentralized Participatory Child Development Programme (DPCP). All these efforts involve capacity development of local government bodies in line with the MDG targets. Though their interventions were not directly linked to specified MDG targets, they were connected to national and district plans, which were formulated under the MDG framework.

The partnership with DDCs is important in Nepal's development history. It has facilitated the design of need-based plans and the mobilization of resources at the local level. Databases have been developed at the local level to promote informed planning and monitoring of development activities. The DDCs have been equipped with basic infrastructure (e.g. review room, information centre, computers etc.). Such support is even extended to some VDCs (e.g. in Kavrepalanchowk district 40 VDCs were supplied with computers as well as training on records keeping and accounting).

The DDCs have the incentive to maintain technical competence even after the phase-out of donor support. For example, in 66 districts the DLGSP supported employment of Programme Officers and other technical staff. These staff members were assigned project planning, monitoring and report preparation responsibilities. Out of these staff members, the DDCs went on to absorb the Programme Officers under their payroll. Some districts with higher revenue generating capacities (e.g. Jhapa district) have even

³³ NDF (2000), Decentralization in Nepal: Experiences and Prospects, A paper prepared by the donor community in Nepal for purposes of the Nepal Development Forum (NDF), Paris, April 17-19, 2000.

absorbed other staff members introduced by the project (e.g., District Advisor, Executive Secretary, Programme Officer and Social Mobilizer) under their payroll.³⁴ These technical staff members continue to design and implement plans in view of the MDG targets. Their involvement has helped to maintain the momentum of participatory planning at the DDC and VDC levels.³⁵

The capacity development support has made the DDCs more recognizable as a central organization for local development. They are now more frequently seen as a competent organization for setting a suitable local agenda and also for systematically planning needs-based interventions. The involvement of the DDCs has provided local ownership to the development programmes. Through the network of their respective federated bodies (e.g. ADDCN, MUAN and NAVIN), the DDCs, Municipalities and VDCs share local capacity development practices in the spirit of mutual learning.

According to the MDG Progress Report in 2005, Nepal is moving in the right direction on targets such as poverty reduction, universal primary education, access to safe drinking water and reduction of child mortality. However, in the case of gender equality, empowerment of women, improvement of maternal health, combating HIV/AIDS and overcoming diseases like malaria, the country still faces significant challenges.³⁶

5.8 Gender-responsiveness of local capacity development programmes

In Nepal, women are less empowered than men in the development process. Though they represent around 50 percent of the population of the country, their literacy rates and representation in Government positions is less than satisfactory:

Table 4: Indicators of Gender Empowerment

Indicators	Percentage	
	Men	Women
Population	49.6	50.03
Literacy (above 15 years)	62.23	34.6
Ministers	94.45	5.55
Member of Constituent Assembly	66.67	33.33
Government employees	91.45	8.55
Judges	97.96	2.04

³⁴ Poudyal, Lokendra and Chapagain, Yadav (2008), Report on the Strategies for Social Mobilization / Community Empowerment and Exit of Support to the DLGSP, UNCDF / UNDP, Kathmandu, March 2008.

³⁵ Evans, Hugh et al. (2006), Decentralised Local Governance Support Programme Mid-Term Review, UNDP, Kathmandu, 20 August 2006.

³⁶ Spotlight, Kathmandu, 3 November 2006.

Teachers	74	26
Contribution in agriculture production	39.5	60.5

Source: NPC (2002), Tenth Five Year Plan (2002 – 2007), National Planning Commission (NPC), Kathmandu.

In view of the particular challenges faced by women, integration of gender into the local capacity development process has been recognized as important by all sectors of the development community. Accordingly, priority is assigned for addressing gender issues in the Government, donor and CSO supported programmes. The sectoral agencies follow a policy of promoting gender-sensitive investments. In the line agencies, a gender focal point is established. The role of such a focal point is to ensure local capacity development packages for the promotion of livelihoods, safety and security of women's representation.

The Interim Plan of Nepal emphasizes women's empowerment in the context of reducing gender inequality. Although there have been some improvements in women's access to education and health care in recent years, most of these gender related development gains have gone to the women of dominant caste groups and also those living in less remote areas. For meaningful participation to be extended to all women, priority should be given to the involvement of traditionally neglected Dalit women, women from Janajati groups, Muslim women and the women from other marginalized groups. The project planning and implementation role of local government bodies is crucial to the inclusion of women into the development mainstream.³⁷

Nepal has a policy of reserving 33 percent of parliamentary seats for women. There has also been emphasis on adequate representation of women in other administrative structures of the Government. Initiatives for the design of gender sensitive sector policies, strategies and guidelines have been proposed. Attention has been given to gender-disaggregated analysis of budgets allocated to the DDCs. In line with the UN Security Council Resolution No. 1325, women affected by conflict are encouraged to form necessary working groups and contribute to maintain gender balance in development.

Attempts have been made to establish a gender and caste disaggregated database at the DDCs. The LSGA suggests that local level projects implemented by user committees should compulsorily have a representation of at least 30 percent women. In practice, some districts have even maintained up to 50 percent representation of women (e.g. drinking water scheme implemented in Jumla district).

³⁷ UNDP (2007), Common Country Assessment: Nepal, UNDP, Kathmandu.

According to the LSGA, it is mandatory to allocate 20 percent of seats to women in the election of local bodies. It also emphasizes nomination of women at each level of the local government architecture. Around 20 percent of seats are reserved for women in the civil service sector.³⁸ In addition, they are also provided with a quota for educational scholarships. In the budget allocated to different sectors for 2007 / 2008, a spending of around NRs. 20 billion (approximately US \$305 million) was targeted to benefit of women.³⁹

As one of the signatories to the Beijing Platform on Women's Equality, Nepal is attempting to formulate and implement gender mainstreaming programmes and projects. Most of the development programmes and projects prioritize gender responsiveness. Some subject areas covered by donor assisted projects in this respect are illustrated below:

DRAFT

³⁸ Seats are also reserved by ethnicity (e.g. 5 percent seats for Janajatis and 10 percent seats for *Dalits*).

³⁹ Ministry of Finance, Kathmandu, 2007

Table 5: Gender Responsiveness Maintained by Some Development Programmes and Projects

Agency	Project / Programme	Gender Responsive Activities
CARE	Bajura	<ul style="list-style-type: none"> ○ Mothers groups ○ Specific training of women ○ Preference to women in activities ○ Reserved women seats in Community Development Committees
Danida	DASU	<ul style="list-style-type: none"> ○ Training of all women LG leaders ○ Sensitisation of local leaders on gender issues ○ Scholarships to female students
GTZ	UDLE	<ul style="list-style-type: none"> ○ Gender ombudsman appointed ○ Gender sensitivity in mobile advisory teams
SDC	NLS	<ul style="list-style-type: none"> ○ Priority to women candidates for training
SNV	MHDP	<ul style="list-style-type: none"> ○ Sensitisation on gender issues ○ NGO selection based on gender sensitivity ○ Women specific activities planned and implemented through the COs ○ Preference to women in project recruitment
UNCDF	LDF	Selection of districts partly based on low female income and literacy rates.
UNDP	DLGSP	<ul style="list-style-type: none"> ○ Gender orientation to the programme staff ○ Social mobilisation ○ Gender budget audit ○ Women managed COs

Source: 1. ESCAP (2004), Country Reports on Local Government Systems: Nepal, Bangkok.
 2. Evans, Hugh et. al. (2006), Decentralised Local Governance Support Programme Mid-Term Review, UNDP, Kathmandu, 20 August 2006

Social mobilization is one of the capacity development tools used for empowering people at the grassroots level. However, approaches to social mobilization differ. They vary from simple formation of a functional group to the establishment of a long term working group that undertakes multiple functions. One example of such long-term multiple function groups is the Community Organizations (COs) created by DLGSP / UNDP. These COs have been established in 880 VDCs of 66 districts (out of 75 districts in the country). Under this programme, 3,910 persons were trained as Village Experts, of which around 52 percent are women. Of the total CO members, around 48 percent are women. Out of the total number of COs established, 31 percent are led by women.⁴⁰

Maintaining gender balance is a priority for most programmes and projects. For example, in the DLGSP / UNDP interventions, the programme trained Regional Managers, District Development Advisers (DDAs), District Planning Advisers (DPAs)

⁴⁰ Remaining 33 percent are led by men and 36 percent are mixed.

and Focal Persons on gender issues including gender focused budget analysis.⁴¹ Indicators were developed for monitoring the gender budget audit at the DDC level. A draft Gender Budget Audit Guideline was prepared and submitted to the Ministry of Local Development (MLD) for wider application.⁴² This Guideline was developed in consultation with the MLD and Ministry of Women, Children and Social Welfare (MoWCSW).

The Gender Budget Audit Guidelines underscores the need to allocate resources for women's integration into the development mainstream. Accordingly, it emphasizes formulation of development policies and programmes targeted to women's needs and priorities. It reflects the importance of meeting both practical and strategic needs of women and suggests that the implementation of gender-responsive activities should be facilitated with gender sensitive operation systems and procedures within and across the development organizations concerned.⁴³

In the recent years, some improvements have been made in terms of gender focused budgetary allocations. In 2006, the allocation of gender-integrated budget for 33 districts was around NRs. 18 million. This allocation grew to NRs. 53 million when the number of participating institutions increased from 33 to 59 districts in the following year.⁴⁴

As guided by their objective of maintaining gender equality, all sectors of development emphasize gender-balanced approaches in their interventions. However, the effort of translating such emphasis into practice still leaves some rooms for improvement. Adequate capacity should be developed for this purpose at the local level. Most women including DAGs living in the remote areas need to be made aware about the process and opportunities for their meaningful participation.

5.9 Inter-agency coordination for local capacity development

The inter-agency coordination for local capacity development in Nepal is poor. The demarcation of roles in guiding decentralized activities at the local level is not clear. Functionally, the Ministry of Local Development (MLD), as one of the sectoral ministries, is responsible to look after local government activities. However, this Ministry does not have any mandate to demand compliance from other sectoral ministries. Similarly, the National Planning Commission (NPC) is recognized as a local development policy

⁴¹ DLGSP (2007), Progress Report 2007, Kathmandu.

⁴² Submitted recently in March 2008.

⁴³ MLD (2008), Gender Budget Audit Guidelines (2064), Nepali Version, Kathmandu 2064.

⁴⁴ Poudyal, Lokendra and Chapagain, Yadav (2008), Report on the Strategies for Social Mobilization / Community Empowerment and Exit of Support to the DLGSP, UNCDF / UNDP, Kathmandu, March 2008.

recommendation body. However, it has no authority to make other ministries abide by its decisions. In this kind of compliance vacuum, the scope and structure of local capacity development is largely determined according to the agenda of the sectoral agency concerned.

Not all NGOs register their activities with the DDC and VDC, though this is a requirement to be fulfilled according to the provisions of LSGA. Some NGOs even operate under a remote management structure (i.e. without establishing any local office, they collaborate with the local CBOs from their office located in Kathmandu). As a result, occasional overlaps and duplications occur in the implemented activities.

The coordination between the line agencies and the local government bodies is also poor.⁴⁵

5.9.1 Government policies and practices for local capacity development

Theoretically all sectoral agencies emphasize coordination in planning and implementation of local development activities. However, such emphasis is rarely put into practice. Although in theory all stakeholders should be engaged in the design of suitable policies and plans, they are hardly consulted for this purpose. Very often, the activities planned in a consultative manner are limited to those of only a few like-minded organizations when it suits their purpose.

Institutionally, the ADDCN, MuAN and NAVIN provide networking services to their members. However, such networks are not very effective in supporting planning and implementation of local capacity development activities because of resource limitations.

The Government lacks a commonly agreed upon agenda among the development agencies. As a result, the task of ensuring coordination of local capacity development activities across different sectors of development has been difficult. As there is no commonly accepted coordination policy, the decisions made by DDCs and VDCs are often susceptible to the political agendas of local representatives. Consequently, the decision making process lends itself to piecemeal work rather than to building consensus for a given task.⁴⁶ This situation makes the working environment fragile, and prioritization of local capacity development is often uncertain.

⁴⁵ Kandel, P. R. (2006), Patterns of Local Governance Expenditures in the Context of Rural Poverty Alleviation, Economic Policy Network, Policy Paper No. 22, National Planning Commission and Asian Development Bank, Kathmandu, Nepal.

⁴⁶ Failure to re-establish local bodies for a transitional period (i.e. till the newly elected representatives to the local government bodies appear in place) is an example of such complex decision making environment.

Some years ago, the Government made the decision to devolve responsibility for schools, sub-health posts, and agriculture services (i.e. agriculture and livestock) to the local bodies. Accordingly, management of around 724 schools, 960 sub-health posts and all the agriculture and livestock extension services in 75 districts were transferred. The local bodies (i.e. DDCs and VDCs) also perform duties related to rural roads, small irrigation projects, drinking water, schoolteacher management, distribution of senior citizen allowance, preparation of voter list etc. at the local level. The Local Self-Governance Act (1999) has given certain responsibilities to the local bodies. However, the management of some of these responsibilities overlap at different levels (i.e., central, DDC and VDC). Although legally devolved, certain responsibilities are still held by the central line agencies.⁴⁷

National plans emphasize the need to improve service delivery mechanisms for the achievement of MDG targets. However, priorities are often identified by sectoral agencies based on their own needs. As a result, coordination of planned and implemented activities across the sectors of development is difficult.

There is a lack of monitoring of the implemented programmes. As a result, very limited learnings emerge from the implemented programmes for wider replication. This situation has restricted identification of new opportunities to promote greater efficiency.

Nepal has been promoting participatory planning at the local level since formulation of the Decentralization Act in 1982. All setoral agencies including the local government bodies have been required to develop their programmes in a participatory manner since then. In turn, the MLD and NPC have been promoting decentralized participatory planning at the district level, but there are several constraints to institutionalizing the participatory planning process. These constraints include: lack of information at the local level, local targets being set at the central level, inconsistent allocation of resources (demand and supply differences), change of local priorities (lack of adherence to the activities listed in the Periodic Plan)⁴⁸ and weak coordination.

⁴⁷ Kandel, P. R. (2006), Patterns of Local Governance Expenditures in the Context of Rural Poverty Alleviation, Economic Policy Network, Policy Paper No. 22, National Planning Commission and Asian Development Bank, Kathmandu, Nepal.

⁴⁸ Together with the change of political representatives participating in the advisory team, subsequent changes are suggested in the priority activities to be covered by the plan. In doing so, the activities included in the Periodic Plan are ignored. As a result, the Annual Plan hardly resembles with the Periodic Plan.

5.9.2 Donor and civil society support for local capacity development

As the Government cannot achieve the MDGs on its own, Nepal needs support from various donors and civil society organizations. Their role is important in promoting capacity development through the design of suitable strategies, operational guidelines, monitoring systems etc. Therefore, donors are providing support at all levels (macro, meso and micro levels). Such support has significantly contributed to making progress on the MDGs, but continued support is necessary.⁴⁹

The Government received UNDP support to produce its first and second MDG Progress Reports, released in 2002 and 2005. This collaborative effort was not only useful for the Government to be aware of MDG progress, but it was also important for developing the capacity of its staff as well. These reports contributed to establishing baseline information and numerical targets of Nepal's progress over the last decade. They helped to identify challenges and set criteria for development priorities by pointing out issues requiring remedial actions. Unlike the 2002 MDG Report, the 2005 Report was prepared with the participation of a wide range of stakeholders.

UNDP also supported PRSP to analyze sectoral policies as related to the MDGs. Similarly, the MDG Needs Assessments carried out at the national and district level in Rupandehi provided useful information for the Three-Year Interim Plan (2008 – 2010) about the priorities to be set for the achievement of MDG targets.

District MDG Progress Reports were prepared with full participation of local stakeholders in Chitwan, Kanchanpur, Morang, Bhaktapur and Banke districts.⁵⁰ These progress reports became a good source of information for the districts to align their district periodic plans with the MDG targets. At the same time, they served as a guide document for the national government in formulating the Interim Plan (2008 – 2010) from the local development perspective too. As these progress reports were shared with the district stakeholders to stir necessary debates and discussions, they not only enhanced awareness but also contributed to localizing the planning process.

In 2004, a Poverty Monitoring and Analysis System was established at the national level, which is now being extended to the district level by the National Planning Commission. These systems, developed with support of donors including UNDP, contribute to capturing MDG indicators.

⁴⁹ NPC (2005), Nepal: MDG Progress Report 2005, National Planning Commission, Kathmandu.

⁵⁰ The purpose of producing these reports was to localize the MDGs at the district level and also to internalize the thrust of MDGs among concerned stakeholders. These reports were prepared at the helm of the District Development Committees with participation of local government officials, civil society, private sector and the media.

Before formulation of the Interim Plan, UNDP provided services for the review of the Approach Paper for the Plan, and its sector-specific chapters, from the perspective of the MDGs. A background chapter was also drafted on poverty MDGs and human development in line with this Approach Paper as a framework for the sectoral chapters. A capacity mapping exercise was carried out with focus on local level implementation potential.

During formulation of the Interim Plan, UNDP provided technical assistance for developing national and local development strategies, based on the MDGs, aligned with the Plan. This exercise formed a basis for the preparation of a concept document on which subsequent five-year plans would be based.

Efforts are now underway to support updating of the MDG needs assessment and associated costing. Similarly, the design of a financing strategy consistent with the MDGs has also been felt essential. For successful achievement of the MDGs, the identification of capacity development needs is equally important. Likewise, the need for developing the necessary tools to monitor the outcomes of the MDG-based planning is necessary. Furthermore, the design of a framework for localizing the MDGs at the sub-regional level has also been considered essential. UNDP is also planning to assist the Government in integrating the MDGs into the review of the Interim Plan (2008 – 2010) by linking to the Medium-Term Expenditure Framework and Annual Budget.

UNDP provided assistance to train members of the Inter-ministerial Thematic Task Forces formed by the Government to undertake the MDG needs assessment. This training was imparted to the senior and mid-level government staff members engaged in planning and programming at the National Planning Commission, Ministry of Finance, other Sectoral Ministries and the Central Bureau of Statistics.

Preparation of a report, “Voices of the People on Development”, was another activity supported by UNDP. It involved the collection of case studies aimed at helping policy makers and the public at large understand challenges and benefits related to the MDGs. This exercise not only helped stakeholders see the progress of various activities but also contributed to representing voices of the poor, marginalized and excluded people in the planning process. Further, it served as a source of feedback to the Government and other service providers for improvement of their respective interventions.

UNDP also provided forums for explaining MDG concepts and related policy issues to civil servants. This activity also involved exploring possibilities for linking various sectoral activities into local level plans. This activity was undertaken in collaboration with

the Ministry of Local Development, which organized some regional workshops for its Local Development Officers on these subject areas.

In the recent years, the UN system has been emphasizing possibilities for reducing transaction costs by coordinating activities to the extent possible. Accordingly, the UNDAF has been proposing joint programming where possible. As a move in this direction, three health sector related UN agencies signed a code of conduct in October 2005 to ensure implementation of harmonized development programmes.⁵¹ It is believed that such efforts will not only make programmes more cost effective but also enhance both efficiency and effectiveness overall.

In addition to support from donors including UNDP, Civil Society Organizations (CSOs) are also supporting Nepal in its local capacity development attempts. For the first time in the country's history, the Ninth Five Year Plan (1997 – 2002) formally encouraged increased involvement by private sector organizations and CSOs for supporting development activities on the basis of their comparative advantage. In particular, they were recognized as important players in poverty reduction and social development. Since then, encouragement for their increased participation has continued.

Over the years, many NGOs, INGOs, COs and private sector institutions have emerged as important local development actors⁵² in facilitating planning and implementation of sectoral activities. They are engaged in capacity development through social mobilization and also contribute to service delivery right down to the community and household levels, where the state hardly reaches. The role of these CSOs is important in creating awareness about the MDGs, empowering women and monitoring the status of implementation.

The experience regarding most of the CSOs indicates that they are instrumental in raising awareness, developing capacities and also in mobilizing public support for the development tasks to be accomplished. They have proven competence in identifying local needs and facilitating the articulation of bottom-up demands by mobilizing local communities. They also provide a voice to hold the local authorities accountable for the implemented activities. This gives them a critical role in advocating that the MDGs be at the heart of national debates and development priorities. They are not only useful in campaigning for the MDGs but are also effective in monitoring their progress.

⁵¹ Kandel, P. R. (2006), Patterns of Local Governance Expenditures in the Context of Rural Poverty Alleviation, Economic Policy Network, Policy Paper No. 22, National Planning Commission and Asian Development Bank, Kathmandu, Nepal.

⁵² It is estimated that around 150 INGOs and more than 20,000 NGOs are currently operating in the country.

Given their comparative advantage to reach the grassroots, donors and Government also rely on the CSOs for things such as advocacy, campaigning, training and monitoring of MDG-related activities. They contribute to the MDG localization process by promoting consistency between national policies and local needs. They promote the participation of local actors by building alliances. They have the capacity to bring forward community perspectives about the priorities to be set in relation to the MDG targets and necessary policy reforms. As they work at the grassroots level, they have the ability to assess local realities based on authentic information.

Among other things, the CSOs are also a good source of mobilizing resources for local development. For example, in 2005 alone, the INGOs in the country channelled around NRs. 4.01 billion (US \$57.3 million) for the implementation of development activities in the country.⁵³ This amount was mobilized through 126 INGOs. In the years to come, the need for such resource mobilization will increase given the country's priority of effectively implementing the decentralization programme under the LSGA. It is very likely that with decentralization and devolution of local development activities in place, the role of CSOs as service providers for local capacity development will also increase further.

Past experience indicates that CSOs are often selective in their undertakings because of their specialized areas of work, as well as their limited capacity. This means they may focus on one or more of the MDGs. They may confine their activities to poverty and hunger reduction, education, health, and women's empowerment in relation to the MDGs.

Although donors and CSOs have supported Nepal's MDG efforts for some years now, the country still needs to reach the marginalized groups. Accordingly, in recent years, development partners have emphasized an inclusive targeting strategy. This requires that these development partners understand the country's complex social environment. In particular, they must take into consideration the age-old discriminatory barriers imposed on the grounds of gender, caste and ethnicity. As these barriers contribute to high levels of poverty, they are a factor in achieving MDG targets.

In the process of aligning MDGs, the Government has been moving towards localization of the targets at district level. To plan and implement these targets effectively, the capacity of most development actors needs to be enhanced in a changed context. Such effort requires increased contributions from all development partners including the

⁵³ Koirala, B. (2005), Report on Mapping out Donor Assistance in the Perspectives of Millennium Development Goals in Nepal, unpublished report prepared for the National Planning Commission, Kathmandu, Nepal, December 2005.

Government. According to one estimate, the required size of such contribution within the next ten years would be almost double.⁵⁴

VI. POLICY RECOMMENDATIONS AND CONCLUSION

6.1 Policy Recommendations

Nepal needs sustainable capacity development initiatives that are integrated with national plans and priorities and that ultimately contribute to meeting the MDG targets. To acquire technical knowledge and skills in this regard, the role of local government bodies should be enhanced through an adequate enabling environment. For this to happen, the capacity of associated staff members and political representatives should be developed in the areas of planning, resource mobilization, financial management and monitoring. They will also need to acquire knowledge and skills related to good governance, negotiation techniques and reconciliation.

This research has identified some areas of capacity development needs that must be addressed in order to meet national targets and the MDGs. The achievement of such targets will depend on coordinated development efforts taking place in a conducive working environment at all levels. To create and maintain such an environment, peace and political stability will need to prevail in the country, as this allows enforcement of institutional systems and procedures. In view of this, the following policy recommendations have been made:

i. Maintain a balance of demand and supply when assessing local capacity development needs

Most current capacity development efforts are tied up in project activities. Some capacity development targets are identified without a detailed analysis of needs. In order to ensure efficient and effective allocation of resources for capacity development, a comprehensive capacity development needs assessment exercise should be carried out in each district. Such an assessment was carried out by ADDCN in 20 districts in order to develop a capacity development strategy. Similar exercises should be carried out in the remaining districts as well.

The demand for local capacity development is often greater than the available supply. To strike a balance between the two, the needs assessment exercise should cover both technical and financial requirements including an evaluation of potential sources of funding to identify resource limitations.

⁵⁴ Marty Logan (2006), Nepal: Aid Must Double to Even Approach MDGs, IPS, Kathmandu, October 2006.

ii. Disseminate uniform information to all stakeholders

Except for some jointly organized activities of donor supported projects, most of the training and orientation programmes are organized on a piecemeal basis. As a result, the information disseminated to the LDO might differ from that received by the sectoral head because of their participation in different forums. The same may be true between the LDO and political representatives.

For example, the LDO may obtain MDG orientation from MLD circulars, meetings and workshops, while the sectoral heads obtain instructions from his/her respective ministry. This type of uncoordinated knowledge sharing affects both efficiency and effectiveness in terms of meeting development targets. It also reduces possibilities for building synergy in planning and prioritizing the development targets in a consistent manner. To overcome this, it is necessary to train and orient all stakeholders together in view of the functional roles they play in the development process.

Orientation uniformity should also be maintained across all stakeholders, including newly nominated political representatives to the DDC advisory team.

iii. Consider local capacity development as an integral part of development projects

All sectoral activities implemented in the DDCs and VDCs do not necessarily include capacity development components. As a result, efficiency and effectiveness of the various activities is affected. To overcome this issue, it is important that all programmes and projects consider incorporating a capacity development component into their project framework, as relevant.

Some organizations do more local capacity development compared to others (e.g. the training programmes organized by the health and education sectors are more numerous than in other sectors). The relative emphasis on capacity development should be determined on the basis of the nature of the work and also on the basis of prevailing capacity conditions. There should not only be a focus on training but also on other aspects of capacity development such as design of procedural guidelines, equipment support and physical infrastructure development. In this way, capacity development will have a longer-term impact and sustainability.

iv. Avoid legislative hazes concerning operational framework

In Nepal, the local development process is largely guided by the legislative framework provided in the LSGA. However, some provisions in the LSGA overlap or conflict with the legislation in other Acts. This creates difficulties in applying the rules and procedures for local development.

Studies reveal that there are around 15 contradictory overlaps between the LSGA and other Acts. To make implementation of the LSGA clear, it is necessary to amend these contradictory provisions.

v. Promote inclusiveness and enhanced participation

The poor, Dalits, Janajatis, Madhesis and Muslims are identified as major target groups in the Interim Plan (2008 - 2010). This kind of targeting is important from the perspective of meeting the MDGs on poverty reduction and the improvement of health services, education, food security etc. as these groups have been deprived of opportunities to participate in the development process. DDCs and VDCs are challenged to address this issue urgently. The challenge is not only to involve these groups in the development process but also to ensure their *quality* participation in terms of allowing for decision-making on matters affecting their lives.

For the successful inclusion of marginalized groups, there must be a practice of allowing for their direct involvement as representatives of planning and management of development activities. It is equally important for relevant organizations to support this process of inclusion, including local associations (e.g. ADDCN, MUAN and NAVIN) and LDTA. These organizations have been involved in the capacity development work for formulation, implementation and monitoring of policies and programmes to a limited extent. The development partners / support organizations should make use of their services further. With involvement of these permanent organizations, consistency can be maintained in the inputs provided.

vi. Maintain transparency and accountability of the responsibilities undertaken

It is often said that the DDCs, Municipalities and VDCs are less transparent and also less accountable. The same view applies to the NGOs and user groups engaged in the development projects. Given that both transparency and accountability are key elements of a good governance process, the organizations concerned should maintain credibility on these aspects. To ensure this, adoption of public hearing and public auditing systems would be useful. In an effort to address this concern, the ADDCN has prepared a set of guidelines. These guidelines are used in 20 districts and have made the development process more transparent particularly with regard to budget, progress on targeted performance and dissemination of financial information. The application of these guidelines should be extended in the remaining 55 DDCs. To promote the wide sharing of information, an overview of progress and financial reports should also be disseminated through the media.

vii. Acknowledge the role of local government bodies as centres working for MDG targets

Despite the importance of DDCs, Municipalities and VDCs in local development, they have not been fully entrusted as partners in MDG-related sectoral development. They are often seen as organizations simply interested in construction and management of small scale infrastructure development projects. This perception needs to be corrected and the role of local government bodies should be adequately acknowledged. Entrusting them with the responsibility to partner with line agencies would help in the achievement of the MDG targets. This would require some devolution of power as well as a re-orienting of the mindsets of political leaders and staff members.

viii. Strengthen databases for planning, implementation and monitoring

The DDCs have established Information and Documentation Centres. However, not all DDCs are equally capable of managing these centres. They lack trained staff and the ability to update information. As a result, the databases maintained in these DDCs are weak in terms of creating a basis for well informed / analyzed plans and monitoring of implemented activities. Even in cases where the database is relatively better, they may still lack the financial resources to update information and/or staff members trained to competently interact with the information users and respond to their needs

One important task of the Information and Documentation Centre is to develop and maintain VDC profiles related to mapping the poverty situation. This is an important task because all district and village plans need to target the poor and other disadvantaged groups. This requires collection and maintenance of disaggregated data on these target groups (i.e. poor households, disadvantaged caste groups and women).

While some VDCs in the country do have computer access, many do not. In those VDCs with computer access, staff members need training to enhance their skills on various aspects of data collection and analysis.

As information is at the heart of all planning and monitoring, it should receive adequate attention. Therefore, the effort for local capacity development should emphasize maintaining an accurate database in every DDC. Such a database should be based on information collected from the Municipalities and VDCs and should include key variables necessary for planning and monitoring purposes. Furthermore, the databases should also include information on the technical, social and financial transactions of the DDCs.

ix. Determine components of local capacity development in an order of priority

Because of newly articulated political priorities, the need for local capacity development in Nepal is greater than what can be met within the next few years. Therefore, it is important to identify the components of local capacity development that should be a priority.

Some important areas of local capacity development might include: leadership development;⁵⁵ financial management;⁵⁶ human resources management;⁵⁷ programme and project planning and management;⁵⁸ technical support;⁵⁹

⁵⁵ Ability to lead, manage and make decisions; ability to obtain planning, budgeting and resource mobilization and allocation skills; ability to coordinate; and ability to make use of networks.

⁵⁶ Ability to prepare financial plans and budgets; ability to monitor disbursement of funds; skills to mobilise financial resources; ability to develop financial proposals; ability to develop proposals and contact potential donors; ability to lead negotiations; ability to provide maintain audit; and ability to prepare financial reports.

⁵⁷ Ability to assess training needs; ability to train others; ability to assess technical skills; ability to motivate and get commitment from others; ability to maintain transparency in the activities performed; and skills in diagnosing underlying problems.

⁵⁸ Ability to meet project deadlines; ability to maintain coordination; ability to manage the project staff, money, materials and time; ability to complete the project work within the specified budgetary limits; ability to understand strategic intent of the programmes; ability to convince the stakeholders; ability to deal with political leaders; ability to solve conflicts; and ability to maintain consensus over the programme priorities; and ability to attract support of other agencies and donors.

thematic management;⁶⁰ management of assets;⁶¹ mitigation of conflicts;⁶² good governance;⁶³ and integration of cross-cutting issues.⁶⁴ Their selection should be made in view of their harmony with the responsibilities undertaken by the individual or organization concerned.

The capacity development components proposed by the Government are often based on ad-hoc estimates by staff members rather than on the basis of any systematic needs assessment. These components tend to focus on training for project planning, implementation procedures and monitoring. When it comes to projects, the approach is similar to that taken by the Government. That is, capacity development priorities are determined by the project objectives at hand.

Few training programmes have integrated follow up activities. As a result, after completion of the training it is not known whether the inputs of the training were applied in the work or not. This situation not only creates an information gap but also prevents the capacity development suppliers from knowing what approaches are most effective.

Most of the training programmes are set up as single step interventions. They are not ranked as basic or advanced. Therefore, the chances of one participant attending the same type of course several times from different training organizers are high. This situation prevents the participants to graduate from one stage to another.

Considering the points discussed above, it would be useful to prioritize the components of capacity development programmes based on both the responsibilities undertaken by the individual or organization and the incremental knowledge and skills the participants can gain. Therefore, capacity development needs should be assessed before their delivery. This would help to tailor programmes in a cost-effective manner.

⁵⁹ Ability to deal with infrastructure development activities.

⁶⁰ Ability to deal with users groups and various sectoral management committees.

⁶¹ Ability to manage computers and other technical equipment.

⁶² Ability to facilitate negotiations; and ability to create enabling environment for returnees to the villages and their re-integration into the society.

⁶³ Ability to grasp information about ongoing policies and legal framework that guides management of the local government bodies; ability to apply good governance norms such as rule of law, transparency and accountability; ability to promote community-led development; and ability to strengthen the role of local government bodies.

⁶⁴ Ability to integrate gender, human rights, environment and private sector development concepts into the development plans and programmes.

It is also important that implemented training programmes have a follow up provision. Refresher courses should be organized to accommodate changes as necessary. The training standard should be determined by categorizing basic and advanced stages of incremental learning inputs, as needed.

x. Rehabilitate physical infrastructures destroyed during the conflict period

In Nepal, over 50 percent of VDC offices were destroyed during the conflict period, and several DDCs and Municipalities were demolished too. Similarly, many office buildings, schools, health posts, bridges and roads were damaged. These destroyed infrastructures create constraints to effectively undertaking local development activities and rehabilitation is necessary.⁶⁵ Together with the rehabilitation effort, new infrastructures should also be created. In this context, construction of roads in remote areas like Karnali in the Far Western Development Region should be prioritized.

xi. Increase investments for local capacity development initiatives

The breakdown of actual investment made by the Government on local capacity development is not available. As can be estimated on the basis of total allocations made by the Government to local government bodies, the size of funding for this purpose seems very small. According to one study, the Government's allocation to local government bodies is around 5.8 percent of its total national budget. Of this, a significant portion goes to administrative costs, thus leaving very little for capacity development. However, the demand for capacity development in all development sectors is increasing.

⁶⁵ Economic growth is positively related to the stock of infrastructure. Income inequality falls with higher infrastructure quantity and quality (Re: David A. Parker, et al. Infrastructure Regulation and Poverty Reduction in Developing Countries: A Review of the Evidence and a Research Agenda, Institute of Development Policy and Management, University of Manchester and School of Management, Grandfield University, UK, 2006). A Policy Research Working Paper produced by the World Bank highlights significant role of infrastructure in multiplying local development activities. According to its findings, around 53 percent of the infrastructures developed elsewhere have indicated significantly positive effects followed by 42 percent as less significant. For the remaining 5 percent, the effect was observed as negative. Another study of the developing countries shows that almost 100 percent infrastructure development work produces significantly positive effects (Re: Briceno-Garmendia et. al., Infrastructure Services in Developing Countries: Access, Quality, Costs and Policy reform, Policy Research Paper No. 3468, World Bank, Washington DC, 2004). Similarly, another study done in India by International Food Research Institute has revealed that road construction has greatest impact on poverty reduction as compared to other infrastructure developed. For each IRs. 1 million spent for investment in roads, around 165 poor families would be lifted above the poverty line (Re: Fan, Shenggen et. al., Linkages between Government Spending, Growth and Poverty in Rural India, International Food Policy Research Institute, Washington DC, USA, 1999).

There is a need to increase investments in local capacity development initiatives. The amounts disbursed to the Far and Mid-WDR are even less as compared to other areas. Given the particular challenges in these regions, there is a need for them to receive a greater share of overall allocations.

The Government (line ministries including MLD) determines allocation for capacity development based on the investment trend of previous years. For resources to be allocated from the DDC's own revenue, a proposal is forwarded from the LDO to the respective District Sectoral Committees, and is finally approved by the District Development Council. Within these allocations, the share to local level training is often low. This is mainly because the DDCs have a tendency to spend more on the construction of physical infrastructures. However, there are exceptions when funds are tied to specific projects. In that case, capacity development activities correspond to the need and size of the project.

To address capacity development needs at the local level there is a need to transfer more resources. One of the ways to increase such resources would be to enlarge the size of the grants provided by the centre. Another possibility would be to increase local revenues. The third possibility would be to increase the number of and size of the projects.

The level of donor support for capacity development depends on the project. Capacity development is treated as one component of the total project activities. Because this support is project-specific, there is less room for flexible coordination. As these projects are often lumped in sectoral development activities, the contribution to capacity development alone cannot be disaggregated.

In order to increase local revenues, authorities should be granted the mandate to diversify the local tax base and thereby determine tax rates. Since the Government is going to write the new constitution of the country, it would be useful to highlight the important role of the local government bodies in development and specify their potential role in raising local revenues. This would strengthen their legal position.

However, the responsibility for raising local revenues should be accompanied by a process of capacity development, as the DDCs and VDCs do not have adequate capacity to undertake this kind of responsibility at present. They lack trained staff to competently handle the issues of tax prediction, collection and

management. Therefore, developing their capacity is essential before attempting to raise more revenues.

xii. Strengthen link between the District Periodic Plan and Annual Budget

Most of the DDCs are ambitious in formulating their District Periodic Plans. They propose a large number of projects over the five years without considering their potential access to resources and the corresponding absorptive capacities. As a result, most of the proposed projects are little more than a wish list. Although such wish lists make the decision makers / political leaders happy, they cannot be realized due to resource constraints.

As it stands, the resources required for the proposed periodic plan are many-fold higher than what can be met through the annual budgets. This makes the selection of projects under the annual budget difficult. Following from this, lessons should be learned that the gaps between the estimates of District Periodic Plans and Annual Plans should not be made anymore larger. Rather, efforts should be made to identify priorities that the annual budgets can actually meet. To cut down the exaggerated number of projects in the District Periodic Plan, possibilities for implementation should be analyzed in terms of the priorities to be addressed by the project, the absorptive capacity of the agencies concerned, and the potential for mobilizing the required level of resources.

xiii. Develop a comprehensive local capacity development plan for the achievement of MDG targets

The MDG targets have been localized at the national level by estimating their associated costs. Given that the districts need to absorb their respective share of the disaggregated national targets, it is important for them to undertake a needs assessment at the district level. This will help to see how much of the national target they can locally absorb, and then plan local capacity development activities accordingly. Two types of capacity development interventions can be envisaged: (a) systemic capacity building (i.e. building competence on procedural aspects of policy design, planning and implementation), and (b) aspects ensuring achievement of national priorities in line with the long-run MDG targets.

Nepal does not have any long-term capacity development plan for local government bodies. But it would be very useful to have one. Such a plan should take into consideration capacity development needs for the achievement of MDG targets. Some areas of concern for such plan would be: project planning and

management skills including monitoring, fund management, resource mobilization, resource allocation criteria and coordination.

xiv. Establish a system for regular monitoring of implemented activities

The implementation of most activities is hardly monitored. There is no system for tracking expenditures. Irregularities exist in the delivery of services. DDC staff members lack skills to perform the task of monitoring. In the absence of monitoring, correcting deviations is difficult.

The Government has established DIMC to guide and coordinate policies for decentralized development activities. This Committee is chaired by the Prime Minister and can make high level decisions for compliance across the sectors. This should facilitate coordination of the planning, implementation and monitoring processes. However, this Committee has been inactive for some time. There is a need to invigorate the DIMC and subsequently hold meetings to solve the emerging issues.

The DIMC also needs to appoint Working Committees to keep track of programmes and projects being implemented. Article 211 of the LSGA authorizes DDCs to appraise, monitor and evaluate projects at the local level. This provision should be brought into action to effectively institutionalize the monitoring process.

xv. Maintain coordination among different stakeholders

Many development activities planned and implemented by the DDCs, VDCs, donors and NGOs at the local level are hardly coordinated. One of the prime examples of the lack of coordination is within the DDC itself. The projects listed in the District Periodic Plan and the ones proposed for the Annual Plan do not coincide due to the tendency for noncompliance of new political actors and staff members. The lack of coordination is also caused by the frequent transfer of staff as well as by the fact that political representatives who are nominated to the Advisory Committee may be focused on party agendas.⁶⁶ Officials working within the sectoral agencies may also have an attitude of noncompliance.

To avoid wasting the resource invested in identifying the projects for the District Periodic Plan, it is important to encourage all DDCs to make use of this

⁶⁶ After completion of tenure of the locally elected representatives, the Advisory Committee has been formed with nomination of representatives from different political parties.

document⁶⁷ when developing their Annual Plan. In districts where the District Periodic Plan has not yet been prepared, it is important to convince them to make this task a priority. Furthermore, it is also important to persuade the VDCs to prepare such a periodic plan at their (village) level. In all cases, there should be emphasis on maintaining coordination between the periodic and annual plans.

Most of the NGOs run their activities at the local level without being registered with the DDC and VDC concerned. This practice not only increases the risk of duplicating activities but also impacts cost-effectiveness in the delivery of services. Therefore, legal provisions should be made to discourage such planning and implementation practices.

Coordination among the policy making institutions at the centre (NPC, MLD, MOF, MOES, MOH, MOAC etc.) and local government bodies (i.e. DDC, Municipality and VDC) is also weak. This affects the quality of planning, implementation and monitoring of selected thematic programmes and projects (i.e. related to agriculture, health and education sectors).

Decisions made in the district are not consensus friendly. The sectoral agency staff members, DDC staff members and the nominated political representatives have multiple views and interests about the district's development priorities. As a result, the decisions are often fragmented to favor piecemeal projects that make everyone happy but require dividing up the small resource pie into many pieces. To overcome this situation, there is a need to motivate stakeholders to focus on larger impact areas by creating criteria for setting priorities.

xvi. Organize advocacy in favor of effective local capacity development initiatives

Most activities planned and implemented at the local level fall under the MDG umbrella. This is primarily because the national plan is prepared in line with MDG targets. Although the national targets are identified in line with the MDGs, the stakeholders at the local level do not know about the direct MDG links. Making such linkages clear to them requires awareness raising and training.

As these MDG linkages are not uniformly clear to all stakeholders, the pattern of local government expenditure also is not prepared with a proper focus on the MDG targets. To make expenditures more MDG friendly, there is a need to coordinate targeting functions between central and local levels.

⁶⁷ In 59 districts, where it is made.

Despite the important roles specified under the LSGA, local government bodies are often bypassed in making planning and implementation decisions about sectoral projects. This demonstrates the low respect for the role of local government bodies. To remedy this situation, the new constitution should specify the decentralized development role of the local government bodies.

Following the recent political change, the reshaping of the politico-administrative structure is under consideration in Nepal. Such re-structuring should not only be based on political considerations but also on the inclusive development perspective.

The revenue base of local government bodies is not even. Some raise higher revenues, while others cannot because of the poor resource base in the area of their jurisdiction. To maintain a proper balance, the size of the DDCs and VDCs should be re-examined so that each is economically, administratively and politically viable.

It is also true that the local government bodies cannot function well if the central government is weak. Therefore, in addition to strengthening local government bodies, the capacity of the central government (i.e. MLD and related line agencies) should also be developed.

6.2 Conclusion

The interventions for local capacity development in Nepal cover two broad areas: (a) Strengthening systems and procedures, and (b) Ensuring access to resources (human, financial and material) for planning, implementation and monitoring purposes. To strengthen systems and procedures, necessary guidelines, instructions, circulars, accounting software and planning checklists (e.g. 14 rules for planning) should be introduced. Similarly, for to allow for better access to resources, staff members working with the local government and political representatives should be made familiar with emerging issues and opportunities.

Occasional instructions should be provided to maintain consistent understanding about the MDG targets and related needs and issues. Similarly, financial grants should be provided for local development activities. Legal authority should be provided for generating revenues and handling them for the development purposes at the local level. Material support should also be provided for setting up meeting rooms, information centre and other related infrastructure.

Though several efforts have been made, the volume of support seems lower than the actual demand. The demand has increased given the aspirations of the Nepalese people, following the recent political change, for socio-economic transformation. Therefore, the challenge ahead is to develop capacity of local government bodies and maintain inclusive participation (i.e. participation of conflict victims, Dalits, Janajatis, Madhesis and Muslims including women). For their immediate benefits, they should be made eligible to access the peace dividends.

The successful achievement of MDG targets including implementation of the Interim Plan (2008 – 2010) depends on the extent to which an enabling socio-political and economic environment is created by the Government. The local government bodies can play significant role in this respect. Therefore, the effort to develop the capacity of DDCs, Municipalities, Ilakas (administrative units between the district and village) and the VDCs should be a priority. The capacities of the NGO, CBO and private sector organisations should also be developed to facilitate effective local service delivery. There is a need for the donors to harmonise their local development activities. Among other things, maintaining transparency, accountability, and coordination should be followed as a rule of the game in the process of local capacity development.

Needless to say, the process of increasing capacity development necessitates an increased allocation of resources. For this, both domestic and external resources will need to be mobilized.

By coordinating these efforts, cost-effectiveness of development activities will improve. In view of this, the capacity development effort requires combined attempts among local government bodies, Government, donors and NGOs. The need for such a collective effort is high if the Government is to successfully deliver basic services for the establishment of long lasting peace and stability in the country. One of the contributions to this end will be to achieve progress towards the MDG targets. Any delay in their achievement might counteract the rising aspirations of the Nepalese people. If this happens, it might jeopardize the political momentum gained by the country so far.

VII. CASE STUDIES

7.1 Capacity Development for Localization of MDG Targets in the Remote Hills of Karnali

a. In a Nutshell

Jumla is a remote district in the hills of the Karnali region, which is one of the least developed areas in Nepal. The district still does not have access to functional roads. People in some areas must walk for 4 – 5 days to arrive at the road head. Given its disadvantaged position, Jumla has received occasional focus in the media and has been advocated for at the national level in the past. However, such campaigns have tended to garner token and inconsistent support. Exclusion of this kind was one of the root causes of the Maoist insurgency in the country, including in Jumla.

During the conflict period, the DDC office in Jumla was bombed twice. People who were involved in Government and donor supported activities faced serious threats. Development work nearly came to a halt during this period because participation in such activities put people at risk of their lives. As a result, people starved due to poverty. They desperately needed external support but had no access.

Only after the Maoists joined the coalition Government was there a reduction in hostility. This brought Jumla to the centre of discussion again. In turn, development partners including the Government, donors and NGOs started up new development interventions in the region.

b. The Story

To overcome the longstanding poverty in Jumla, the Government budget of FY 2006/2007 included a special employment package for the people in Karnali, including Jumla. It introduced special economic and inclusion opportunities for Dalits and other disadvantaged groups. To give donors a sense of the difficulties and disadvantages faced by people in the region, the National Planning Commission organized a development partners meeting in Jumla in 2008.

Given how important the delivery of basic services is to the poor, most development partners have expressed a desire to support the Karnali region, including Jumla. The Government has also committed additional resources to this remote region to address the prevailing poverty situation. This kind of emphasis has not only opened new opportunities but has also posed challenges in terms of adequate absorption capacity for planning, implementation and monitoring of development activities.

As development partners committed to supporting Nepal, SNV and UNDP, in collaboration with the Government, started implementation of a project focused on upgrading the planning and monitoring processes in relation to MDG targets. The project is entitled "Localization of the MDGs in District Planning and Monitoring". It covers 6 out of 75 districts in Nepal. Over a period of two years, it aims to operationalize the District Poverty Monitoring and Analysis System (DPMAS) with localization of the MDGs into the district plans.

Nepal has undertaken a number of steps to align the Millennium Development Goals with the national planning and implementation process after its endorsement of the Millennium Declaration. The development of the comprehensive Framework for Poverty Monitoring and Analysis Systems (FPMAS) in support of PRSP, MDG Needs Assessment (including identification of resource gaps), and preparation of Progress Reports on MDGs (2002 and 2005) are among the efforts that have been made to put this commitment into practice.

The project has focused on developing capacity of the District Information and Documentation Centre by collecting, compiling and analyzing data related to poverty mapping and preparation of reports. Currently, data is being collected for the preparation of VDC and District profiles. The survey work for the VDC profiles has just been complete and the information processing work is going on.

In line with the DPMAS, the project intends to strengthen the monitoring system. It is believed that this will subsequently guide development interventions in the context of moving towards the achievement of MDG targets.

The project follows a participatory approach with emphasis on the inclusion of disadvantaged groups. A major focus of the project is capacity development for planning, implementation and monitoring of local development activities. In particular, the preparation of plans concentrates on piloting socially inclusive, gender sensitive and MDG integrated aspects at the district level. A pro-poor orientation is also followed for planning. To ensure proper targeting, the preparation of plan should be based on poverty profile analysis. To ensure that interventions are made up of components informed by MDG indicators, the project will track progress, particularly on poverty reduction.

The project has assigned one full time Advisor. He is stationed in Jumla district headquarters and makes frequent field visits. Through the presence of this Advisor, the project is attempting to mobilize financial resources as well as skilled human resources.

Strengthening of the role of District Coordination Committees of Gender and Excluded Groups (Ethnic / Caste) and also the Monitoring Committee has been emphasized. Their targets are integrated into the district plans. It is believed that this kind of harmony will pave the way for the project to establish self-sustaining development activities at the local level in the future.

The project works with the CSOs, local NGOs and sectoral agency offices related to service delivery. These organizations have the responsibility to undertake baseline surveys, periodic assessments of progress, and diagnoses of local planning needs.

The project supported the preparation of Capacity Gap Assessment Tools that are now being used. It has also helped to update DPMAS indicators in line with the MDGs.

While the project has emphasized the need to establish planning and monitoring systems, there has also been an emphasis on aligning these systems with the MDGs and creating linkages between the micro, meso and macro levels, as appropriate.

The project also emphasizes the coordination of activities being undertaken by different stakeholders including donors. It makes an attempt to establish an increased level of understanding and obtain commitments for cooperation from all development partners working in the district.

c. Results and Critical factors

Although operationalizing the MDGs in Jumla is challenging because of the lack of basic infrastructure, SNV and UNDP have partnered for a positive change. MDG-focused technical guidance for planning, training, awareness raising activities, support for data collection and updates, and periodic feedbacks (originated from monitoring of progress) are all necessary. It is believed that this project will be successful in further aligning the MDGs with the district plans in the days to come.

Some critical factors that contributed to this positive change are as follows:

- i. As development partners SNV / UNDP have provided consistent support to Jumla, refusing to cease activities until benefits have been realized.
- ii. The beauty of the SNV / UNDP support lies in the fact that the poor people of Jumla are rewarded despite the difficulties. Having worked in a conflict affected area, SNV / UNDP firmly worked with trust by seeking cooperation of all

stakeholders. Not to let the trust erode, SNV / UNDP always relied on its decisions based on the facts than any other secondary sources.

- iii. Whenever there was misunderstanding among the stakeholders, SNV / UNDP attempted to solve the issue through mutual dialogues with the stakeholder concerned.
- iv. SNV / UNDP was and also is consistently determined to maintain its integrity and commitment to serve the people of the area. This determination in itself is an asset.

To institute a system of empowering stakeholders at the local level, SNV / UNDP has made crucial contribution. By engaging them in systematic planning and implementation process, the project has maintained essential norms of good governance. This is very important aspect for a place like Jumla, which has to be freed from the poverty pressure and exclusion soon at the earliest.

d. Further Information

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7.2 Building Local Development Capacity through Social Mobilization

a. In a Nutshell

Banke district has focused on the capacity development of key stakeholders for local level planning, implementation and monitoring. The district has a relatively large Muslim population (21 percent) compared to others in the country. In Banke district, the population of Adibasis is 16 percent, while that of Janajatis is 12 percent. The population of Dalits is relatively low (3 percent) as compared to the national average of 13 percent.

Out of 75 districts in the country, Banke ranks in 29th position in the development index. From a poverty perspective, it is in 16th position. Likewise, in terms of development infrastructure, the district is in 15th position. In the case of gender empowerment its position is 47th.⁶⁸

In 2008, the district produced a MDG Progress Report with UNDP support. This report reveals that the district might be able to achieve some localized MDG targets by 2015. The targets that are likely to be achieved include poverty reduction, primary education, child mortality, reproductive health and malaria eradication. With respect to targets such as gender empowerment, HIV/AIDS and environment, the possibility of achievement is very unlikely at the current rate of progress. Achieving the other targets, however, will be difficult.

The MDG progress report also finds that the information collection capacity of the district is strong in the primary education sector, while it is moderate for gender empowerment, malaria, tuberculosis and safe drinking water. For the other target areas, the information collection capacity is quite weak.

b. The Story

Banke district has been attempting capacity development under donor supported projects as well as with its own resources. It follows inclusiveness criteria for the allocations. The members of the District Coordination Committee, including political leaders and sectoral representatives, are all supportive, as this is an issue of national concern. Accordingly, priority is put on targeting the inclusion of disadvantaged groups (e.g. Dalits are targeted for livestock development activities and women are targeted for activities to promote empowerment). The Government resources dedicated for activities

⁶⁸ DICIMOD, SNV and CBS, 2003

related to enhance inclusion of women have recently been raised from NRs. 800,000 to NRs. 1.2 million. To incentivize stakeholders to support disadvantaged groups, the DDC has organized special functions to recognize good practices in this regard. Under this program, some district officers, political representatives and development activists have already received certificates of appreciation.

Banke developed a District Periodic Plan five years ago; this Plan has just been completed. During the period of the Plan, the Plan was barely taken into consideration by the planning teams nominated by locally elected political representatives. Therefore, most of the projects named in the Plan were not carried forward into each separate Annual Plan. This disconnect between the Periodic Plan and the Annual Plans occurred not only because of the vested interests of the new political nominees but also due to a lack of vision and inaccurate resource estimates. Another factor contributing to the disconnect was the shifting priorities of the Government given the new political atmosphere of the country.

Lack of resources is a commonly voiced problem for almost all sectors of development in the district. As a large portion of allocations must be set aside for administrative costs, the district cannot spend much of its resources on development programmes.

Banke is one of 66 districts, covered under the DLGSP that promotes a social mobilization approach for capacity development. This approach adheres to four guiding principles: (a) Participation⁶⁹, (b) Collaboration⁷⁰, (c) Partnership⁷¹ and (d) Equity⁷². Through the application of these principles, people in the VDCs are expected to get organized, generate capital (through savings) and learn development management skills (through training).

The social mobilization process provides socio-technical guidance to the people to develop a vision for local development and thereby identify their needs-based priorities. It assists them to prepare and implement plans, mobilize local resources, and implement and monitor development activities. Social mobilization helps to unite people to raise their voices on the rights-based issues. It helps to influence decisions in favour of disadvantaged people as they themselves are the members of the community organizations. It also helps to improve absorption capacity of the development interventions at the local level through both skills enhancement and increased capacity to mobilize resources.

⁶⁹ Both as a means contributing to the development activity and as an end reaching the point where people define and control their own development

⁷⁰ Multi-sectoral development initiatives linked with the government and donor supported activities

⁷¹ With shared recognition of transparency and joint decision-making process

⁷² Being just or impartial with respect to gender, ethnicity and economic classes

Social mobilization is also used in the assessment of local needs and opportunities, thereby promoting a demand driven approach. With the involvement of around 80 percent of the local people in the community organization of each VDC, it also works as a pressure group in the context of demanding needs-based support from development partners. Further, it contributes to undertaking watchdog functions for streamlining the development interventions towards the rights of local people in demanding that good governance be maintained by official duty bearers.

From the perspective of decentralized local governance, social mobilization informs and empowers individuals and groups for articulation of their priority needs and plans. It facilitates channelling of requests through a responsive decision making process. It promotes participation of people through enhanced information and skills. It provides collective power to the people and makes their voices heard for local development.

c. Results and Critical Factors

In Nepal, in most of the DDCs and VDCs where social mobilization has been applied, communities have been effectively organized for local development. The social mobilization process has been useful in systematizing the planning and implementation of development interventions. In view of this, social mobilization has been considered an important local development tool in the past. The Tenth Five Year Plan (2002 - 2007) is a good example of this situation.

The adoption of the social mobilization approach in local development interventions is still a priority under the current Three-year Interim Plan (2008 - 2010). This Plan states that the social mobilization approach should be replicated for the delivery of needs based services at the local level. Considering that there are different models (elaborate and short-cut) and methods of applying social mobilization, the Three-Year Interim Plan (2008-2010) has proposed preparation of an Integrated Social Mobilization Guideline within its timeframe of three years.

Some critical factors which have made the social mobilization process successful in the local capacity development process are as follows:

- i. Ownership of the development process at local level.
- ii. Participation of critical mass at the VDC.
- iii. Local leadership pushing planning and implementation of development programs based on the local needs and priorities.

- iv. Savings and credit as a mortar to keep the group activities intact for a longer period.

Social mobilization has helped a large number of people to organize themselves and also to develop skills for local development. Their capacities have been developed for planning and implementation of development activities in cooperation with the VDCs. This role is very important in light of the present political vacuum, where no locally elected bodies exist. Given that community organizations have a proven track record of working closely with the local government bodies, they are in a good position to act as reliable local development partners. As these organizations are locally emerged and owned by the group of beneficiaries themselves, they can be more transparent, inclusive and accountable than others.

Despite the government's expressed interest in entrusting NGOs with the delivery of services at the local level, NGOs sometimes bypass local government bodies. But if community organizations are involved instead, they cannot bypass their VDC and DDC. Furthermore, community organizations tend to be less affected by political pressures because of they are structured to cover at least 80 percent of the village households. Because of this representation, they have a chance of accommodating almost all party oriented people into a single umbrella and are not biased to the vested interests of only one or two political parties.

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7.3 Support for Local Capacity Development Tied to Conditions

a. In a Nutshell

Kavrepalanchowk district is implementing several capacity development programmes. They are developed based on lessons learned through annual reviews. Plans are developed at the Ilaka level and then compiled at the district level. Though the district is aware of the need for a capacity mapping, it has not been able to carry this out yet. For now, capacity gaps are identified by analyzing trends in the previous years and also on the basis of issues emerging in periodic progress reports, workshops and meetings.

The district has made inclusive targeting a priority. NGOs are instructed to select their target groups accordingly. For these targeted programmes, the DDC makes an additional allocation that is separate from other project allocations. This system encourages participation by disadvantaged groups.

Although development efforts in the district have continued for several years, approximately 17 of 87 VDCs in the district are still poor. These VDCs are located in the remote areas of Kosi Pari (Roshi Belt), Timal and Danda Pari.

b. The Story

Kavrepalanchowk district has carried out poverty mapping and identified development targets accordingly. Emphasis is given to the remote areas. However, around 70 percent of the projects are still implemented in accessible areas. In response to this trend, the DDC has decided to allocate at least 40 percent of projects to the remote areas of Danda Pari and the balance to other areas.

Most implemented activities lack follow-up programmes. All sectors of development (health, education, water etc.) face resource gaps for capacity development at various levels. Their needs differ depending on the respective nature of work to be undertaken.

The DDC, VDC and other office infrastructures were damaged during the conflict. They have not been reconstructed yet. This is partly due to resource limitations.

There is a gap between demand and supply of projects. Out of 1,052 projects demanded by the VDCs, the annual budget could accommodate only 172 projects. In other words, of the total number of demanded projects, only 16 percent could be fulfilled.

The allocation for capacity development is small. Out of NRs. 60 million mobilized in the district from the Government fund in 2007, around NRs. 2.5 million was spent for capacity development. This indicates expenditure of 4.16 percent for capacity development purposes.

Gaps exist between planning and action. Priority has put on the inclusion of Dalits, Janajatis and women but the inclusion criteria has still to be clarified regarding the types of people to be included and the definition of disadvantaged conditions to be considered.

There have also been efforts to strengthen the information system. Forty VDCs were supported with computers and associated training. As a result of this, the DDC has now been receiving printed letters from these VDCs (they were handwritten in the past). They are also able to prepare reports more quickly with the computers. For planning and monitoring support, the DDC has collected and maintained ethnicity-disaggregated data, data on separate sectoral activities, and gender-disaggregated data.

Several NGOs work in the district but they are often not registered with the DDC. Some of them manage their field activities directly from Kathmandu and work locally through the user groups. Sometimes, the DDC becomes aware of their activities when the user groups come to request matching funds from the DDC.

In 2007, NGOs spent around NRs. 40 million in Kavrepalanchowk district. However, most of them did not inform the DDC about their activities. Usually, they signed a MOU with the Social Welfare Council in Kathmandu instead. Some NGOs are an exception to this situation and work closely with the DDC.⁷³ These NGOs mostly belong to the group that works on Government projects.

For planning, an integrated approach is taken. Plans are forwarded through subject matter committees established under the LSGA. The DDC emphasizes transparency, beneficiary participation, accountability and sustainability for planning and implementation of all development activities within its jurisdiction.

The district has also prepared and maintains a roster of technical experts available in the district. Their services are utilized as needed.

The activities planned by the district are linked to the MDG targets in general. However, this is not done consciously at the district level. Rather, it is taken for granted that if the national plan targets are followed, this will automatically lead to the progress on the

⁷³ For example, RIMREC, Shanti Adarsha Sewa Kendra, ARSO Nepal and Nari Chetana Kendra.

MDGs in the district. This assumption is based on the fact that the national plans are always prepared in line with the MDG targets.

The district has prepared an organizational development plan in cooperation with ADDCN. It has been forwarded to the District Council for approval. Some software packages are being used to improve planning and accounting in the district. The DDC is also attempting to install an intranet system to establish communication links with MLD. Occasionally, IT workshops are organized to enhance stakeholders' capacity for using relevant computer software packages.

The district also applies MC/PM. It finds the application of MC/PM useful in terms of creating pressure for criteria-based preparations. It is believed that such pressure ultimately provides incentives for the DDC to maintain standards for block grants.

The MC/PM approach has been applied to 20 DDCs in the country, including Kavrepalanchowk. It is used for disbursement of block grants. It looks to improve performance of the DDCs by linking access to and size of the released grants with their performance. This approach was introduced by Decentralized Financing and Development Programme (DFDP) and aims to enhance the capacity of local governments for planning and managing development activities at the district level.

The performance based budget allocation system of MC/PM makes an assessment of Minimum Condition (MC) for accessing the funds first and then undertakes Performance Measure (PM). This tool is based on indicators specifically designed to assess the district's effectiveness in maintaining basic financial and technical performance standards. This tool has been approved by the MLD and the Local Bodies Fiscal Commission in 2004.

The MC / PM links financial incentives to the technical performance of the local government bodies. This was the first experiment of its kind in Nepal when it was introduced in 2004. Now it is being successfully used as a tool to foster good governance with accountability.

However, this approach must be carefully applied in the selected DDCs. Otherwise, it may penalise poorer districts while rewarding the rich and technically strong districts who are more likely to meet the stated conditions. Therefore, prior to its replication in the poor and less capable districts, a minimum level of capacity must exist. This is an important consideration in guarding against further resource allocation disparities between rich and poor districts.

c. Results and Critical Factors

Various capacity development efforts have helped Kavrepalanchowk district attempt to meet various development targets. Some factors that have contributed to the successful formulation and implementation of development plans in the district are as follows:

- i. Consultative planning process, ensuring participation of key stakeholders.
- ii. Inclusiveness, in line with Government policies.
- iii. Compliance to the LSGA provisions.
- iv. Needs-based capacity development support from donors (e.g. DFDP and UNDP).
- v. Coordination of planned activities facilitated by decision makers.
- vi. Well-organized District Information Centre.

The district emphasizes that plans should be made based on needs and that resource allocations should follow. The poor and remote VDCs should be provided with a larger share of resources than those that face fewer problems.

The district has realized that the bottom-up planning process has helped to ensure that plans are need-based, as well as to develop capacities of the local people. This practice has allowed the beneficiaries to be aware of development plans and of where their contribution is expected.

d. Further Information

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List of Persons Met

Name	Position	Organization
1. Banke District		
Mr. Narahari Baral	Local Development Officer	DDC
Mr. Bishnu Prasad Nepal	Executive Secretary	LDF / DDC
Mr. Dinesh Lamsal	Internal Audit Officer	DDC
Mr. Hemlal Aryal	DFO	District Forest Office
Mr. Dev Bahadur Adhikari	Planning Officer	DDC
Mr. Khadga M. Samjuhang	Monitoring and Evaluation Specialist	MEDEP
Mr. Dhan Bahadur Roreyn	SE	DDC
Mr. Sharad Kumar Paudyal	Programme Officer	DDC
Mr. Thakur Prasad Poudel	AF	DDC
Mr. Keshav Dutta Joshi	Portfolio Coordinator	SNV
Mr. Krishna Bahadur Bhandari	ASTM	DLGSP/ASTO
2. Jumla District		
Mr. Krishna Chandra Ghimire	Local Development Officer	DDC
Dr. Kal Bahadur Rokaya	Director	KASDA
Mr. Anil Prasad Kesari	Senior Divisional Engineer	Water Supply and Sanitation
Mr. Aaita Singh Gurung	Horticulture Development Officer	DADO
Ms. Maya Lohani	WDO	Women Development Office
Mr. Chandra Prasad Regmi	Advisor	SNV
Mr. Chhetra Bahadur Thapa	Programme Officer	DDC
Mr. Tula Raj Chaulagain	Technical Assistant	DEO
Mr. Krishna Bhandari	Information Center Staff	DDC
3. Kathmandu		
Mr. Reshmi Raj Pandey	Under Secretary	MLD
Mr. Subash Chandra Shivakoti	Section Officer	MLD
Mr. Babu Ram Shrestha	Director	LDTA
Mr. Hem Raj Lamichhane	Acting Executive Secretary	ADDCN
Mr. Krishna Prasad Jaisi	Spokesperson	ADDCN
Mr. Rudra Sapkota	Senior Programme Officer	SNV
Mr. Rafeeqe Siddiqui	Programme Officer	UNDP / Nepal
4. Kavrepalanchowk District		
Mr. Binod Prakash Singh	Local Development Officer	DDC
Mr. Ram Chandra Adhikari	Planning Officer	DDC

Mr. Rishi Kant Ghimire	Program Officer	DDC
Mr. Bidur Gautam	Executive Secretary	DDC/LDF
Mr. Prahlad Pyakurel	DDC Staff	DDC
Ms. Sabina Sharma	Programme Officer	DDC
5. Parbat District		
Mr. Mani Kumar Gywali	Local Development Officer	DDC
Mr. Tej Raj Panthi	Planning Officer	DDC
Mr. Lila Dhar Subedi	Executive Secretary	DDC/LDF
Mr. Devi Prasad Paudel	DDC Staff	DDC
Mr. Ram Bahadur Subedi	DDC Staff	DDC

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