

**ENHANCING ACCOUNTABILITY AND TRANSPARENCY
IN LOCAL GOVERNANCE IN NEPAL**

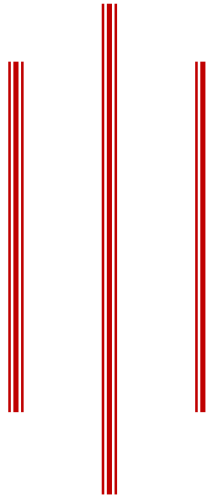
PROGRAM PERFORMANCE REPORT

**Volume I
Main Report**

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PREFACE

The Government of Nepal is committed to the full implementation of the basic principles of democracy and decentralization through adequate devolution of powers to the local governments and active and meaningful participation of the citizen of the country.

This spirit is consistent to the basic norm of democracy in that the citizens have the opportunity to participate in local decision making processes and that elected representatives are held accountable to the citizen. The decentralization of power to locally elected governing bodies is recognized as the principle element in enhancing both citizen's participation and accountability of the government. The process of accountability of leaders to the citizens in a transparent manner is closely connected with the dissemination of accurate, timely and credible information to the general public on local governments.

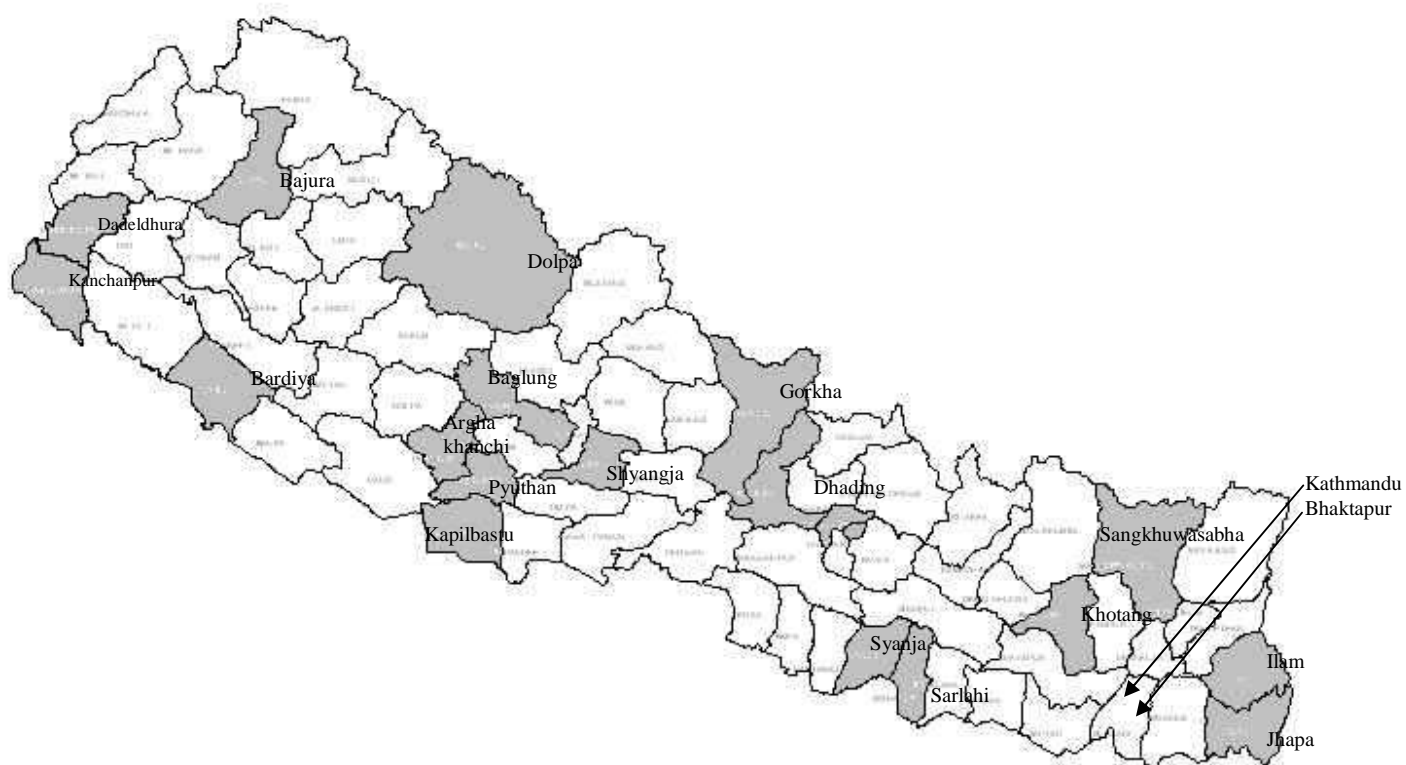
This program performance report is prepared as an overall assessment of the initiatives taken by ADDCN as a step towards democracy and decentralization processes in Nepal. The ADDCN would like to express its sincere thanks to USAID/Nepal for its financial help received during the initiation and implementation of the program. ADDCN is particularly thankful to Mr. Bishnu Adhikari, GDO; and Ms. Christine Smathers, FM of the Agency for this. The study team was supported by several officials from MLD during the implementation phase of the program. The officials included Mr. Ganga Dutta Awasthi, Mr. Bishnu Nath Sharma and Mr. Surya Silwal, Joint Secretaries and Mr. Mahesh Dahal, Under Secretary and Mr. Bishnu Gauli, Section Officer. I would like to express my gratefulness to them.

The Program study and implementation team members worked very hard to accomplish this significant task of national importance. The study team members included Dr. S.B Thakur, Mr. Rudra Sapkota, Mr. Parshuram Upadhyay, Mr. Saroj Nepal, Mr. Nawaraj Koirala and Mr. Raju Shrestha. Dr. Sharad Sharma specifically supported the team in the process of the design and finalization of the program performance report. All the study team members deserve special thanks for their contribution.

Also, the ADDCN program implementation team was enormously benefited through discussion held with the participating population from the CSOs of the selected districts of Kathmandu, Bardia, Kanchanpur, Syanja, Ilam, Dolpa and Mahottari. The inputs derived from learning of their experience were extremely useful in the process of program implementation.

Hem Raj Lamichhane
Executive Secretary General *[Acting]*
ADDCN

Districts of Nepal



Note : Program Districts are filled up..

ABBREVIATIONS

ADDCN	:	Association of District Development Committees of Nepal
A&T	:	Accountability and Transparency
CBO	:	Community-Based Organization
CDS	:	Capacity Development Strategy
CEC	:	Community Enabling Center
CIAA	:	Commission for Investigation of Abuse of Authority
CoC	:	Civil Society Organization
DAG	:	Disadvantaged Group
DASU/ Danida	:	Decentralization Advisory Support Unit Danish International Development Agency
DDC	:	District Development Committee
DIDC	:	Decentralized Information and Documentation Centre
DIMC	:	Decentralization Implementation Monitoring Committee
DIMS	:	District Information Management System
DIP	:	Decentralization Implementation Action Plan
DLA	:	District Line Agency
DLGSP	:	Decentralized Local Governance Support Program
DPMAS	:	District Poverty Monitoring & Assessment System
DPP	:	District Periodic Plan
HLDDC	:	High Level Decentralization Consolidation Committee
IAP	:	Immediate Action Plan
LBFC	:	Local Body Fiscal Commission
LDF	:	Local Development Fund
LG	:	Local Government/Local Bodies
LSGA	:	Local Self-Government Act, 1999
LSGR	:	Local Self-Government Regulation, 2000
MLD	:	Ministry of Local Development
MoF	:	Ministry of Finance
MTEF	:	Mid-Term Expenditure Framework
MuAN	:	Municipal Association of Nepal
NAVIN	:	National Association of Village Development Committees in Nepal
NPC	:	National Planning Commission/HMGN
PHF	:	Public Hearing Forum
PPP	:	Public Private Partnership
PRSP	:	Poverty Reduction Strategy Paper
UG	:	User's Group
UNCDF	:	United Nations Capital Development Fund
USAID	:	United States Agency for International Development
VDC	:	Village Development Committee
WC	:	Working Committee

TABLE OF CONTENTS

VOLUME I: MAIN REPORT

PREFACE

ACRONYMS/ABBREVIATIONS

TABLE OF CONTENTS

LIST OF TABLES

LIST OF APPENDICES

PROGRAM SUMMARY

MAP OF NEPAL SHOWING PROGRAM DISTRICTS

EXECUTIVE SUMMARY

CHAPTER 1: PROGRAM DESCRIPTION

1-10

1.1 Background and This Report

1.2 Program Objectives:

1.3 Expected Outputs

1.4 Program Methodology/Approaches

1.5 Output-wise Project Activities

1.6 Program manpower Inputs

1.7 Program Management, Collaboration and Timeframe

1.8 Program Log-frame Matrix

1.9 Program Completion Report Presentation:

CHAPTER 2 : IDENTIFICATION, REVIEW AND ASSESSMENT OF PRESENT PRACTICES, GAPS AND WEAKNESS IN ACCOUNTABILITY AND TRANSPARENCY

11-15

2.1 Identification of Transparency and Accountability

2.2 A Review

2.3 An Assessment

CHAPTER 3 : PROGRAM INPUTS : REVISED SYSTEM AND TOOLS

16-19

3.1 Activity Planning

3.2 Budgeting

3.3 Preparation of Financial Statement

3.4 Progress Report

3.5 Report Dissemination/Reporting to Central Government and Partners and Civil Society Organizations

CHAPTER 4 : CAPACITY IMPROVEMENT AT THE DISTRICT LEVEL

20-21

4.1 Training of Trainers

4.2 Mobilization of Trainers

4.3 Monitoring and Follow-up

CHAPTER 5 : FEEDBACK SYSTEM

22-23

5.1 Output/Impact Review Workshops

5.2 Pilot Public Audit of Programs and Budget of Selected DDCs

5.3 Implementation and Evaluation of the Project

CHAPTER 6 : MAJOR ACHIEVEMENTS, KEY LESSONS LEARNED AND THE TASK AHEAD 24-27

6.1 Major Achievements

6.2 Lesson Learned

6.3 Replication of the Program Activities/Outcomes

6.4 Tasks Ahead

ANNEXES:

1-44

Annex -1

Annex -2

Annex -3

Annex -4

REFERENCES

VOLUME II: FINANCIAL PERFORMANCE REPORT

(Separate Volume)

LIST OF TABLES

Table 1: *Compliance of Implementation of Key Components and Sub-Components of the Program Concerning Output 1*

Table 2: Key elements of the proposed system and tools

Table3: *Compliance of Implementation of Key Components and Sub-Components of the Program Concerning Output 2*

Table 4: *Compliance of Implementation of Key Components and Sub-Components of the Program Concerning Output 3*

Table 5: *Compliance of Implementation of Key Components and Sub-Components of the Program Concerning Output 4*

Table 6: *Fulfillment of Objectives of the Program reflected in Output Indicators*

LIST OF APPENDICES

Annex- 1: Program Description

Annex- 2: Findings of the Desk Study and Consultations

Annex-3: Key Recommendations of the Field Consultation and Desk Study

Annex-4: Revised Tools to Enhance Accountability and Transparency in Local Governance

PROGRAM SUMMARY

- Country** : Nepal
- Program Title** : Enhancing Accountability and Transparency in Local Government
- MIS Code** : SO7; MAARD Number: - 367-0175-3-30022
- Program Period** : May 2004 to April 31, 2006
- Program Budget** : USAID grant of NPRs. 8,472,182 (Equivalent to \$121,031)
- Cost Sharing Amount:** NPR 311,000 (Equivalent to \$ 4,442, Non-Federal contributed by ADDCN)
- Reporting** : ADDCN to report to the USAID/Nepal on quarterly basis
- Implemented by** : Association of District Development Committees of Nepal [ADDCN]
- Program Goal** : Improve service delivery by local government
- Program Purpose** : Achieving greater degree of accountability and transparency at various levels of Local Governments in Nepal.

Specific Program Objectives:

- : To increase access to information about LG activities for civil society organizations (CBOs) and the general public.
- : To support and assist district line offices and other development partners in improved reporting to LGs about their development programmes, plans, projects and budgets.
- : To identify and develop mechanisms for stakeholders to establish and maintain transparency at the district level.
- : To enhance the capacity of partners in maintaining transparency.

Program Outputs:

- : Present practices, gaps and weaknesses in accountability and transparency in local government reviewed and assessed,
- : Improved systems, methods and tools developed for activity planning, budgeting, financial reporting and progress reports (including procedures for dissemination of this information).
- : Increased capacity of actors at the district level achieved to manage and implement the above systems, methods and tools.
- : Improved monitoring and feedback provided to stakeholders in the districts.

Program Implementation:

The program was to be implemented in three phases:

- (I) Analysis of the current situation and design improved system, methods and tools in consultation with stakeholders
- (II) Capacity Building of the DDCs prior to implementation of new systems, tools, methods and approaches
- (III) Monitor and feedback system

EXECUTIVE SUMMARY

The constitution of the Kingdom of Nepal, and the Local Self Governance Act of 1999 (LSGA) form the legal basis for the development of decentralised local government in Nepal. Furthermore, the Poverty Reduction Strategy/10th Plan and the Decentralisation Implementation Plan (DIP) form the basis of an implementation strategy for decentralisation.

The form of decentralisation envisaged in the legislation is devolved state power to locally elected bodies which are known as District Development Committees (DDCs). At the next level are municipalities in urban areas and Village Development Committees (VDCs) in rural areas. Central government, the local bodies associations and a number of donors support the decentralisation process in Nepal.

Transparency and accountability are critical issues in promoting decentralisation in Nepal. The LSGA contains some structural and procedural provisions with respect to transparency and accountability. In practice, however, there are a number of problems some of which are:

- *Limited information and limited access to information about Local Governments and their affairs (LGs) for the general public.*
- *Limited provision of background information to LG councillors for meetings etc.*
- *Absence of predetermined agendas for LG meetings.*
- *Absence of specific indicator based reporting systems in LG.*
- *Absence of timely and standardised reporting formats by development partners to the LGs.*
- *Absence of detailed budgets and financial reporting for projects for LG.*
- *Outstanding advances and other financial irregularities in LGs.*

In order to improve these conditions it was necessary to amend some parts of the LSGA and practical procedures and tools designed to promote accountable and transparent administration. It was on this basis that ADDCN had proposed this project. The proposal was to focus on issues of accountability and transparency at various levels of local government in Nepal. Specifically, this project was to review existing provisions and practices relating to accountability and transparency, in consultation with all stakeholders, and on the basis of this analysis, practical methods and tools were to be developed for implementation at the district level. The support of the Ministry of Local Development (MLD) was to be sought in this process along with other key partners. The project is also envisaged to include capacity building measures for local bodies to assist them in adopting new measures which were to improve accountability and transparency.

The objectives of the project were:

- *To increase access to information about LG activities for civil society organizations (CBOs) and the general public.*
- *To support and assist district line offices and other development partners in improved reporting to LGs about their development programmes, plans, projects and budgets.*
- *To identify and develop mechanisms for stakeholders to establish and maintain transparency at the district level.*
- *To enhance the capacity of partners in maintaining transparency.*

The project aimed to achieve the following outputs:

- *Present practices, gaps and weaknesses in transparency and accountability in local government reviewed and assessed,*
- *Improved systems, methods and tools developed for activity planning, budgeting, financial reporting and progress reports (including procedures for dissemination of this information).*
- *Increased capacity of actors at the district level achieved to manage and implement the above systems, methods and tools.*
- *Improved monitoring and feedback provided to stakeholders in the districts.*

The program was implemented in three phases. In the first phase, the current situation was analysed and then subsequently improved systems, methods and tools were designed in a process of broad consultation with relevant stakeholders. In the second phase, capacity building practices were carried out

prior to the implementation of new methods and approaches. The third phase was to consist of monitoring and feedback support also utilizing public auditing.

Major activities proposed to attain the outputs were:

- Review existing provisions for activity planning, budgeting, reporting (including financial reporting),
- Arrange district level field visits to some representative LGs, NGOs, CSOs and governmental offices for consultation to identify problems and their causes;
- Design improved systems, methods and tools;
- Organize national consultative workshop with representatives of stakeholders to seek comments and inputs before finalizing the reports;
- Prepare resource materials for training of trainers (ToT) and field training;
- Conduct a ToT in Kathmandu.
- Mobilize trainers and resource persons and conduct a one-day orientation workshop for DDCs/LAs officials and another one-day orientation workshop for selected local NGOs/COs/User groups/media in 20 districts.
- Monitor orientation programmes and prepare a report;
- Provide follow up support for DDCs for smooth implementation;
- Arrange two output/impact review workshops (2 days each) at the end of first and second year of the project.
- Facilitate and support public auditing through CSOs, the media and other stakeholders at the local level;
- Conduct an evaluation of the project at the end of project implementation.

For the successful implementation of the project, a four-member Steering Committee under the chairmanship of the Joint Secretary of Ministry of Local Development (MoLD) consisting of other members from the LG Association (ADDCN, MuAN, and NAVIN) was formed. The committee established and promoted joint monitoring and coordination practices in the program work. The ADDCN appointed a group of four experts to carry out the desk study. With a view to review the existing system and procedures, a field visit programme of experts also organized in 7 districts on regional basis. ADDCN organized a national level consultation workshop to share the key findings of field study. Finally, ADDCN developed the accountability and transparency tools and procedures that were approved by MoLD for implementation.

As per the guidance of the steering committee, the proposed process and activities were carried out. However, due to some unforeseen events during program period such as, continued political agitation, general strikes, road blockade during JANAANDOLAN II (peoples' movement) in April 2006, some events proposed in the program work-plan could not be carried out within the specified time period.

Based on the findings from the policy review and field consultation/observation, policy reform issues were recommended to the Government and the concerned agencies. The program has developed common guidelines/tools and procedures and clear ToR in some of the key areas, such as,

- Public audit,
- Public hearing
- Social audit
- Citizen Charter,
- Code of conduct (CoC) for local government officials,
- Participatory planning and capacity building areas of users' groups
- information management in local governments,
- Financial management at local government

Similarly, the program also introduced some reform initiatives, such as, promoting participatory planning, capacity building of users groups and committees, strengthening financial and information management at local level, etc.

The revised methods, tools and system for accountability and transparency were imparted through training workshops in 19 Districts. The program also initiated to establish a system of public hearing,

public audit, social audit, financial and information management in an improved manner at the district level. With these measures, it is assumed that the LGs would be able to provide services to the people in a transparent and effective manner.

Based on the knowledge and information received from the districts and program experiences, the program achievements included the following.

- Successful piloting of improved accountability and transparency tools and system initiated in 19 districts.
- Twelve persons from different project districts trained/oriented in improved system and tools on T&A as local facilitators,
- Seven Hundred and Sixty persons from various capacities at district level such as representatives from CBOs, CSOs, LAs, Ex-LG representatives were oriented on the tools and system of T&A.
- The government has provided directives to LGs to implement CoC for LG officials. The government has issued effective service delivery guidelines. Through the budget speech of year 2006/07, the government has made public auditing mandatory for the development activities to be carried out by the LG and users group.
- Formation of account and revenue committee has been initiated.
- The MoLD has formulated some of the guidelines/manuals (LG planning and prioritization, LG financial management, project supervision, monitoring and evaluation, Users group formation and capacity building and operation and maintenance) leading to enhance T&A. in LGs.

The following lessons were learned from the project:

- Political stability in the country is very important for ensuring stable and accountable leadership in local governments as well as in bureaucracy;
- Elected representatives are the most important actors in operating local governments effectively;
- There is equal role of all district-level major development stakeholders from various entities to develop and maintain a common understanding of accountability and transparency;
- Accountability and transparency tools cannot be effective at district level until we make DIDC and Internal Auditor Section effective and well equipped.
- CSOs are required to build their capacity to promote rights-based partnership with local governments.

A review of the tools performed under specific objectives and expected outputs level indicated that most of the program objectives were fulfilled with the compliance of the laid out tasks and have generated meaningful results. However, due to the recent Jana Andolan (Peoples' Movement) in April 2006 imposed difficulties to monitoring and follow-up team to accomplish its' tasks.

The tasks ahead to further enhance the accountability and transparency at the local government level can be outlined as,

- The program has reviewed and identified the important provisions to be implemented by local governments, prepared accountability and transparency tools and implemented them in 19 districts. However, the local governments in Nepal, by large, are not yet fully capable of using and implementing the provisions of the LSGA 1999 and other related Acts, regulations, bylaws, manuals and directives in line with the spirit of autonomous local governance.
- It is very essential that the implementation of the revised system and tools be expanded to the remaining 56 districts in very near future as an ongoing process.
- It is also very important that a system of continuous monitoring and follow-up as well as periodic evaluation be established within the ADDCN structure for the meaningful institutionalization of the outcome of this effort at the local governance level.
- As the norms of accountability and transparency are already initiated at the local governance level, it is very important to deepen them in the regular practices of local governments.
- Evaluation of the effects and impacts of the program should be undertaken in near future using the services of external evaluators as per the specified activities (Phase II) of the program.

CHAPTER 1

PROGRAM DESCRIPTION

1.1 Background and This Report

1.1.1 USAID Grant to ADDCN

The USAID/Nepal provided a grant amount of NPR 8.47 (equivalent to \$ 0.121) million to the Association of District Development Committees of Nepal (ADDCN) as support for the program entitled "Enhancing Accountability and transparency in Local Government." The grant was effective from May 5, 2004 and ended in April 30, 2006. It was agreed that the ADDCN provide a counterpart fund of NPR. 0.31 Million for the project implementation. As per Section 'D' of the attachment 'A' of the grant agreement, ADDCN is required to submit final program performance report to the USAID within 90 days following the program completion date. The details of the program is included as attachment B of the agreement signed between ADDCN and USAID (Annex 1 of this report).

This 'Program Performance Report' highlights major tasks accomplished under various components of the project by the ADDCN under the agreement made to the USAID. Chiefly, the program activities and expected outputs are focussed in assessing the compliance of the project designed activities.

1.1.2 Democracy, Decentralization and Local Governance in Nepal

The constitution of Nepal (1990) stipulated 'decentralization' as one of the directive principles of the state. Article 25 (4) of the constitution states: *"...it shall be the chief responsibility of the state to maintain conditions suitable to the enjoyment of the fruits of democracy through wider participation of the people in the governance of the country and by means of decentralization"*. Article 46 of the constitution required the formation of a National Assembly (Upper House of the Parliament) and stated that 15 members, three from each development region, be elected in accordance with the law by an electoral college consisting of the Chief and Deputy Chief of Village Development Committees, Town Level Local Bodies and Chief and Deputy Chief of District Level Local Bodies (LBs). Other provisions pertaining to Local Government are interlinked with the mandate of the Election Commission. Article 104, Clause 1 read: *"The Election Commission shall, subject to the provision of this constitution and laws, conduct, supervise direct and control the elections of Parliament and Local Bodies at Village, Town and District Level"*. The Local Self-Governance Act (LSGA) enacted in 1999 provided for the direct election of five persons, including one woman at the ward level, in VDCs and municipalities.

The LSGA provided a basic legal framework for decentralization and local government in Nepal. To a large extent the Act embraced the subsidiary principle of bringing decision making as close as possible to the people and ensuring equity in the provision of goods and services, both between districts and between different groups of people themselves. The Act embraced six major principles:

- 1) The devolution of power to the Local Governments (LGs);
- 2) The establishment of institutional mechanisms for the smooth functioning of the various levels of government;
- 3) The granting of authority to LGs to mobilize financial resources under their jurisdiction;

- 4) The development democratic processes and transparent and accountable political behavior which seeks to involve people's active participation;
- 5) The development of effective mechanisms to make LGs accountable to their constituents in order to develop local leadership;
- 6) The involvement of the private sector in public service delivery.

These principles and policies, embodied in LSGA, emphasized the need and importance of good governance at the local level and for mechanisms to support this process.

In recent years, the international community has accepted that decentralized local government can play two important development roles. Firstly, it builds local democracy and promotes the governance agenda. Secondly, local government can be an effective as well as the efficient means for delivering services and thus ultimately a vehicle to contribute towards poverty reduction.

The comparative advantage of local government in relation to service delivery can be summarized as such:

- Decisions in involving public expenditure and the provision of services that are made at the local level by local governments are likely to be more responsive and accurate in terms of demand and needs identification than those made by a remote central government.
- Achieving efficiency and effectiveness in the allocation of resources requires a high level of contact and participation between the supplier and receiver of services. This again is far more likely to be achieved by local level authorities than remoter central institutions.

A key determinant for achieving the above aims is a high degree of people's participation. Local leaders can only reflect local needs if channels exist which allow people to participate and contribute. Again whether people participate in decision making is very much linked to the quality of leadership of local politicians. If leaders are transparent and accountable in their dealings with their constituents and embody a genuine concern for social welfare, then the likelihood of people actively participating is greatly enhanced. Thus accountability and transparency are closely associated with the concept of people's participation in local government, and as such, the issue of accountability and transparency is a crucial ingredient to achieving effective local government.

1.1.3 Local Government as Planning, Coordination and Monitoring Organization

Local governments in Nepal are responsible for planning, coordinating and monitoring development projects and activities carried out in their geographical area by all agents be they line agencies, NGOs, donors or the DDCs own programs. There are often a large number of development partners within each district. The central government implements its programs through sectoral ministries/departments and district level offices. Likewise, NGOs, and donors also implement various projects directly at the local level. At the community level, many community based organizations (CBOs) also implement local development activities.

Regarding financial resources, LGs mobilize two sources, 1) external grants and, 2) internal revenues. Most of the external grants are received from central government in the form of block grants, which are either conditional or unconditional. LGs do not have direct control over the resources of line agencies although annual plans and budgets of line agencies have to be approved by LG councils. Although the LSGA has made provisions that mandate the DDC to coordinate NGO and donor programmes at local level, in reality most programmes are not coordinated.

LG strengthening and capacity building is a major area of support for donors and typically covers such areas as: information management, financial management and reporting and generic improvements in administration and planning. Similarly, the promotion of civil society organizations as a delivery mechanism for donor supported projects is a preferred implementation modality. However, in general there has not yet been a holistic approach to improving accountability and transparency at the local level.

1.1.4 Inter-organizational Relations and Transparency:

The LSGA provided for the creation of various committees and sub-committees within the DDC. The Act, Regulations and bye-laws describe the functions of such committees among which are:

- Subject wise Plan Formulation Committees
- Integrated Plan Formulation Committee
- Audit Committee
- Supervision and Monitoring Committees

In addition, depending upon need, the DDC can form other thematic committees. In many DDCs, the question of the effectiveness of these committees has arisen. A major problem is that DDCs often do not have the capacity or human resources with which to effectively manage these types of specialist committees.

1.1.5 Civil Society and Accountability:

The promotion and strengthening of civil society organizations (CSOs) to participate and interact with LGs is an important mechanism for promoting and maintaining accountability and transparency in LGs. Despite provisions in the LSGA, most of the LGs have not been able to develop cooperation with CSOs. In many cases, CSOs act as delivery agents for certain projects which does involve some involvement of both CSOs and LGs in decision-making processes. However, it is rare to find uniform and standardized procedures for formalizing cooperation. In reality, contact between CSOs and LGs is typified by ad hoc arrangements which give some cause for concern. The role of CSOs as LG watchdogs is also very limited. Additionally, although information centers do exist in many DDCs, there is no specific mechanism for disseminating information about LG projects, budgets or progress reports to the public at large. This also applies to line agencies as well.

Despite the provisions outlined above for achieving LG accountability and transparency, the public and central government have noted many irregularities. A major problem area is the practice of providing advances and other forms of financial irregularity. These practices remain widespread and hinder the implementation of the decentralization reform process in Nepal. It was therefore, considered an appropriate and opportune moment to review and assess shortcomings in LG accountability and transparency and design appropriate revised system tools to enhance the level of accountability and transparency for the local governance in Nepal.

1.2 Program Objectives:

The program aimed to improve in service delivery by local government in Nepal through achieving greater accountability and transparency at various levels of local governments.

1.2.1 Specific Objectives: The specific objectives of the Program were as follows;

- 1 Increased access to information for civil society organizations and the general public about the activities of LGs and their staff,
- 2 Improved mechanisms for district line offices and other local partners for reporting on their programs, plans, projects and budgets to respective LGs and line departments.
- 3 Identification of the role that different stakeholders and citizens could play for improving transparency at the district level in both LG and line agencies
- 4 Enhanced capacity of development partners in maintaining transparency at local level.

1.2.2 Objective Indicators: to assess progress, the program designed the following two indicators:

- Improved methods, tools and systems in place and functioning in all DDCs within three years.
- Full and complete information about LG programs and budgets made available to citizens and CSOs by LG.

1.3 Expected Outputs

The program was to achieve the following expected outputs:

- 1 Present practices, gaps and weaknesses in accountability and transparency in local governance identified, reviewed and assessed,
- 2 A revised system (established procedures, methods and tools for planning, budgeting, preparing financial statements and progress reports and their dissemination and reporting to central government, partners and civil society organizations) to be developed,
- 3 The capacity (knowledge and skill) of actors at district level with regard to implementing the revised system for timely disseminating and reporting improved,
- 4 Feedback and monitoring systems for effective implementation to be established.

Output Indicators

1. Based on stakeholders' consultation and analysis, a report on present provisions, indicators, methods, tools and systems (approved procedures), and practices in sample LGs and their shortcomings produced within two months.
2. Appropriate and simple systems, methods and tools for monitoring LG performance to be accessible and user friendly for functionally literate citizens.
3. Orientation of new procedures for enhanced accountability and transparency provided to 20 DDC secretariats, District Line Offices and other stakeholders and NGOs/COs/User groups in those districts within 21 months period.
4. Suggestions and recommendations provided to DDCs and other stakeholders for the implementation of the new procedures based on field observations from sample districts and monitoring reports.
5. Public audit report verifying approved programs and budgets documented and shared among major stakeholders.

1.4 Program Methodology/Approaches

1.4.1 Program Physical Coverage and Phases

The program was to cover all 75 districts in different stages. However, in the first stage the program was to cover only 20 districts. At the beginning, the project was to conduct a desk study and consult at both the field and central level in order to design procedures and tools. The project was to commission a task force from among major stakeholders to design the tools, methods and systems for improved accountability and transparency in LGs. For field consultations, the project team was to visit six representative districts, eight VDCs, four municipalities and other CSOs for a detailed review of issues. For the consultation with LGs, Ilam, Dhanusha, Kaski, Bardia, Jumla and Doti were selected considering all development and ecological regions and representing resourceful and resource poor districts. The program was divided into three phases. Likewise, for the implementation of project 20 districts; Jhapa, Ilam, Sankhuwasabha and Okhaldhunga from Eastern Development Region, Dhanusha, Sarlahi, Bhaktapur, Kavrepalanchowk, and Dhading from Central Development Region, Kaski, Baglung, Kapilbastu, Argakhanchi, Gorakha from Western Development Region, Bardia, Jumla and Surkhet from Mid-western Development Region and Doti, Baitadi and Kanchanpur from Far Western Development Region were selected. However, due to the problem of accessibility some of the districts were changed for field visit in close consultation with the USAID/Nepal¹.

Phase I: In this phase, desk studies and consultation at the centre and in the field were to be conducted to establish present procedures, methods and tools relating to transparency. Based on these studies, reviews and consultations, a status report reflecting gaps in existing procedures and practices was to be prepared. After completion of the status report, ADDCN was to focus on identifying indicators and designing draft systems, methods and tools for improved accountability and transparency. The program was to arrange a stakeholders' consultation workshop to share the draft report and to finalize the tools prior to implementation of the revised system and the tools to enhance the accountability and transparency at the local governance level.

Phase II: In this phase implementation of the systems were to be initiated in the selected districts.

Phase III: In the third phase, implementation the program was to continue in the remaining districts and at the same time, the program was to assess and improve tools and methods based on results for the pilot districts. The program was to support CSOs to conduct public audits utilizing local stakeholders on a pilot basis. In addition, the program was to evaluate the impact of the project utilizing external experts towards the end of the program. A joint team from USAID, MLD and ADDCN was to prepare a detailed schedule of the sub-activities when the conceptual aspects agreed upon.

¹ The districts replaced for Ilam, Jhapa, Sankhuwashava, Khotang, Mahottari, Sarlahi, Kathmandu, Bhaktapur, Dhading, Gorkha, Baglung, Kapilbastu, Syanja, Arghakhanchi, Pyuthan, Dolpa, Bardia, Kanchanpur, Dadeldhura, Bajura were respectively as per the decision of the program steering committee with the consent of the USAID/Nepal.

1.5 Expected Output and Program Activities

In order to achieve the expected outputs, the program designed a set of following activities:

Output 1: Current practices, gaps and weaknesses in accountability and transparency in local governance identified, reviewed and assessed:

- Form a study team to carry out the program.
- Conduct desk study to review existing provisions on activity planning, budgeting, and reporting (progress and financial statements) to central government, LG Councils, Civil Society Organizations and among local partners;
- Visit representative LGs, NGOs, COs and government offices for consultation to identify gaps and problems in relation to transparency and establish reasons for their causes.

Output 2: Revised systems, methods and tools for activity planning, budgeting, preparation of financial statements and progress reports and their dissemination as well as reporting to central government, partners and civil society organizations provided:

- Consult MLD and other national government and non-governmental organizations, LG Associations and other stakeholders for designing appropriate tools, methods and systems.
- Design draft system and identify methods and tools for improved accountability and transparency at the local level;
- Organize a national consultative workshop with stakeholders and seek comments and inputs for finalizing the new systems, methods and tools.

Output 3: Capacity (Knowledge and skill) of actors at district level improved (with regard to the revised systems, methods and tools for timely disseminating and reporting).

- Prepare resource materials for ToT and field training.
- Select 12 trainers for ToT.
- Conduct a two day' ToT in Kathmandu.
- Arrange logistics for conducting systematic orientation.
- Mobilize trainers and arrange one-day orientation workshops for DDCs/LAs and NGOs/COs/User groups in 20 districts.
- Monitor orientation program and prepare brief reports,
- Follow up and support DDCs for smooth implementation

Output 4: Feedback skills and systems for effective implementation provided.

- Conduct two output/impact review workshops (2 days each) at the end of first and second year of the program.
- Provide support for conducting pilot public audits of programs and budgets of DDCs with the involvement of Civil Societies, Media and other local Stakeholders in 4 districts (Project will select districts later on).
- Conduct an evaluation of the project at the end of its implementation.

1.6 Project Inputs

In order to accomplish the tasks, the following inputs were proposed for the project activities

Human Resources

- Project Coordinator: 6 MM
- LG Institutional /Governance Expert: 85 MD
- Legal Expert: 20 MD
- LG Finance Expert: 85 MD
- National /Review Workshop Facilitators: 12 MD
- Admin/Finance Officer: 6 MM
- Computer Operator: 21 MM
- Field coordinator: 21 MM
- Research Officer: 30 MD
- Master Trainer (MT) for ToT: 5 MD
- Associate Trainer: 5 MD
- Resource Persons for field events (experts): 80 MD and
- Field Trainers/Facilitators: 160 MD

1.7 Project Management, Collaboration and Timeframe

1.7.1 Project Responsibility:

ADDCN was to be responsible for the overall management and implementation of the project. The Executive Secretary General was to coordinate the project. A task force composed of representatives from the Ministry of Local Development, ADDCN, the Municipality Association of Nepal (MuAN), and the National Association of Village Development Committees (Nepal) [NAVIN] was to be constituted in order to provide technical guidance. During the project period, other stakeholders such as the Commission for Investigation of Abuse of Authority (CIAA), the Office of the Auditor General, the Office of the Financial Comptroller, the National Planning Commission, the Ministry of Finance (and other sectoral ministries) as well as the Local Bodies Fiscal Commission (LBFC) was to be consulted. ADDCN was to seek cooperation from these and other partners for the effective implementation of the program.

1.7.2 Monitoring and Evaluation

Two types of monitoring were designed. ADDCN was to form a monitoring team to oversee the implementation of the project in the districts. Emphasis was given to monitoring the ownership of the new accountability and transparency system by stakeholders. Additionally the training inputs were to be monitored separately. Impact monitoring was to be carried out in consultation with DDCs and MLD. Two national workshops were to be held to evaluate the effectiveness of the program and provide feedback to respective organizations. The program task force was also to be mobilized in the monitoring and evaluation of the project as well.

1.7.3 Reporting

ADDCN was to provide progress reports to USAID and the taskforce on a quarterly basis. A copy of these reports was also to be provided to MLD on a regular basis.

1.7.4 Program Timeframe

Total time designed for the completion of the project was three years from the commencement of activities. A tentative project schedule provided as the following. Impact evaluation of the project was also recommended upon the completion of activities. A more detailed activity schedule was to be determined in consultation with USAID and MLD.

Project Schedule²

Main Activities	Year 1				Year 2				Year 3			
	1	2	3	4	1	2	3	4	1	2	3	4
Prepare status report (Desk review, Consultation at center and Field).	■											
Design and finalize (consultations, desk study, workshop), the system, method and tools.		■	■									
Preparation for implementation (resource package, formats, ToT, monitoring tools, logistic management).			■	■								
Orientation workshops, providing support to districts, monitoring of implementation				■	■							
Review of outputs/effects (hold national workshops with stakeholders, compilation and analysis of monitoring reports).					■	■						
Public Audits in four pilot districts					■							
Final evaluation of project*							■					
Implementation of Second Stage in remaining 55 district							■	■	■	■	■	■

² Slight changes were made in the program schedule in the timing of activities with the consent of the USAID. As per the changed schedule, the program started in May 2004 for the period of 21 months from project inception.

1.8 Project Log frame Matrix

Narrative Summary	Objectively verifiable indicators	Means of verification	Assumptions and risks
Development Objective Service delivery by local government in Nepal improved.		–	–
Immediate Objective Greater accountability and transparency at the various levels of local government in Nepal achieved.	<ul style="list-style-type: none"> ▪ Improved methods, tools and systems are in place in all DDCs within three years. ▪ Accessibility of citizens, civil society and media to LG program and budget provided in LGs. 	DDC annual reports, DIRC Visitors list, Municipality Reports, Sample survey reports.	Commitment of HMG and political parties on good governance enhanced.
Outputs 1. Present practices, gaps and weaknesses in accountability and transparency in local governance identified, reviewed and assessed; 2. Revised systems, methods and tools in activity planning, budgeting, financial statement and progress reports and their dissemination and reporting to central government, partners and civil society organizations provided; 3. Capacity (Knowledge and skill) of actors at district level with regard to revised systems, methods and tools for timely disseminating and reporting improved. 4. Feedback skills and systems for effective implementation provided.	<ol style="list-style-type: none"> 1 Based on stakeholders' consultation and analysis, a report on present provisions, indicators, methods, tools and systems (approved procedures), and practices in sample LGs and their shortcomings produced within two months. 2 Appropriate and simple systems, methods and tools for monitoring LG performance are accessible and user friendly for functionally literate citizens. 3 Orientation of new procedures for enhanced accountability and transparency provided to 20 DDC secretariats, District Line Offices and other stakeholders and NGOs/COs/User groups in those districts in 21 months. 4 Suggestions and recommendations provided to DDCs and other stakeholders for the implementation of the new procedures. (These will be based on the field observation from the sample districts, and monitoring reports). 5 Public audit report verifying approved programme and budget documented and shared among major stakeholders 	Project Report And proceedings Project report. Project reports, proceedings. ADDCN Reports.	HMG implements revised and new system, method and tools. Conflict situation of the country does not deteriorate.
Activities 1.1 Form a study team to carry out project. 1.2 Conduct desk study to review existing provisions on activity planning, budgeting, and tools of reporting of progress and financial statements to central	Human Resources: Project Coordinator: 6 MM LG Institutional /Governance Expert: 85MD Legal Expert: 20MD		

Narrative Summary	Objectively verifiable indicators	Means of verification	Assumptions and risks
<p>government, LG Councils, Civil Society Organizations and among local partners;</p> <p>1.3 Visit representative LGs, NGOs, COs and government offices for consultation to identify gaps and problems of transparency and their causes</p> <p>2.1 Consult MLD and other various national governmental and non-governmental organizations, LG Associations and other stakeholders for designing appropriate tools, methods and system.</p> <p>2.2 Design draft system, method and tools for improved accountability and transparency at local level Organize national consultative workshop with representatives of stakeholders to seek comments and inputs and finalize the reports.</p> <p>3.1 Prepare resource materials for ToT and field training</p> <p>3.2 Select 12 trainers for ToT.</p> <p>3.3 Conduct a three day' ToT in Kathmandu.</p> <p>3.4 Arrange logistics for conducting phase-wise orientation activity.</p> <p>3.5 Mobilize trainers and arrange one-day each orientation workshops to DDC/LA officials and NGOs/User groups in all districts.</p> <p>3.6 Monitor orientation program and prepare brief reports,</p> <p>3.7 Follow up and support DDCs and line agencies to disseminate publish their program and budget for smooth implementations,</p> <p>4.1 Conduct two output/effect review workshops (Two days each) at the end of first and second year of project. Provide support to conduct pilot public audit of program and budget of DDCs with the involvement of Civil Societies, Media and other local Stakeholders in 4 districts. Conduct an evaluation of the project at the end of project.</p>	<p>LG Finance Expert: 85MD National /Review Workshop Facilitators: 12MD Admin/Finance Officer: 6MM Computer Operator: 21MM Field coordinator: 21MM Research Officer: 30MD Master Trainer (MT) for ToT: 5MD Associate Trainer :5MD</p> <p>Resource Persons for field events (experts): 80MD Field Trainers/Facilitators: 160MD</p> <p>Time: 21 months.</p>		

1.9 Program Completion Report Presentation:

The report is presented in an executive summary and six chapters. In the first chapter, project description with details on project objectives, methodology and project approaches and expected outputs are presented. The second chapter highlights on the identification, review and assessment of the accountability and transparency in local governance and is linked to expected output 1. The program inputs in the form of revised system and tools based on the desk research and field consultation (output 1) are presented in the chapter 3 followed by detailed analysis and assessment of project inputs in chapter 4. Chapter 5 of the report presents the feedback system of the program followed by the summary of the major achievements, lesson learned, replication of project activities and the task ahead in chapter six.

CHAPTER 2

IDENTIFICATION, REVIEW AND ASSESSMENT OF PRESENT PRACTICES, GAPS AND WEAKNESS IN ACCOUNTABILITY AND TRANSPARENCY IN LOCAL GOVERNANCE

2.1 Identification, Review and Assessment of Accountability and transparency in Local Governance

Accountability and transparency are considered as key pillars for democratization process, which demands for active participation and surveillance from civil societies for its effective implementation. In Nepal, after the promulgation of the LSGA in 1999, the role of LGs and civil societies is envisaged to promote accountability and transparency.

The LSGA, the Tenth Plan, governance reform agenda and other policy documents have frequently incorporated promotional provisions for accountability and transparency. Despite these, the implementation of those systems, tools and techniques has remained poor at the local governance level.

The Maoist insurgency for over a decade and other socio-political challenges also lowered people's participation in local development and decision making process in Nepal. Also for the development partners, key stakeholders and common people, the decisions of the government in July 2002 to operate local government from the appointed and nominated persons had deteriorated the accountability and transparency situation at local government level. This seriously hampered the overall decentralization and democratization process in the country. The role of civil society organizations (CSOs) in promoting accountability and transparency at local level remained weak as they did not enjoy adequate rights-based and legitimate space in the governance process.

One of the most important objectives of the Association of District Development Committees of Nepal (ADDCN) is to provide timely services to the members in the area of capacity development with a view to enhance an accountable and transparent local government. ADDCN believes that the principle of subsidiary and functional local government as the main thrust of democratic practices in Nepal cannot be achieved unless the local governments are capacitated, more decentralized and equipped with new system, procedures and tools for enhancing accountability and transparency.

In this context, the ADDCN is mandated by the Decentralization Implementation Plan (DIP) of the government to prepare accountability and transparency tools and stipulate adequate orientation at local government level. In this process, the ADDCN carried out 'Enhancing Accountability and transparency in Local Governance with financial support of USAID.

2.2 Formation of Project Steering Committee

Due to some of the unforeseen events during program implementation period such as, continued political agitation; by the seven political parties, general strikes called by CPN Maoist and the roads blockade and peoples' movement which took place in April 2006, some of the events proposed in the program work-plan could not be carried out. However, most of the activities such as, assessing gaps and lacunas for enhancing accountability and transparency,

designing reform tools and carrying out orientation programs were undertaken within the proposed time-frame.

The overall methodology to accomplish the program were as follows,

However, for the successful implementation of the project, a four-member Steering Committee under the convener-ship of the Joint Secretary of Ministry of Local Development (MLD) consisting of other members from the LG Associations (ADDCN, MuAN, NAVIN) was formed. The committee was also to establish and promote joint monitoring and coordination practices in the project implementation.

2.3 Task Force Team for Study and Revision of Existing LG practices in T&A³

To identify the gaps and lacunas in promoting T&A practices in the LGs and to design tools and to carry out ToT/orientation programs, a team of four sectoral experts as the task force team was formed. To understand macro-meso and micro-level situations, the team reviewed and studied secondary data, including government policies, legislative and regulatory provisions, the government's directives and other relevant documents. MoLD designated the Local Development Officer (LDO) of the project district concerned to coordinate the district-level consultation and orientation program. The team has carried out district consultations in the six districts. After literature review and consultations at various phases, the gaps and lacunas were documented.

One of the key tasks of the program was to identify the gaps, strengths and weakness in promoting accountability and transparency in the local governance. For this purpose, the review study was carried out in two phases. In the first phase, review of the governance status with special focus on the identification of key achievements, issues and gaps in accountability and transparency components was done and in the phase II identification of appropriate tools and methods of capacity building of key partners and actors in the governance system was carried out. The program report also was organized in the same sequences. The details of the phase-wise tasks are presented in the following sections.

2.4 Identification, Review and Assessment of Accountability and transparency

2.4.1 Tasks Undertaken During the Phase I

The task force team identified, assessed and reviewed the following key aspects of accountability and transparency in local governance:

- Existing framework of decentralization focusing on accountability and transparency with emphasis on policy legal framework, institutional framework, operational framework and fiscal framework;
- Key achievements in the promotion of decentralization with focus on accountability and transparency;
- Gaps that hinder progress or achieving accountability and transparency;
- Key challenges and issues faced in the current transitional management; and
- Key actors for the promotion of accountability and transparency at different levels and their achievements and performance.

³ Refer to Annex 1 for details of the Findings of the Review and the Consultations' at various phases and levels

2.4.2 Tasks Undertaken During Phase II

To review the existing systems, procedures and practices, a study of the contributions of each partner organization, including Municipalities and selected Village Development Committees (VDCs), was carried out in 7 districts (Ilam, Mahottari, Kathmandu, Syangja, Bardia, Dolpa and Kanchanpur) comprising all development regions as well as the Mountains, Hills and Plains. In addition to the representatives of local governments and the sitting government officials, altogether 80 Civil Society Organizations were consulted in these districts. The Municipalities and the VDCs visited were 3 and 15 respectively.

The study team also held consultations with representatives of disadvantaged groups (DAGs), non-governmental organizations (NGOs) and community organizations (COs) to identify the achievements, constraints and problems related to accountability and transparency and establish their causes. The study sought suggestions and recommendations from the key stakeholders regarding the promotion and consolidation of accountability and transparency in local governance. Following this, the team developed the revised system and tools on the following key areas:

- Effective management of District Information and Documentation Centre (DIDC) at DDCs;
- Effective implementation of Citizen Charter;
- Effective implementation of the code of conduct for local government officials;
- Effective management of public hearing forums (PHFs);
- Capacity building of CSOs and users' committees (UCs) in promoting rights-based partnership with local governments;
- Social audit and gender mainstreaming in the participatory development process, project audit, and monitoring and evaluation;
- Effective grievance management in local governments and public auditing;
- Improvement in financial procedures (advance settlement, financial support, revenue allocation, internal audit, account committee procedures, etc).

These system and tools were later published and disseminated to stakeholders and oriented in the target districts.

2.4.3 Key Focus of the Study and the Study Outcome

As a part of the overall Program, the Identification, Review and Assessment Study was the starting point. The key areas of concern of the study included identification of the policy, institutional, operational and fiscal framework in the local government structure.

The desk study and field consultation for the identification, review and assessment of the accountability and transparency at the local governance level produced two significant outcomes, i.e. the key achievements of the LSGA and the major short-comings.

a. Key Achievements:

- (i) Participatory Planning Process has been institutionalized and it is operational.
- (ii) The concept of resource maps, information database and Periodic Plan of districts, VDCs and Municipalities have been introduced.
- (iii) Budget ceiling for local level planning (DDC, VDC and Municipalities level) and guidelines for clarification of development programs/plans has been initiated.

- (iv) Coordination between LGs and NGOs in local planning programming and implementation is increased.
- (v) Provision of sectoral committee for Planning and Programming is made in each LG.
- (vi) Publication and dissemination of Plans and Programs the various people is made.
- (vii) Implementation of Programs and project through User Groups is practiced.
- (viii) Social Audit system is initiated.

b. Major Short-comings

Nevertheless, field consultation in the districts identified a number of major short-comings in the local governance in the field of accountability and transparency. Among these, the most pertinent short-comings were included as the following:

- (i) Weak policy and strategy on decentralization;
- (ii) Lack of consensus at the national level on sectoral devolution;
- (iii) Weak fiscal decentralization and lack of local service system;
- (iv) Poor delegation of tasks among LGs;
- (v) Unclear roles and responsibilities of MPs, Ministers and Ministries in their respective districts.

A detailed presentation of the findings of the desk study is made in chapters 2 and 3 of *Identification, Review and Assessment of present practices, gaps and weaknesses in accountability and transparency in Local Governance: A Study Report* (output :1) of this program.

Annex 2 presents the relevant chapter 5 of the Desk Study and field consultation report focusing on findings of the Desk study and field consultations.

2.5 Consultations at National Level

Similarly, series of national-level consultations and seminars were organized to share the key findings of desk and field studies regarding the issues, recommendations and measures for the capacity building of local governments and other stakeholders at the local governance level.

The study team presented the key findings documented at local level and consulted the key officials of the MoLD, other ministries and departments, NGOs, local government associations and other stakeholders for their feedback to design appropriate tools for improved accountability and transparency at the local level. The program also organized a national consultative workshop with stakeholders and compiled their comments to finalize the improved system, methods and tools for revised system implementation in the selected 20 districts.

Following table (1) presents a more specific insight into the compliance of the implementation of the key components and sub components of the program concerning output 1 activities (section 1.5)

Table 1: Compliance of Implementation of Key Components and Sub-Components of the Program Concerning Output 1

Outputs	Compliance	Compliance Indicators	Date and Duration	Remarks
Output 1 <i>Identification, review and assessment of Present practices, gaps and weaknesses in transparency and accountability in local governance</i>				
Action 1.1 Form a study team to carry out study/review.	Fully complied with	<ul style="list-style-type: none"> ▪ Steering committee under the governorship of MLD constituted ▪ Study team formed and mobilized for study 	May 2004 July 2004	<ul style="list-style-type: none"> ▪ meeting minute ▪ appointment letter
Action 1.2 Conduct desk study to review existing provisions on activity planning, budgeting, and tools of reporting of progress and financial statements to central government, LG Councils, Civil Society Organizations and among local partners;	Fully complied with	<ul style="list-style-type: none"> ▪ Document/ literature collected ▪ Existing practices and provisions on Local governance policies, laws, plans of Nepal government reviewed/assessed and gaps and weaknesses identified ▪ Consultation at national and local levels carried out ▪ Study report prepared, 	May 2004 July 2004 Aug-Dec. 2004 December 2005	<ul style="list-style-type: none"> ▪ meeting minute ▪ consultation review meeting minute
Action 1.3 Visit representative LGs, NGOs, COs and government offices for consultation to identify gaps and problems of transparency and their causes	Fully complied with	<ul style="list-style-type: none"> ▪ Consultation at national and local level carried out. ▪ Gaps and problems on A&T at local government level identified and major recommendations for revised system and tools on A&T developed 	Aug-Dec. 2004 December 2005	<ul style="list-style-type: none"> ▪ meeting minute ▪ consultation review meeting minute

Sources: Quarterly Progress Reports on Program Activities

CHAPTER 3

DEVELOPMENT OF PROGRAM INPUTS: REVISED SYSTEM AND TOOLS

The findings of the desk study and field consultation generated some significant recommendations for the development of the program inputs. The key inputs included the following:

3.1 Inputs from Desk Study and Field Consultation

- The LSGA and existing laws have provisioned some of the requirements for maintaining T&A in LG, such as making public of property details, transparent and participatory planning and decision making, etc. However, effective implementation of those policies and plans has remained weak. LG has performed low level of commitment to implement the tools and techniques related to ensure T&A. Therefore, the local government should strictly follow the existing legal provisions and make public their initiation, achievements, opportunities and challenges. The effective monitoring should be carried out by both central and local governments together.
- The committee system in local governments remains inactive and ineffective due to inadequate legitimate powers bestowed upon them and their ambiguous roles and responsibilities. Therefore, a clear and specific ToR should be developed and capacity building activities for the committee members should be carried out.
- LG representatives do not provide adequate attention for enacting and implementing the Code of Conduct (CoC) for local government officials. As a result, the spirit to fight against low level of T&A situation in LG remained ad-hoc. Therefore, based on the assessment of the capacity of LGs in framing CoC, the LGAs/MoLD should prepare a model framework and guidelines and LG should enact and implement CoC.
- Despite the principle of democratic decentralization embodied in the LSGA, LG lacked special policies and programs to encourage CSOs in local government affairs, thus the claim side for enhanced level of T&A remained poor in LG. Therefore, LGs should encourage CSOs' participation in its development affairs, make local government policy to make easy access to the LG information system and implement T&A enhancing programs through CSOs.
- Due to the uncertain political situation and absence of elected representatives in the LGs during the program implementation, participatory planning and decision making process remained weak and the participation of CSOs in local development could not be accelerated. Thus, it is recommended that the alternative service delivery policy to promote CSOs' participation in LG planning should be formulated.
- Capacity of users' groups and users committees, knowledge and skills in local development remain weak, LGs lacks UC's capacity building policies, tools and techniques within a specific legislative framework. Therefore, guidelines to simplify and clarify legal provisions should be developed.
- The financial management system in LGs is found weak. It is observed that on the one hand, the account committee was not formed in many DDCs as provisioned in LSGA and on the other it was not effectively functional where it had been formed earlier.

Therefore, a clear ToR for the committee should be developed and capacity development activities should be carried out.

- The information system in local governments is found weak. There are hardly a few documents/reports in the library in some DDCs. They neither have managed them properly nor updated and shared to the concerned stakeholders for its use. The LGs have not given priority for the improvement and effective implementation of DIDC. In this context, the information manual (covering all critical aspects such as, information collection formats, information processing methods, required resources and information flow at both horizontal and vertical levels should be prepared and implemented at the district level,
- It is observed that the government policy for implementation of Citizen Charter, public audit, public hearing and social audit in local governance was not implemented properly. Therefore, common guidelines and improved tools for effective implementation should be developed and executed in the districts.

The details of the recommendations of the desk study and field consultations are presented in Annex 3. Based on the above specific recommendations generated by the desk study and field consultation, the program activities were focused on development of the program inputs in the form of revised system and the tools. The details of the program inputs mainly linked to specific objective 2 (Chapter 1, section 1.2.1) included the following.

3.2 Development of Key tools on T&A

With these findings from the policy review and field consultation/observation, policy reform issues were recommended to the Government and concerned agencies to take appropriate initiation. In some areas like promoting participatory planning, capacity building areas of users groups and committees, strengthening financial and information management in the LGs, guidelines/procedures and clear ToR were developed. Likewise, improved tools on the following key theme area were developed.

- Public audit,
- Public hearing
- social audit
- Citizen Charter,
- Code of conduct (CoC) for local government officials,
- Participatory planning and capacity building areas of users' groups
- information management in local governments,
- Financial management at local government

The newly developed tools incorporating the following key elements are presented in the table (2) below:

Table 2: Key elements of the proposed system and tools

System and Tools (Key Focus Areas)	Key Contents	Level
1. Organization and management of PHFs (system and procedure development)	<p><u>Key elements:</u></p> <ul style="list-style-type: none"> • Key elements and guidelines on PHF • Concept of PHF • Process of organizing PHF • Facilitation skills to manage disputes • Dissemination of results • Feedback mechanism 	Local governments (DDC, VDC), CSOs
2. Orientation in the Citizen Charter for effective service delivery	<ul style="list-style-type: none"> • Key elements of CC • Orientation of citizens in their rights • Orientation of citizens in the use of citizen card • Training of partner CSOs to monitor the performance of local governments/DLA offices 	CSOs
3. Orientation of CSO partners in monitoring the code of conduct for elected representatives and civil servants	<ul style="list-style-type: none"> • Key elements of the CoC • Orientation of CSO partners to work as a watchdog • Advocacy to increase accountability and transparency of elected representatives and civil servants • Monitoring the cases of defaulters and follow-up actions 	CSOs
4. Data-based Management System and Information Dissemination (on accountability and transparency)	<ul style="list-style-type: none"> • Consultation meetings on guidelines preparation for information dissemination • Preparation of an operational manual for information processing on accountability and transparency • Training workshops for DIDC officials on dissemination of information on local governments' activities • Advocacy for information-based decision-making and resource allocation for development projects 	DIDC/local governments
5. Training in Organizational Management of Users' Groups (for efficient management of resources and transparency in record-keeping)	<ul style="list-style-type: none"> • Consultation meetings on DAGs' inclusion • Guidelines preparation for transparent formation and efficient management of UGs • Orientation in financial management • Public/project audit of projects implemented by UGs • Formation of a community enabling centre to access resources and services 	People's organizations (users' groups)
6. Training in People-centred Planning Process (for the promotion of inclusive development agenda setting and project audit)	<ul style="list-style-type: none"> • Development of guidelines • Orientation and training of key facilitators • Project audit of projects • Management of PHF 	People's organizations (users' Groups)
7. Rights-based Partnership Development between Local Governments and CSOs (for accountability and transparency promotion in local governments)	<ul style="list-style-type: none"> • Consultation meeting for rights-based partnership development • Training of CSOs' representatives to manage rights-based partnership • Training in lobbying and advocacy for promotion of inclusive development agenda and accountability and transparency promotion in local governments • CSO networking for advocacy work 	Local governments, CSO partners
8. Training in Financial Management for Accountability and Transparency Promotion in Local Governments	<ul style="list-style-type: none"> • Consultation meeting on CSOs for partnership and budget ceiling • Format and tool development • Orientation in budget and financial information and dissemination 	Local governments and CSO partners

The details on the tools developed as the outcome of the recommendations received from the desk study and field consultation used for enhancing accountability and transparency at the local level are presented in Annex 4.

The following table (3) presents the compliance of the implementation of key components and sub-components of the program concerning output 2 (Chapter 1, Section 1.5).

Table 3: Compliance of Implementation of Key Components and Sub-Components of the Program Concerning Output 2

Outputs	Compliance	Compliance Indicators	Date and Duration	Remarks
Output 2 <i>Development of revised system/tools on transparency and accountability in local governance</i>				
2.1 consult stakeholders for developing revised system and tools Action ○ Consult with MLD and other national stakeholders, such as, LG Associations	Fully complied with	<ul style="list-style-type: none"> ▪ Consultation with MLD and other LG Associations carried out ▪ Program Steering committee comprising of all stakeholders formed and series of meetings of the committee held ▪ Consultation workshop held 	January-July 2005 January-April 2006 August 2005	
2.2 design draft system, tools, methods Action ○ Identify and design draft system, methods and tools for improved accountability and transparency at local level	Fully complied with	<ul style="list-style-type: none"> ▪ Study team formed ▪ Consultation at national and sub-national level held ▪ Identification and designing of draft system, methods and tools for improved accountability and transparency at local level completed 	January-July 2005 January-April 2006	
2.3organize national consultative workshops Action ○ Organize of a national consultative workshop with stakeholders and seek comments and inputs for finalizing the new systems, methods and tools	Fully complied with	<ul style="list-style-type: none"> ▪ national consultative workshop with stakeholders and seeking of comments and inputs for finalizing the new systems, methods and tools held 	August 2005	

Sources: Quarterly Progress Reports on Program Activities

CHAPTER 4

CAPACITY IMPROVEMENT AT THE DISTRICT LEVEL

Training of Trainers

One of the clearly expected outputs of the project was to improve capacity of the local stakeholders through transfer of Knowledge and skills with regard to the revised systems, methods and tools for timely disseminating and reporting information. For this purpose, the ToT materials were developed and 12 trainers from DDC staffs and civil society members of six districts representing all the five development regions were selected. Two days orientation training to the selected trainers was organized in Kathmandu. The detailed manual on improved system, methods and tools was provided to the trainers and oriented accordingly. The cluster-wise district level orientation schedule was also developed during the program implementation.

Mobilization of Trainers

As per, the district level orientation schedule developed during the ToT program, local trainers were mobilized to the respective clusters to facilitate and organize the district level orientation program on improved system, methods and tools on accountability and transparency in local governance.

Feedback to the Local Trainers

ADDCN staffs were deputed to provide feedback to the local trainers to conduct district level orientation program. Depending upon the skills and capacity of the local trainers, ADDCN staff also facilitated the orientation program in the districts. However, in some of the districts such as Khotang, local facilitators could not be mobilized.

Participants in the District level Orientation Program

DDC representatives and Officials, Local Development Officer, Department Head of the respective DDCs, District Line Agency Heads and Chief or representatives from the district level NGOs, Representatives from Federation of Journalist, etc and users' group also participated in the orientation program. Participation from women, dalits and disadvantage groups were encouraged in the orientation.

The following Table (4) highlights overall compliance of the project outputs and activities directly related to the output 3 (chapter 1, section 1.3).

Table 4: Compliance of Implementation of Key Components and Sub-Components of the Program Concerning Output 3

Outputs	Compliance	Compliance Indicators	Date and Duration	Remarks
Output 3 <i>Capacity (knowledge and skills) of actors on accountability and transparency in local governance at district level improved</i>				
3.1 Prepare resource materials Action <ul style="list-style-type: none"> ○ Preparation of key reform proposals for designing revised system and tools, drawn from output 1 (output 1.1- preparation of study report with recommendation packages) ○ Preparation of orientation manual, drawn from output 2 (output 2.1 Preparation of Orientation and training manuals to implement at district level) 	Fully complied with	<ul style="list-style-type: none"> ▪ Study report with recommendation packages prepared ▪ Study report produced in both the English and Nepali Languages ▪ Orientation and training manuals to implement at district level prepared 	August – December 2004 January- July 2005	
3.2 Conduct TOT Action <ul style="list-style-type: none"> ○ Organize Training to Trainers orientation program in Kathmandu 	Fully complied with	<ul style="list-style-type: none"> ▪ Training to trainers conducted 	January 2006	
3.3 Mobilize local trainers to field orientation and conduct district orientation and conduct monitoring and follow up activities Action <ul style="list-style-type: none"> ○ Mobilize trainers to conduct one day orientation at the 20 districts ○ Carry out monitoring of orientation program ○ Provide support to the DDC for effective implementation of the revised system and tools ○ Carry out follow up activities 	Almost fully complied with (except in 2 districts)	<ul style="list-style-type: none"> ▪ District level orientation held in 19 districts out of the proposed 20 districts ▪ Local Trainers mobilized for district level orientation in 17 districts ▪ Lead Resource person from ADDCN for facilitation of the district orientation selected and mobilized to 19 districts ▪ Monitoring of the district level orientation program carried out ▪ Financial support to the DDCs provided 	February - April 2006	

Sources: Quarterly Progress Reports on Program Activities

CHAPTER 5:

THE FEEDBACK SYSTEM

The feedback system as envisaged in the Program Objectives and the detailed list of activities in the output section aimed at establishing an effective mechanism to streamline the program activities. This was meant to be achieved through the efficient feedback system with its significant components i.e. output/impact review workshop, public audit program and evaluation of the program both internally and externally.

The component-wise details of the feedback system developed within the program and presented below.

5.1 Output/Impact Review Workshop

- Two output/impact review workshops (2 days each) at the end of first and second year of project was scheduled.
- The first workshops were held on 24th July 2005 and second revisions in the project schedule were made.
- Because of the development of *Janaandolan II* (Peoples movement in April 2006) and some of the program activities scheduled for the last quarter of the project could not be carried out and project was terminated. Therefore, the review workshop at the end of the project was not held.

5.2 Pilot Public Audit of Programs and Budget of Selected DDCs

- One of the key activities to provide support for conducting pilot public audits of programmes and budgets of DDCs with the involvement of Civil Societies, Media and other local Stakeholders in 4 districts were planned
- Project steering committee has selected program implementation districts as Kanchanpur, Baglung, Bhaktapur and Mahottari.
- But, Because of the development of *Janaandolan II* (Peoples movement in April 2006), some of the program activities scheduled for the last quarter of the project could not be carried out and project was terminated. Therefore, the pilot public audits in 4 districts were not carried out.

5.3 Implementation and Evaluation of the Project

- Conduct an evaluation of the project at the end of its implementation were scheduled
- Because of the development of *Janaandolan II* (Peoples movement) in April 2006 and some of the program activities scheduled for the last quarter of the project could not be carried out as the project was terminated. Therefore, the joint evaluation of the project after completion of the project was not carried out.

5.4 Joint Evaluation

The program also required that an evaluation of the impacts of the project be carried out utilizing external experts towards the end of the activities. However, this task could not be carried out due to the termination of the program.

The following Table (4) highlights overall compliance of the project outputs and activities directly related to output 4 (chapter 1, section 1.5).

Table 5: Compliance of Implementation of Key Components and Sub-Components of the Program Concerning Output 4

Outputs	Compliance	Compliance Indicators	Date and Duration	Remarks
Output 4 <i>Provide Feedback skills and systems for effective implementation</i>				
Conduct two output/impact review workshops (2 days each) at the end of first and second year of project.	<i>Not Fully complied with</i>	▪ Output /input review workshops for the first year plan carried out	<i>August 2005</i>	
Provide support for conducting pilot public audits of program and budgets of DDCs with the involvement of Civil Societies, Media and other local Stakeholders in 4 districts (Project will select districts later on)	<i>Not complied with</i>			Public audit activities could not be carried out due to time constraints
Conduct an evaluation of the project at the end of its implementation	<i>Not complied with</i>			Evaluation activities could not be carried out due to time constraints

Sources: Quarterly Progress Reports on Program Activities

CHAPTER 6

MAJOR ACHIEVEMENTS, KEY LESSONS LEARNED AND THE TASKS AHEAD

The improved methods, tools and the system for accountability and transparency were developed and implemented in 19 Districts. The program has initiated to establish a system of public hearing, public audit, social audit, financial and information management in an improved manner at the district level. With this initiation for the LGs, it is expected that the LGs would be able to provide the services and goods to the people in a transparent, timely, efficient and effective manner. However, due to the delay in implementation of some of the field level activities, effective monitoring and follow-up could not be designed and undertaken. As the program has already been terminated, in view of the encouraging achievements made so far., The program experience have pinpointed some imperative tasks necessary to be carried out in the future. These imperative and specific tasks which could not be carried out during the program period but included in the 'Tasks Ahead' are outlined in the following section (6.4).

6.1 Major Achievements of the Program

- Successful piloting of improved accountability and transparency tools and system initiated in 19 districts.
- Twelve persons from different program districts trained/oriented in improved system and tools on T&A as local facilitators.
- Seven hundred and sixty persons in various capacities at the district level such as representatives from CBOs, CSOs, LAs, Ex-LG representatives were oriented on the tools and system of T&A.
- DDCs showed their commitment to implement T&A promotion system and tools. Some DDCs such as the DDCs of Bajura and Kanchanpur district have already prepared the Code of Conduct for the LG Officials.
- The government has provided directives to LGs to implement CoC for LG officials. The government has issued effective service delivery guidelines. Through the budget speech of year 2006/07, the government has made public auditing mandatory for the development activities to be carried out by the LG and users group.
- Relationships and linkage between ADDCN and member DDCs has been strengthened.
- Reporting and communication practice between LGs and ADDCN has been substantially improved.
- Formation of account and revenue committee at the district level has been initiated.
- The MoLD has formulated some of the guidelines/manuals (LG planning and prioritization, LG financial management, project supervision, monitoring and evaluation, Users group formation and capacity building and operation and maintenance) to enhance T&A. in LGs.
- Some of the tools for enhancing accountability and transparency were internalized by the Central Government through the amendment in LSGR in 2005.
- Present practices, gaps and weaknesses in accountability and transparency in local governance are identified, reviewed and assessed and additional proposals for amendment in the laws have been initiated.

6.2 Key Lessons Learned

- Political stability in the country is very important for ensuring stable and accountable leadership in local governments as well as in bureaucracy,
- For the effective implementation of the provisions of LSGA, the tools and techniques of accountability and transparency should be initiated at the district level with deepening of the practices covering all the VDCs and Municipalities.
- Elected representatives are the most important actors in operating local governments effectively. They are important not only for ensuring accountability and transparency in local governments' institutions strongly but also effective with implementation of the spirit of good governance for the translation of the decentralization process into practice.
- There is also equal role of all district-level major development stakeholders from various entities to develop and maintain a common understanding of accountability and transparency. Similarly, the role of VDC secretaries in maintaining accountability and transparency at local level is also very crucial.
- Accountability and transparency tools cannot be effective at district level until DIDC and Internal Auditor Section are made effective and well equipped.
- CSOs are required to build their capacity to promote rights-based partnership with local governments.

6.3 Internalization/Replication of the Program Norms and Activities/Outcomes

In the above context, the program has produced highly meaningful and multi-synergic impacts as a result of which following significant steps were taken up by the government and the concerned agencies.

- i. The Government has revised its laws and policies in line with the suggestions and recommendation produced during the program implementation.
 - The Government of Nepal, through its second amendment in the Local Self-Governance Regulation, 2000 and first amendment in Local Bodies (Fiscal Administration) Regulation, 2000 has included provisions for grant to local authorities based in their performance indicators. Accountable and Transparent functioning of local authorities has been envisaged as one of the major criteria to assess the performance of LGs in the ongoing democratic practices in Nepal.
 - Through budget speech of FY 063/064, The Government of Nepal has made public audit mandatory for all development works that are carried out by the community.
 - The Prime-Minister (Chairperson of the Decentralization Implementation and Monitoring Committee) has directed to Ministry of Local Development to circulate model Code of Conduct for Local Government Officials (developed by LG Associations as mandated in the Decentralization Implementation Plan_ Government of Nepal)
- ii. The revised methods and tools developed during the project were replicated in other districts by different stakeholders, as the following:
 - Program districts have internalized some of the revised tools and methods as their priority, such as DDCs of Kanchanpur and Bjura districts have enacted Code of Conduct for LG Officials.
 - With financial and technical support from the SNV Nepal, the revised tools and methods have been implemented in Taplejung and Panchthar Districts recently by the respective districts.

- ADDCN has continued to implement the revised methods and tools, already implemented in 7 districts and is planning to implement this in 14 additional districts during 2007 with the financial support of DanidaHUGOU.

6.4 Tasks Ahead

- The program has reviewed and identified important provisions to be implemented by local governments, prepared accountability and transparency tools and implemented them in 19 districts.
- The program implemented by ADDCN has produced evidence that the effort has been successful. Therefore, it is very essential that the implementation of the revised system and tools be expanded to the remaining 56 districts in very near future as an ongoing process.
- However, the local governments in Nepal, by large, are not yet fully capable of using and implementing the provisions of the LSGA 1999 and other related Acts, regulations, bylaws, manuals and directives in line with the spirit of autonomous local governance. They do not have sufficient knowledge to implement these laws either. Local governments cannot deliver effective and timely services to citizens in a accountable and transparent manner unless they are made aware and capable of translating these legal provisions into practice.
- It is also very important that a system of continuous monitoring and follow-up as well as periodic evaluation be established within the ADDCN structure for the meaningful institutionalization of the outcome of this effort at the local governance level.
- As the norms of accountability and transparency are already initiated at the local governance level, it is very important to deepen them in the regular practices of local governments. These tools have been proved very relevant even in the current situation of political transition and these norms are most crucial features of the decentralization under democracy. Thus, the issue of devolution of governance through accountability and transparency should be regularly discussed and the revised system and the tools be updated at the national level.
- Evaluation of the effects and impacts of the program should be undertaken in near future using the services of external evaluation as per the specified activities (Phase II) of the program.

The following table (6) highlights on the fulfillment of the overall objectives of the program reflected in output indicators.

Table 6: Fulfillment of Objectives of the Program reflected in Output Indicators

Objectives/Indicators	Compliance	Compliance Indicators	Remarks
1. Project Objective Improvements in service delivery by local government in Nepal through greater accountability and transparency at the various levels of local government in Nepal.			
Specific Objectives			
<i>Increased access to information for civil society organizations and the general public about the activities of LGs and their staff,</i>	Complied with	<ul style="list-style-type: none"> ▪ DDCs started to publish their plans/budget and activities for public ▪ Civil society participated in the planning process of LGs 	
1.1.1 Improved mechanisms for district line offices and other local partners for reporting on their programs, plans, projects and budgets to respective LGs and line departments	Complied with	<ul style="list-style-type: none"> ▪ Reporting formats for LAs developed and circulated to the district line agencies 	
1.1.2 Identification of the role that different stakeholders and citizens can play for improving transparency at the district level in both LG and line agencies	Complied with	<ul style="list-style-type: none"> ▪ Consultations held with national and local level stakeholders ▪ Study report and Orientation packages were prepared. This include role of different stakeholders and orientation held at district level 	
1.1.3 Enhanced capacity of development partners in maintaining transparency at local level.	Complied with	<ul style="list-style-type: none"> ▪ Local trainers produced ▪ Local trainers mobilized for district orientation 	
1.2 Objective Indicators			
1.2.1 Improved methods, tools and systems are in place and functioning in all DDCs within three years.	Complied with	<ul style="list-style-type: none"> ▪ Practice of revised methods and tools for enhanced accountability and transparency started. ▪ Some of the DDCs has formulated Code of Conduct for Local Government Officials developed. ▪ Public auditing and hearing practices implemented by some of the DDCs ▪ As a synergic effect the Government of Nepal has made some of the tools such as, public auditing mandatory to local governments 	
1.2.2 Detailed information about LG programs and budgets are made available to citizens and CSOs by LG	Complied with	<ul style="list-style-type: none"> ▪ DDCs has made public of their programs and budget through District Information and Documentation Center 	

Sources: Quarterly Progress Reports on Program Activities

ANNEXES

ANNEX- 1

PROGRAM DESCRIPTION

1. Introduction

A basic tenet of democracy is that citizens have the opportunity to participate in local decision making processes (by voting and attending meetings and hearings etc) and that elected representatives are held accountable to citizens. The decentralization of power to locally elected governing bodies is recognized as important in the enhancing both citizen's participation and accountability of government. In decentralized government, citizens elect local leaders to govern on their behalf. Citizens should therefore have the right to judge their leaders and hold them responsible for *their* actions. The process of accountability of leaders to citizens is therefore very much concerned with the dissemination of accurate, timely and credible information to the general public about the affairs of LGs and local government leaders.

1.1 Constitutional Provisions for Local Bodies:

The constitution of the kingdom of Nepal has stipulated that decentralisation is one of the directive principles of the state. Article 25 (4) of the constitution states: "*...it shall be the chief responsibility of the state to maintain conditions suitable to the enjoyment of the fruits of democracy through wider participation of the people in the governance of the country and by means of decentralization*". Article 46 of the constitution requires the formation of a National Assembly (Upper House of the Parliament) and states that 15 members, three from each development region, be elected in accordance with the law by an electoral college consisting of the Chief and Deputy Chief of Village Development Committees, Town Level Local Bodies and Chief and Deputy Chief of District Level Local Bodies (LBs). Other provisions pertaining to Local Government are interlinked with the mandate of the Election Commission. Article 104, Clause 1 reads: "*The Election Commission shall, subject to the provision of this constitution and laws, conduct, supervise direct and control the elections of Parliament and Local Bodies at Village, Town and District Level*".

1.2 Institutionalization of Democracy and Local Governments:

His Majesty's Government of Nepal (HMGN) has given due importance to the institutionalization process of democracy in Nepal after the restoration of a multi-party system. Three general elections and two local elections have been held so far. The role of NGOs and Civil Society Organizations (CSOs) has also been extended allowing them a role as service providers. The Local Self-Governance Act (LSGA) enacted in 1999 provides for the direct election of five persons, including one woman at the ward level, in VDCs and municipalities.

The LSGA provides a basic legal framework for decentralization and local government in Nepal. To a large extent the Act has embraced the subsidiary principle of bringing decision making as close as possible to the people and ensuring equity in the provision of goods and services, both between districts and between different groups of people themselves. The Act embraces six major principles:

- 7) The devolution of power to the Local Governments (LGs);
- 8) The establishment of institutional mechanisms for the smooth functioning of the various levels of government;

- 9) The granting of authority to LGs to mobilize financial resources under their jurisdiction;
- 10) The development of democratic processes and transparent and accountable political behaviour which seeks to involve people's active participation;
- 11) The development of effective mechanisms to make LGs accountable to their constituents in order to develop local leadership;
- 12) The involvement of the private sector in public service delivery.

These principles and policies, which are enshrined in LSGA, emphasise the need and importance of good governance at the local level and for mechanisms that will support this process.

2. Decentralization, Accountability and Transparency

In recent years, the international community has accepted that decentralised local government can play two important development roles. Firstly, it builds local democracy and promotes the governance agenda. Secondly, local government can be an effective and efficient means for delivering services and thus ultimately a vehicle that contributes to poverty reduction.

The comparative advantage of local government in relation to service delivery can be summarised as such:

- Decisions involving public expenditure and the provision of services that are made at the local level by local governments are likely to be more responsive and accurate in terms of demand and needs identification than those made by a remote central government.
- Achieving efficiency and effectiveness in the allocation of resources requires a high level of contact and participation between the supplier and receiver of services. This again is far more likely to be achieved by local level authorities than remoter central institutions.

A key determinant for achieving the above aims is a high degree of people's participation. Local leaders can only reflect local needs if channels exist which allow people to participate and contribute. Again whether people participate in decision making is very much linked to the quality of leadership of local politicians. If leaders are transparent and accountable in their dealings with their constituents and embody a genuine concern for social welfare, then the likelihood of people actively participating is greatly enhanced. Thus transparency and accountability are closely associated with the concept of people's participation in local government, and as such, the issue of accountability and transparency is a crucial ingredient to achieving effective local government.

2.1 Provisions of Transparency:

The LSGA makes some provision for procedures that should enhance accountability and transparency at local level. For example:

- The holding of elections every five years
- The self declaration of property and assets by elected representatives

2.2 Institutional Provisions

The LSGA requires the DDC to be accountable to the District Council. It means the DDC must seek approval for decisions from the District Council on important matters such as:

- Budgets, plans and programs
- Local policies relating to taxes, charges, fees, tariffs, loans
- Audit reports
- Bye-laws
- Grants
- Remuneration and number of staff positions
- Allowances to employees
- Sale and disposal, transfer of, or letting on hire of DDC property

Additionally, the LSGA states that DDCs may not:

- Raise loans,
- Impose taxes, fees, charges or duties,
- Implement any matter requiring approval that council has so decided, unless, a resolution is passed by a majority of the members of the District Council:

2.3 Local Government as Planning, Coordination and Monitoring Organization

Local governments in Nepal are responsible for planning, coordinating and monitoring development projects and activities carried out in their geographical area by all agents be they line agencies, NGOs, donors or the DDCs own programs. There are often a large number of development partners within each district. The central government implements its programs through sectoral ministries/departments and district level offices. Likewise, NGOs, and donors also implement various projects directly at the local level. At the community level, many community based organizations (CBOs) also implement local development activities.

Regarding financial resources, LGs mobilize two sources, 1) external grants and, 2) internal revenues. Most of the external grants are received from central government in the form of block grants, which are either conditional or unconditional. LGs do not have direct control over the resources of line agencies although annual plans and budgets of line agencies have to be approved by LG councils. Although the LSGA has made provisions that mandate the DDC to coordinate NGO and donor programmes at local level, in reality most programmes are not coordinated.

LG strengthening and capacity building is a major area of support for donors and typically covers such areas as: information management, financial management and reporting and generic improvements in administration and planning. Similarly, the promotion of civil society organizations as a delivery mechanism for donor supported projects is a preferred implementation modality. However, in general there has not yet been a holistic approach to improving accountability and transparency at the local level.

3. Statement of Problem

3.1 Compliance and Shortcomings:

In Nepal, LGs have dual accountability. They are accountable to citizens and to central government. This is fairly clear cut, but accountability of LGs to other local development partners is rather obscure. Specifically, LGs are accountable to the central government for the proper utilization of the funds that they receive from central government. With respect to implementing development activities and achieving goals, their accountability lies with their councils. However, regarding the accountability of leaders, there are no instruments for the direct control of elected representatives and for now appointed or nominated. The provision for a self-declaration of property and assets is in reality only a token gesture as citizen's access to this information is very limited as are the channels for utilising information of this type.

Additionally, the enforcement and monitoring of the self-declaration of property of office bearers by the authorities and the general public is also not effective, largely due to the absence of appropriate methods and channels for doing so. Furthermore, the LG councils have no legal power to reprimand office bearers who do not comply with regulations. HMGN can also suspend or dissolve any LG at any time. The basis upon which this can be done (LSGA) is also rather vaguely worded and open to interpretation.

In terms of partners' accountability to LGs, there is no clear provision which requires line agencies to be accountable to the elected bodies. All they are required to do is present their plans and budgets to LGs for endorsement. In cases where line agencies fail to do this, LGs do not have any authority to take action against them. The absence of mechanisms with which to regulate these areas means that nothing is done in practice. The only required measure is that of financial accountability. The LSGA does require that LGs monitor line agency reporting (both progress and financial) as well as the quality and scope of the services they provide. Timely monitoring and reporting of this type would clearly assist LGs and civil society in holding line agencies accountable, but many LG lack the human resources, skills and financial means with which to do this.

Some LGs, especially DDCs and Municipalities, have started to publish and disseminate citizen charters. The approach and contents of these is not uniform. However, it is considered a good method of introducing greater transparency. In some specific cases, the charter has also included a section on service delivery by the line agencies.

Another encouraging example (from Doti DDC) was the decision to open DDC meetings to the public, which allows interested citizens to attend as observers. Initiatives like this are however confined to a very small number of LGs. It should be noted that it is risky for DDCs to include line agency activities in their charters as they have no control over these resources or their use.

3.2 Inter-organizational Relations and Transparency:

The LSGA provides for the creation of various committees and sub-committees within the DDC. The Act, Regulations and bye-laws describe the functions of such committees among which are:

- Subject wise Plan Formulation Committees
- Integrated Plan Formulation Committee
- Audit Committee

- Supervision and Monitoring Committees

In addition, depending upon need, the DDC can form other thematic committees. In many DDCs, the question of the effectiveness of these committees has arisen. A major problem is that DDC often do not have the capacity or human resources with which to effectively man these types of specialist committees.

The DDC Secretary, who is known as the Local Development Officer (LDO) is responsible for executing all DDC decisions. The LDO position has dual accountability since they are part of the central civil service. They are thus accountable to the DDC President and the Ministry of Local Development (MLD). MLD posts LDOs and thus determines their career path, rewards and punishments. Due to this it is inevitable that a clash of loyalty will occur from time to time between the elected representatives and the LDO. Additionally, a clear delineation of tasks among all staff within the DDC is equally important for making each of the actors accountable and transparent. This is often lacking.

It should be noted that at present civil servants are running all levels of LG due to the fact that the tenure of elected representatives expired in July 2002 and was not renewed. Local elections were meant to be held subsequently, but this proved impossible due to the security situation. The present arrangements for managing LGs have resulted in a loss of autonomy for LGs, which is a cause for concern. It also must be acknowledged that the on-going Maoist insurgency has negatively impacted on the lowest level of government, namely the VDCs. Many of these are not able to function in the prevailing security climate. However, these problems, serious as they are, should not impact on the ability to successfully implement this project. On the contrary, it may well be an opportune time to review and amend practices related to accountability and transparency as resistance to change by incumbent officers or politicians will be considerably less under the current circumstances.

3.3 Civil Society and Accountability:

The promotion and strengthening of civil society organizations (CSOs) to participate and interact with LGs is an important mechanism for promoting and maintaining accountability and transparency in LGs. Despite provisions in the LSGA, most of the LGs have not been able to develop cooperation with CSOs. In many cases, CSOs act as delivery agents for certain projects which does involve some involvement of both CSOs and LGs in decision-making processes. However, it is rare to find uniform and standardised procedures for formalising cooperation. In reality contact between CSOs and LGs is typified by ad hoc arrangements which give some cause for concern. The role of CSOs as LG watchdogs is also very limited. Additionally, although information centres do exist in many DDCs, there is no specific mechanism for disseminating information about LG projects, budgets or progress reports to the public at large. This also applies to line agencies as well.

Despite the provisions outlined above for achieving LG accountability and transparency, the public and central government have noted many irregularities. A major problem area is the practice of providing advances and other forms of financial irregularity. These practices remain widespread and will hinder the implementation of the decentralization reform process in Nepal. It is therefore an appropriate and opportune moment to review and assess shortcomings in LG accountability and transparency.

4. Current Programs

In addition to the regular standard HMG procedures for financial management, some donors are also promoting transparency in LGs. For example the Participatory District Development Programme (PDDP) and Local Government Programme (LGP), both under the auspices of UNDP, are supporting information and record centres at the district level. UNCDF is supporting 20 districts under the Decentralised Financing and Development Programme (DFDP), a programme, which provides development grants to LGs. Other donors are providing support for improved accounting in DDCs. Some DDCs have published and distributed Citizen Charters with donor support and SNV, GTZ and DASU/Danida are also supporting DDCs in promoting transparency in one way or another. Moreover, DASU/Danida is also supporting DDC capacity building in financial management as well as internal audit procedures for DDCs and VDCs.

UDLE has initiated and supported Municipalities in publishing citizen charters and introducing corporate accounting systems (CAS). Some municipalities have started partnerships for revenue collection and others are also exploring public private partnerships in some areas such as revenue generation, solid waste management and infrastructure development. In spite of these efforts, there is still inadequate information about what various stakeholders are doing in relation to promoting LG transparency. A further problem is that many of these activities are non-mandatory and located in only a few LGs.

5. Opportunities

The Decentralization Implementation Plan (DIP) has recommended enhancing LG transparency and accountability. It has also recognized the need for support from donors and other stakeholders to realise these efforts. The DIP acknowledges the roles of LG Associations working in close coordination with MLD and other government and non-government organizations. The LG Associations have formed a Joint LG Coordination Committee where they discuss and find solutions to major issues affecting LGs. ADDCN will therefore work with this Committee to consolidate efforts to enhance transparency and accountability at the local level.

DDCs, even in the absence of elected representatives, are cooperating with ADDCN either on matters addressing their practical needs or in advocating for their strategic interests. In relation to sectoral devolution, ADDCN is working with the Agricultural, Health, and Education sectors on various matters including the need for improved transparency. ADDCN is also represented in various HMG policy and technical Committees including the National Development Council (NDC), Decentralization Implementation and Monitoring Committee (DIMC), Local Bodies' Fiscal Commission (LBFC), National Statistics Board and several other sectoral and governance programs. These networks give ADDCN a comparative advantage in terms of wider access to partners, information and cooperation.

6. The Project Proposal:

There is no other program attempting to comprehensively address issue of transparency and accountability in LG and their staff. As already mentioned, LG transparency and accountability are issues that are important HMG policy concerns. The need for greater transparency is also of no less importance seen in the light of the fact that the DIP envisages that HMG will devolve all development sectors to DDCs within a five year period. For this and other reasons mentioned earlier it is imperative that improved systems and procedures for enhancing transparency and accountability are developed and implemented at local level. It is on this basis that the present proposal has been prepared. It aims to assess the present provisions and

practices of LGs in relation to accountability and transparency and will subsequently prepare improved modalities and support their implementation.

6.1 Project Goal or Development Objective:

The project will contribute to improvements in service delivery by local government in Nepal.

6.2 Immediate Objectives (Purpose):

The project will achieve greater transparency and accountability at the various levels of local government in Nepal.

6.3.1 Specific Objectives: The specific objectives of the project are as follow;

- Increased access to information for civil society organizations and the general public about the activities of LGs and their staff,
- Improved mechanisms for district line offices and other local partners for reporting on their programmes, plans, projects and budgets to respective LGs and line departments.
- Identification of the role that different stakeholders and citizens can play for improving transparency at the district level in both LG and line agencies
- Enhanced capacity of development partners in maintaining transparency at local level.

Objective Indicators: to assess progress, the project has designed the following two indicators:

- Improved methods, tools and systems are in place and functioning in all DDCs within three years.
- Full and complete information about LG programmes and budgets is made available to citizens and CSOs by LG.

6.4 Expected Outputs

The project has expected following outputs:

- Present practices, gaps and weaknesses in transparency and accountability in local governance are identified, reviewed and assessed,
- A revised system (established procedures, methods and tools for planning, budgeting, preparing financial statements and progress reports and their dissemination and reporting to central government, partners and civil society organizations) is developed,
- The capacity (knowledge and skill) of actors at district level with regard to implementing the revised system for timely disseminating and reporting is improved,
- Feedback and monitoring systems for effective implementation are established.

6.4.1 Output Indicators

- Based on stakeholders' consultation and analysis, a report on present provisions, indicators, methods, tools and systems (approved procedures), and practices in sample LGs and their shortcomings is produced within two months.
- Appropriate and simple systems, methods and tools for monitoring LG performance are accessible and user friendly for functionally literate citizens.
- Orientation of new procedures for enhanced transparency and accountability provided to 20 DDC secretariats, District Line Offices and other stakeholders and NGOs/COs/User groups in those districts within 21 months period.
- Suggestions and recommendations provided to DDCs and other stakeholders for the implementation of the new procedures. (These will be based on field observations from sample districts and monitoring reports).

- Public audit report verifying approved programmes and budgets documented and shared among major stakeholders.

6.5 Suggested Activities:

In order to achieve the above outputs, the project has designed the following activities:

Output 1. *Present practices, gaps and weaknesses in transparency and accountability in local governance identified, reviewed and assessed:*

- Form a study team to carry out project.
- Conduct desk study to review existing provisions on activity planning, budgeting, and reporting (progress and financial statements) to central government, LG Councils, Civil Society Organizations and among local partners;
- Visit representative LGs, NGOs, COs and government offices for consultation to identify gaps and problems in relation to transparency and establish reasons for their causes.

Output 2. *Revised systems, methods and tools for activity planning, budgeting, preparation of financial statements and progress reports and their dissemination as well as reporting to central government, partners and civil society organizations provided:*

- Consult MLD and other national government and non-governmental organizations, LG Associations and other stakeholders for designing appropriate tools, methods and systems.
- Design draft system and identify methods and tools for improved transparency and accountability at the local level;
- Organize a national consultative workshop with stakeholders and seek comments and inputs for finalizing the new systems, methods and tools.

Output 3: *Capacity (Knowledge and skill) of actors at district level improved (with regard to the revised systems, methods and tools for timely disseminating and reporting).*

- Prepare resource materials for ToT and field training.
- Select 12 trainers for ToT.
- Conduct a two day' ToT in Kathmandu.
- Arrange logistics for conducting systematic orientation.
- Mobilize trainers and arrange one-day orientation workshops for DDCs/LAs and NGOs/COs/User groups in 20 districts.
- Monitor orientation program and prepare brief reports,
- Follow up and support DDCs for smooth implementation

Output 4: *Feedback skills and systems for effective implementation provided.*

- Conduct two output/impact review workshops (2 days each) at the end of first and second year of project.
- Provide support for conducting pilot public audits of programmes and budgets of DDCs with the involvement of Civil Societies, Media and other local Stakeholders in 4 districts (Project will select districts later on).
- Conduct an evaluation of the project at the end of its implementation.

6.6 Project Input

In order to accomplish the tasks, the following inputs are proposed:

6.6.1 Human Resources

- Project Coordinator: 6 MM
- LG Institutional /Governance Expert: 85 MD
- Legal Expert: 20 MD
- LG Finance Expert: 85 MD
- National /Review Workshop Facilitators: 12 MD
- Admin/Finance Officer: 6 MM
- Computer Operator: 21 MM
- Field coordinator: 21 MM
- Research Officer: 30 MD
- Master Trainer (MT) for ToT: 5 MD
- Associate Trainer: 5 MD
- Resource Persons for field events (experts): 80 MD
- Field Trainers/Facilitators: 160 MD

6.7 Project Log frame Matrix

Narrative Summary	Objectively verifiable indicators	Means of verification	Assumptions and risks
Development Objective Service delivery by local government in Nepal improved.		-	-
Immediate Objective Greater transparency and accountability at the various levels of local government in Nepal achieved.	<ul style="list-style-type: none"> ▪ Improved methods, tools and systems are in place in all DDCs within three years. ▪ Accessibility of citizens, civil society and media to LG program and budget provided in LGs. 	DDC annual reports, DIRC Visitors list, Municipality Reports, Sample survey reports.	Commitment of HMG and political parties on good governance enhanced.
Outputs 1. Present practices, gaps and weaknesses in transparency and accountability in local governance identified, reviewed and assessed; 2. Revised systems, methods and tools in activity planning, budgeting, financial statement and progress reports and their dissemination and reporting to central government, partners and civil society organizations provided; 3. Capacity (Knowledge and skill) of actors at district level with regard to revised systems, methods and tools for timely disseminating and reporting improved. 4. Feedback skills and systems for effective implementation provided.	5 Based on stakeholders' consultation and analysis, a report on present provisions, indicators, methods, tools and systems (approved procedures), and practices in sample LGs and their shortcomings produced within two months. 6 Appropriate and simple systems, methods and tools for monitoring LG performance are accessible and user friendly for functionally literate citizens. 7 Orientation of new procedures for enhanced transparency and accountability provided to 20 DDC secretariats, District Line Offices and other stakeholders and NGOs/COs/User groups in those districts in 21 months. 8 Suggestions and recommendations provided to DDCs and other stakeholders for the implementation of the new procedures. (These will	Project Report And proceedings Project report. Project reports, proceedings. ADDCN Reports.	HMG implements revised and new system, method and tools. Conflict situation of the country does not deteriorate.

	<p>be based on the field observation from the sample districts, and monitoring reports).</p> <p>5 Public audit report verifying approved programme and budget documented and shared among major stakeholders</p>		
<p>Activities</p> <p>1.1 Form a study team to carry out project</p> <p>1.2 Conduct desk study to review existing provisions on activity planning, budgeting, and tools of reporting of progress and financial statements to central government, LG Councils, Civil Society Organizations and among local partners;</p> <p>1.3 Visit representative LGs, NGOs, COs and government offices for consultation to identify gaps and problems of transparency and their causes</p> <p>2.1 Consult MLD and other various national governmental and non-governmental organizations, LG Associations and other stakeholders for designing appropriate tools, methods and system.</p> <p>2.2 Design draft system, method and tools for improved transparency and accountability at local level Organize national consultative workshop with representatives of stakeholders to seek comments and inputs and finalize the reports.</p> <p>3.1 Prepare resource materials for ToT and field training</p> <p>3.2 Select 12 trainers for ToT.</p> <p>3.3 Conduct a three day' ToT in Kathmandu.</p> <p>3.4 Arrange logistics for conducting phase-wise orientation activity.</p> <p>3.8 Mobilize trainers and arrange one-day each orientation workshops to DDC/LA officials and NGOs/User groups in all districts.</p> <p>3.9 Monitor orientation program and prepare brief reports,</p> <p>3.10 Follow up and support DDCs and line agencies to disseminate publish their program and budget for smooth implementations,</p> <p>2.1 Conduct two output/effect review workshops (Two days each) at the end of first and second year of project.</p> <p>2.2 Provide support to conduct pilot public audit of program and budget of DDCs with the involvement of Civil Societies, Media and other local Stakeholders in 4 districts.</p> <p>2.3 Conduct an evaluation of the project at the end of project.</p>	<p>Human Resources:</p> <p>Project Coordinator: 6 MM LG Institutional /Governance Expert: 85MD Legal Expert: 20MD LG Finance Expert: 85MD National /Review Workshop Facilitators: 12MD Admin/Finance Officer: 6MM Computer Operator: 21MM Field coordinator: 21MM Research Officer: 30MD Master Trainer (MT) for ToT: 5MD Associate Trainer :5MD</p> <p>Resource Persons for field events (experts): 80MD Field Trainers/Facilitators: 160MD</p> <p>Time: 21 months.</p>		

6.8 Approach and Methodology

The project will cover all 75 districts in different stages. However, in the first stage this project will cover only 20 districts. At the beginning, the project will conduct a desk study and consult at both the field and central level in order to design procedures and tools. The project will commission a task force from among major stakeholders to design the tools, methods and systems for improved accountability and transparency in LGs. For field consultations, the project team will visit six representative districts, eight VDCs, four municipalities and other CSOs for a detailed review of issues. For the consultation with LGs, Ilam, Dhanusha, Kaski, Bardia, Jumla and Doti are selected considering all development and ecological regions and representing resourceful and resource poor districts. The project is divided into three phases. Likewise, for the implementation of project 20 districts; Jhapa, Ilam, Sankhuwasabha and Okhaldhunga from Eastern Development Region, Dhanusha, Sarlahi, Bhaktapur, Kavrepalanchowk, and Dhading from Central Development Region, Kaski, Baglung, Kapilbastu, Argakhanchi, Gorakha from Western Development Region, Bardia, Jumla and Surkhet from Mid-western Development Region and Doti, Baitadi and Kanchanpur are selected.

Phase I: In this phase, desk studies and consultation at the centre and in the field will be conducted to establish present procedures, methods and tools relating to transparency. Based on these studies, reviews and consultations, a status report reflecting gaps in existing procedures and practices will be prepared. After completion of the status report, ADDCN will focus on identifying indicators and designing draft systems, methods and tools for improved accountability and transparency. The project will arrange a stakeholders' consultation workshop to share the draft report and to finalize the tools prior to implementation.

Phase II: In this phase implementation of the systems will start in districts. Initially, the project will start in 8 districts.

Phase III: In the third phase, implementation the project will continue in the remaining districts and at the same time, the project will assess and improve tools and methods based on results for the pilot districts. The project will support CSOs to conduct public audits utilising local stakeholders on a pilot basis. In addition, the project will evaluate the impact of the project utilising external experts towards the end of the project. A joint team from USAID, MLD and ADDCN will prepare a detailed schedule of the sub-activities when the conceptual aspects have been agreed.

7. Project Management and Collaboration:

7.1 Responsibility:

ADDCN will be responsible for the overall management and implementation of the project. The Executive Secretary General will coordinate the project. A task force composed of representatives from the Ministry of Local Development, ADDCN, the Municipality Association of Nepal (MuAN), and the National Association of Village Development Committees (Nepal) [NAVIN] will be constituted in order to provide technical guidance. During the project period, other stakeholders such as the Commission for Investigation of Abuse of Authority (CIAA), the Office of the Auditor General, the Office of the Financial Comptroller, the National Planning Commission, the Ministry of Finance (and other sectoral ministries) as well as the Local Bodies Fiscal Commission (LBFC) will be consulted. ADDCN will seek cooperation from these and other partners for the effective implementation of the project.

8.2 Monitoring and Evaluation

There will be two types of monitoring. ADDCN will form a monitoring team to oversee the implementation of the project in the districts. Emphasis will be given to monitoring the ownership of the new transparency and accountability system by stakeholders. Additionally the training inputs will be monitored separately. Impact monitoring will be carried out in consultation with DDCs and MLD. Two workshops will be held to evaluate the effectiveness of the program and provide feedback to respective organizations. The project task force will also be mobilized in the monitoring and evaluation of the project as well.

8.3 Project Time Frame

Total time required for the completion of this project is three years from the commencement of activities. A tentative project schedule is provided in annex I. Impact evaluation of the project is also recommended upon the completion of activities. A more detailed activity schedule will be determined in consultation with USAID and MLD.

8.5 Reporting

ADDCN will provide progress reports to USAID and the taskforce on a quarterly basis. A copy of these reports will also be provided to MLD on a regular basis.

8.6 Proposed Project Schedule

Main Activities	Year 1				Year 2				Year 3			
	1	2	3	4	1	2	3	4	1	2	3	4
Prepare status report (Desk review, Consultation at center and Field).												
Design and finalize (consultations, desk study, workshop), the system, method and tools.												
Preparation for implementation (resource package, formats, ToT, monitoring tools, logistic management).												
Orientation workshops, providing support to districts, monitoring of implementation												
Review of outputs/effects (hold national workshops with stakeholders, compilation and analysis of monitoring reports).												
Public Audits in four pilot districts												
Final evaluation of project*												
Implementation of Second Stage in remaining 55 district												

Job Description of the Assigned Manpower

1. Project co-ordinator

- a) Work as coordinator of the project.
- b) Decision making for the project as per requirement.
- c) See into total operation/execution of the project for its quality and success.
- d) Work as contact person for all stakeholders like MLD, NPC, donors and experts during the implementation of the project.
- e) Supervision professionals and other staff, give academic input/involved in the project.
- f) Attend the entire high level meetings related to the project.
- g) Report progress to stakeholders
- h) Ensure that output is delivered.

2. Administrative and Finance Officer

- a) Work as an administrative and finance officer in the project.
- b) Prepare budget for the project.
- c) Take care of receipt and payment of the project.
- d) Arrange logistic support to discharge all the project activities.
- e) Keep account of the project.
- f) Prepare financial statement for submission to concerned department and USAID.

3. Field coordinator

- a) Work as a Field Coordinator.
- b) Coordinate with DDCs, Municipalities, VDCs and COs to discharge the project activities.
- b) Contact and arrange date and time to perform activities of the project in districts.
- c) Assist the co-ordinator in the implementation of the project.

4. Computer Operator

- a) Work as a Computer Operator.
- b) Assist to the experts to computerise the report.
- c) Assist in the implementation of the project as per need.

ANNEX-2

FINDINGS OF THE DESK STUDY AND CONSULTATIONS

After the first level scanning of the legislative and policy review regarding to the transparency and accountability in the LG, field-level consultations were also held with focus on accountability and transparency promotion while working in the conflict situation so that the past achievements in the areas of democracy, decentralization and development were consolidated and the issues addressed.

The dual autonomy of local governments and district line agencies (DLAs) in service provisions and resource allocation has hindered the devolution processes. It is observed that there is no clear cut mechanism for mutual cooperation in development activities between local government and CSOs at both district and village level. Private sectors are not yet fully aware of its cooperation of social responsibility towards the people. The tools of social audit are not applied in practice as provisioned in LSGA due to the lack of guideline. The role and functions of DIDC is not clear. There is also lack of clear guideline of formation and implementation of consumer group. The key findings of the review and consultations have been categorized in policy, institutional, operational and financial framework. The findings are presented in Table below.

Table : Findings of Field Consultation

Key Components	Component Issues	Summarized Component Issues
1. Policy Framework 1.1 Policy Strategy	<ul style="list-style-type: none"> ▪ Weak implementation and monitoring of the directives of the Code of Conduct ▪ Weak implementation and monitoring of the Citizen Charter ▪ Conflicting rules and regulations on revenue generation 	<ul style="list-style-type: none"> ▪ Lack of comprehensive system and procedures for the promotion of accountability and transparency in the local governance system
2. Institutional Framework 2.1 Legal Jurisdiction of Local Governments	<ul style="list-style-type: none"> ▪ LDOs' accountability to the central government ▪ Committee system not effective in promoting accountability and transparency as its legal jurisdiction is undefined ▪ Legal jurisdiction of the Local Government Assembly compromised during conflict situation ▪ Dual autonomy of local governments and district line agencies (DLAs) in service provisions and resource allocation 	<ul style="list-style-type: none"> ▪ Role, responsibility and legal authority ▪ Overlap of functions and authority across level of government
2.2 Service Delivery Mechanism	<ul style="list-style-type: none"> ▪ Loss of physical assets and records by about 50 per cent of VDCs ▪ VDP not in operation ▪ Reduced visibility and effectiveness of VDC and its secretary 	<ul style="list-style-type: none"> ▪ Institutional framework for the service delivery mechanism at the level has been adversely affected due to conflict

Key Components	Component Issues	Summarized Component Issues
	<ul style="list-style-type: none"> ▪ CSOs work as an instrument of service delivery rather than rights-based partners ▪ NGOs have no orientation in their emerging role as an advocacy organization ▪ NGOs have no legitimate space for conducting lobby and advocacy work ▪ NGOs have no organizational capacity for advocacy work ▪ Local governments and CSOs have not developed an effective mechanism for mutual cooperation in development activities 	<ul style="list-style-type: none"> ▪ No strategy for the promotion of rights-based partnership between local governments, DLAs and CSOs
2.3 Institutional Capacity building	<ul style="list-style-type: none"> ▪ Weak management ▪ Weak human resources ▪ Weak resource mobilization and utilization ▪ Weak financial sustainability 	<ul style="list-style-type: none"> ▪ Desired level of local government institutional capacity yet to be determined
2.4 Partnership Promotion	<ul style="list-style-type: none"> ▪ Private sector not yet fully aware of its corporate social responsibility towards the people ▪ Private sector being used as a service delivery instrument confined to contractors 	<ul style="list-style-type: none"> ▪ No effective strategy for the promotion of partnership with the private sector
3. Operational Framework 3.1 Planning Process	<ul style="list-style-type: none"> ▪ Social audit not carried out in the absence of guidelines ▪ Timeline for planning steps often not met ▪ Common practice of providing programmes and allocating budget outside the participatory planning framework and without approval of the council ▪ Participation of DAGs in the planning process more or less traditional ▪ More focus on infrastructure development than on pro-poor projects ▪ Dominant role of local elites in the planning process ▪ No mechanism for effective monitoring of VDC-level projects because of conflict ▪ Project audit not carried out in a transparent way ▪ Preparation and approval of plans not based on resources (ambitious plans) ▪ Budget ceiling to local governments not reaching in time 	<ul style="list-style-type: none"> ▪ Planning process remains supply-driven
	<ul style="list-style-type: none"> ▪ Lack of cooperation and coordination among DLAs in the planning process ▪ Lack of effective coordination for integration of the plans of local governments and DLAs ▪ Lack of effective coordination between the plans of NGOs and DLAs ▪ National-level projects managed separately ▪ Functional relation with DIMC and local governments not yet established 	<ul style="list-style-type: none"> ▪ Absence of integrated approaches to the planning process
3.2 Users' Committees (UCs)	<ul style="list-style-type: none"> ▪ Lack of legal provision to institutionalize users' groups (UGs) ▪ Lack of effective participation of women despite the provision of their legal representation ▪ Only token representation of Dalits in UGs ▪ Presence of invisible contracting system for allocation of 	<ul style="list-style-type: none"> ▪ No transparency in the formation and management of UGs

Key Components	Component Issues	Summarized Component Issues
	<p>projects to UGs</p> <ul style="list-style-type: none"> ▪ In many cases UGs formed to serve political interest of elites ▪ Formation of UGs at the Ilaka level guided by individual representation rather than by group representation ▪ UGs' capacity in project and financial management weak ▪ No system of project audit by the people 	
3.3 DIDC	<ul style="list-style-type: none"> ▪ Roles and functions of DIDC not clearly defined ▪ Technical staff at DIDC without formal education and training ▪ Lack of separate budgetary provision for DIDC in many districts ▪ Lack of standard software for database management ▪ Lack of a clear policy on accountability and transparency support services ▪ Data on poverty situation not processed due to 'data overload' ▪ Use of information in the decision-making process (policy formulation, planning, resource allocation, monitoring and evaluation) not yet established ▪ Ineffective reporting by line agencies to DDCs on financial, project and programme progress 	<ul style="list-style-type: none"> ▪ No effective management system at DIDC due to lack of policy directives, operational manual and resources
3.4 Operational Strategy for the Promotion of Accountability and Transparency in Local Governments and District Line Agencies	<ul style="list-style-type: none"> ▪ The Citizen Charter not in operation in all districts as the revised directives prepared in 2061 BS not yet available in all local governments and DLAs ▪ CSOs do not play an active role in the implementation of the Citizen Charter 	<ul style="list-style-type: none"> ▪ No effective mechanism for the implementation of the directives issued by the government for the promotion of accountability and transparency in local governments and DLAs ▪ Lack of legitimacy to put the Citizen Charter in practice
	<ul style="list-style-type: none"> ▪ Weak public support for the PHFs as it is conducted by government agencies ▪ Lack of orientation and training in PHF management ▪ No uniform modality of PHF 	<ul style="list-style-type: none"> ▪ No system, procedures and operational guidelines for managing PHF
	<ul style="list-style-type: none"> ▪ No legal provision for taking action against defaulters if a citizen does not receive required services from local governments ▪ Victims hesitate to file complaints as they are not yet aware of their civil rights ▪ Elected representatives do not file their property details after the completion of their term ▪ Separate system for government officials to register their property details 	<ul style="list-style-type: none"> ▪ Weak implementation and monitoring of the Code of Conduct in the absence of designated authority at district level

Key Components	Component Issues	Summarized Component Issues
4. Fiscal Framework 4.1 Budget	<ul style="list-style-type: none"> ▪ Constraint on budget estimation since the National Planning Commission (NPC) and central ministries do not pass guidelines and budget ceiling to local governments within appropriate time ▪ Tendency of the central government in reducing the budget ceiling is also a barrier to the estimation and implementation of local governments' programmes and budget. ▪ Difficult to estimate budget or revenue sharing due to untimely receiving of amount from line agencies concerned ▪ Limited autonomy to levy taxes and fees ▪ Confusion over authority on natural resources between local governments and sectoral ministries/line agencies ▪ Performance-based budget preparation not yet practised in all districts ▪ Absence of minimum standard for local government service delivery and benchmarks ▪ In the absence of a long-term development strategy plan, difficult to forecast budget line ▪ Information on the budget ceiling not disseminated to target communities ▪ Release of the approved budget amount delayed ▪ Imbalance between budget and planning due to reduction in budget ceiling ▪ Allocation of budget first and carrying out feasibility studies of development projects later 	<ul style="list-style-type: none"> ▪ No significant improvement in the budget management system
4.2 Book Keeping and Accounting System	<ul style="list-style-type: none"> ▪ Incomplete formats set in LSGR due to non-inclusion of users' contribution, and complex and inadequate columns in the accounting format ▪ Failure to link expenditures to output or outcomes due to poor financial system ▪ DDF concept prescribed in LSGA not properly implemented ▪ Beneficiaries' participation in the project neither budgeted nor accounted for ▪ Property accounting system makes no provision for depreciation of assets. Valuation on historical cost. Weak inventory accounting system 	<ul style="list-style-type: none"> ▪ Poor quality of financial record keeping.
4.3 Expenditure Procedures	<ul style="list-style-type: none"> ▪ A large portion of budget spent in the last three months of the fiscal year ▪ Deduction of the administrative cost first from the development budget by LA ▪ Fluctuation in the percentage of administrative cost according to the size of budget ▪ High proportion of advance cost and actual cost ▪ Advance issued for administrative activities (i.e. salary and travelling allowance/daily allowance) ▪ Ad hoc advance system in development cost ▪ No measurement between cost and performance (based on billing system) ▪ High casual and financial assistance cost. Financial 	<ul style="list-style-type: none"> ▪ High unnecessary expenditures

Key Components	Component Issues	Summarized Component Issues
	<p>assistance amount provided without any base and measurement</p> <ul style="list-style-type: none"> ▪ No vital role of internal auditors to manage expenditures 	
4.4 Auditing	<ul style="list-style-type: none"> ▪ Internal audit sections still absent from DDCs and municipalities even though stated in the regulations ▪ Internal audit not as effective as it should be due to lack of auditing capacity and the limited role for transaction checking of internal audit ▪ Pre-internal audit system not practised since it is difficult to conduct it in every transaction across the limit ▪ Selection of final auditors in local governments a difficult process, and no standard form of audit report or dissemination system for the public (for internal and final audits) ▪ Difficult for the DDC to select an auditor for auditing the VDC account at VDC level in the conflict situation ▪ The model guideline prepared by MoLD not been implemented in all local governments 	<ul style="list-style-type: none"> ▪ Weak audit system in LGs
4.5 Cases of Irregularity	<ul style="list-style-type: none"> ▪ Settlement of irregularities a serious challenge as there are many cases carried over the past tenure of elected representatives ▪ General trend of delaying settlement of previous instalments of advance ▪ Staff deputed from the central government to local governments not interested to settle previous cases of irregular amount and usually transferred early ▪ Many cases of financial irregularity reported to the management of MP Fund ▪ District Administrative Office distributes fund in certain cases without receipt. Hence, increase in cases of irregularity ▪ Difficult for the DDC to select an auditor for auditing VDC account at VDC level in the conflict situation ▪ Consolidated financial reports on the VDC-level expenditures not prepared 	<ul style="list-style-type: none"> ▪ Increasing cases of irregularity
4.6 Procurement and Tender System	<ul style="list-style-type: none"> ▪ Procurement take place time and again avoiding tender or quotation ▪ No healthy competition among bidders due to tacit understanding among themselves ▪ No record-keeping system to monitor work of good contractors ▪ Always difficult to receive compensation from defaulters ▪ Actions carried out on the basis of competition, but difficult to determine the monetary value of goods at the market price based on depreciation calculation 	<ul style="list-style-type: none"> ▪ Lack of quality procurement and contract administration system in local governments

Key Components	Component Issues	Summarized Component Issues
4.7 Revenue Mobilization and Estimation	<ul style="list-style-type: none"> ▪ Revenue estimate carried out on the basis of the past records only. No indicators for estimation and measurement due to lack of adequate information ▪ Revenue enhancement strategy not made by local governments ▪ Collecting tax is difficult due to excessive workload ▪ Income from revenue sharing not received on periodic basis. The sharing amount from CG office never calculated and monitored by DDC ▪ Revenue records not kept systematically as accountants are not trained ▪ Conflicting rules on determining the legal jurisdiction of tax collectors ▪ Difficult to mobilize revenue through contractors due to a weak monitoring system ▪ Weak land revenue collection system due to inactive role of the Land Revenue Management Committee (chaired by the chairperson of DDC) as prescribed in Land Revenue Guidelines 2000 	<ul style="list-style-type: none"> ▪ Neither specific guidelines for revenue sharing nor effectiveness of revenue generation due to incomplete information base, weak administration and lack of political will
4.8 Reporting and Dissemination	<ul style="list-style-type: none"> ▪ No uniform reporting system at all levels ▪ Complexity in preparing a consolidated financial report due to untimely reporting from VDCs, municipalities and others ▪ No consolidated reporting system of NGO, INGO and sectoral programmes, and lack of implementation of the DDF concept prescribed in LSGA 1999 ▪ Neither the government nor CSOs interested to make the report public ▪ Based on reporting performance, there is lack of monitoring 	<ul style="list-style-type: none"> ▪ Delay in reporting and publication
4.9 Staffing	<ul style="list-style-type: none"> ▪ Double responsibility of government staff in the financial administration section (DDCs and VDCs) ▪ No sufficient and expert human resources in the revenue and financial administration section to carry out all financial management activities 	<ul style="list-style-type: none"> ▪ Lack of competent staff
Specific issues raised during consultation with municipalities, VDCs and CSOs		
4.10 Key Municipality Issues	<ul style="list-style-type: none"> ▪ Revenue estimates not based on scientific principles ▪ The management capacity of municipalities weak in establishing transparent relationship with the private sector (no partnership with the District Chamber of Commerce in revenue generation from business taxes) ▪ People remain indifferent to pay Building Permit Fees due to low level of awareness, supervision and monitoring ▪ Adopting accrual basis accounting system a serious challenge for municipalities due to inefficient human resources 	<ul style="list-style-type: none"> ▪ Weak revenue management system due to weak administration and incomplete taxpayer information
4.11 VDC Issues	<ul style="list-style-type: none"> ▪ The budget ceiling not made available in time to VDCs ▪ There is overlap of function between DDCs and VDCs regarding plan implementation at VDC level ▪ In some districts, no practice of revenue sharing between 	

Key Components	Component Issues	Summarized Component Issues
	<p>VDCs and DDCs despite legal provisions in LSGA1999</p> <ul style="list-style-type: none"> ▪ In the absence of elected representatives, proper functioning of VDCs in many districts obstructed ▪ Due to intense conflict, plan formulation, implementation, monitoring and evaluation not carried out in accordance with LSGA 1999/LSGR ▪ The meetings of VDCs not organized on regular basis ▪ The double role of the VDC secretary as the Village Council raises question of transparency and accountability. It has weakened the separation of powers between the council and the executive ▪ Committees, which are to be formed by the Village Council, not formed due to the absence of elected representatives in VDCs. It has affected the mandatory role of the Account Committee to appoint auditor. ▪ The increasing practice of project implementation under 'AMANAT' has discouraged people's participation in plan implementation 	
4.12 CSO Issues	<ul style="list-style-type: none"> ▪ CSOs used only as an instrument of service delivery ▪ CSOs not acknowledged as rights-based partners ▪ The role of CSOs in lobbying and advocacy not explicitly spelt out in LSGA 1999 ▪ The network of CSOs at district level not effective ▪ The cooperation between local governments and CSOs at district, municipality and village levels based on ad hoc relationship ▪ No budgetary provision for human resource development in CSOs, and local governments do not provide due priority to it ▪ CSOs' participation in decision-making, resource allocation and the planning process of local governments not effectively encouraged ▪ The role of CSOs as outlined in the Tenth Plan and Local Bodies and NGO Mobilization Working Guidelines 2061 formulated by MoLD not effectively disseminated 	

ANNEX-3

KEY RECOMMENDATIONS OF THE FIELD CONSULTATION AND DESK STUDY

Effectively Implement the LSGA/R, Policies and Guidelines

A series of directives – Code of Conduct for the elected representatives and the government officials, Citizen Charter to hold the elected representatives and the government officials accountable to the common citizens and promote LGs, efficient service delivery at the local level, Public Hearing Forum to promote transparency in decision-making and resource allocation, Social Audit to promote local accountability, Performance Evaluation of the LG system in efficient resource management and service provision – have been issued but the progress on preparation of effective system and procedures to operationalize has been rather slow in the past years.

- *There is, therefore, an urgent need to prepare and implement the systems and procedures required for the effective implementation of the directives and orient action of the LG representatives and the government officials.*
- *Despite the various policy guidelines that are formulated by the HMGN, its dissemination to the concerned stakeholders is not adequate. Therefore, it is recommended that there should be further orientation on the guidelines, such as, PPP guidelines, 2004, LB-NGO Mobilization Procedure Guidelines, 2004, and Effective Service Delivery from LB Guidelines, 2005.*

Make Role of AGO and CIAA Effective at local level:

The role of AGO and CIAA is weak at local government level. In this regard, the following recommendations are made;

- *Establish Independent audit board as stipulated in the LBFC Report 2000.*
- *Carry out a study on effectiveness of CIAA at local level and create appropriate institutional mechanism for effective monitoring of cases on abuse of authority and corruption in LGs.*

Strengthen committee system in the LBs :

- *Prepare ToR and procedures for effective functioning of Committees formed by LG Council. Enlarge the role and function of the committees for their effective function.*

Make Code of Conduct (CoC) for LB Officials operational:

The LG Associations have already formulated a model CoC in accordance to the mandate of the DIP and submitted it to the Chairperson of the DIMC (Prime Minister) and the Chairperson has instructed to make it operational. The model CoC also has been circulated to the LBs. In this context, for effective implementation of the CoC, following recommendations are made:

- *The MLD should instruct all LBs to adopt and implement model CoC.*
- *Make CoC one of the performance criteria for grant allocation*
- *Form a monitoring committee at central level comprising representatives of DIMC, MLD, LBFC, NPC and LG Associations.*

Restructure of LBs:

The prevailing indirect election system of DDC does not seem to promote direct accountability to the people. It has created a dual responsibility of the executive heads and deputy heads of

the VDCs and Municipalities as council members of DDC. On one hand, they should act as a legislative branch of DDC and on the other, they have to answer to their respective executive committee about their business as a council member of DDC. Therefore, the prevailing structure leaves limited space to the public for asking questions and DDC can enjoy more powers by satisfying the VDCs/Municipalities rather being answerable to the council.

In this context, The DIP has emphasized for the restructuring of LBs. This issue is also realized by the political parties and LB Associations, which needs a detailed study and greater consensus among stakeholders. The structure of LBs should be restructured in a view to enhance accountability and transparency therefore following recommendations are made,

- *Restructure DDC in view of direct accountability to the people*
- *Ensure greater inclusion of women, DAG and ethnic community in Council and executive board.*
- *Make provisions for recall system to LB representatives, etc.*

Clarify Expenditure Assignment:

Absence of clear delineation of functions, roles and responsibilities across level of governance contributes to lesser accountability and dual responsibilities. Considering this, the LBFC has already carried out a study on Expenditure Assignment. Sectoral Devolution Strategy has also been in consideration with the MLD. In this context, the following recommendations are made,

- *Implement the recommendation of the previous studies on expenditure assignment and sectoral devolution strategy.*
- *Amend the contradictory Acts (23, which are already identified).*

Encourage Civil Society Organizations in LBs' Affairs

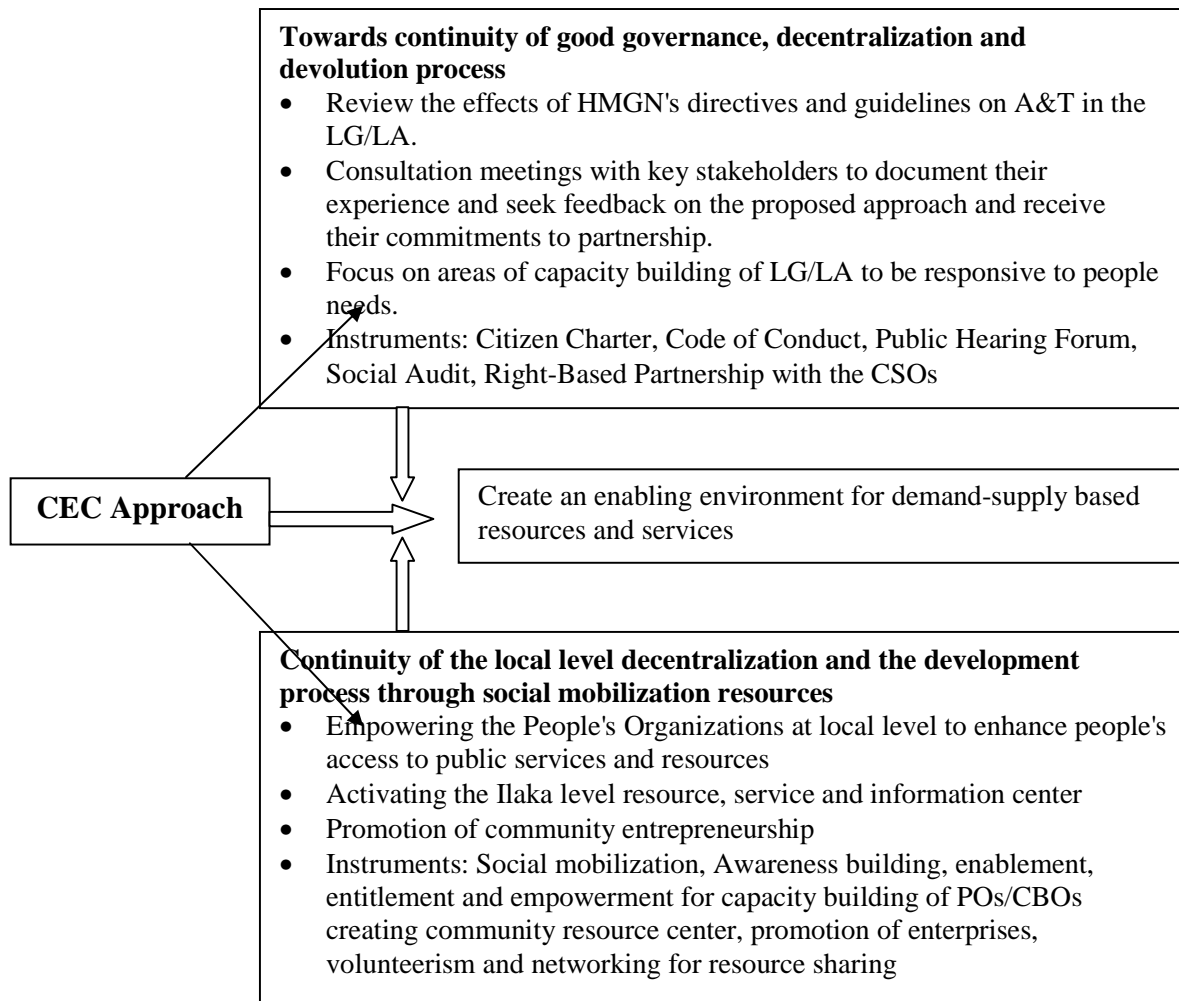
The Civil Society Organizations – specially the development NGOs have acquired comparatively a larger space in the local development, but they have been used only as an instrument of service delivery and not as an instrument of lobby and advocacy for the promotion of accountability and transparency agenda so far.

- *The organizational capability of the CSOs has to be further strengthened so that they are able to take up the long overdue responsibility for the advocacy work for promoting the pro-poor development agenda and also play an active role in A&T promotion (Citizen Charter, Code of Conduct, Public Hearing Forum, Social/project audit etc.)*

Though the HMGN has taken a series of efforts to increase performance efficiency of the government officials to deliver resources and services at the local level, no effective steps have been taken at the local community level to demand the resources and services and also to utilize them in an efficient way.

- *A two-pronged approach to good governance program is required – that is, capacity building of the LG officials to assure efficient provision of resources and services and the empowering framework of the local community and their organization to demand required resources and services.
Creation of the Community Enabling Center (CEC) in cooperation with the CSO is required to achieve a balance between the demand and supply of the resource and service provisions.*

CONCEPTUAL FRAMEWORK



Establish Alternative Service Delivery Mechanism in Conflict Situation

Since many of the LBs are heavily affected by present conflict, it has adversely affected service delivery by them. However, it was learnt that the projects which ensure greater public participation are less affected by conflict.

- *It is suggested to follow the guideline on Program Implementation based on People's Participation (2061) as approved by the MLD/HMGN keeping in view the need of alternative service delivery mechanism in the present conflict situation.*

Capacitate the User Groups

The User Groups have emerged as the larger implementers of the community-based smaller development projects. But no system is in place to capacitate them for the efficient and transparent management of the projects. The UGs are also weak in financial management of the projects. The public audit of the projects is not carried out. Thus it is difficult for the public to separate good projects from the bad ones.

- *The local level NGOs can be encouraged to cooperate in the UG strengthening program for the efficient and transparent management of the projects and the service cost. Such*

cooperation can be built into the project management cost to ensure sustainability of the approach.

Adhere to the planning process as stipulated in LSGA/R

The time-line for the steps of planning is not often met. The dominant role of the power elites in the project selection and resources allocation undermines the selection of pro-poor projects.

- *Social and project audit in cooperation with DAGs and their organization is required to address this issue. A special focus on the creation of social capital for the DAGs is required under the social mobilization program to increase the number of the pro-poor projects.*
- *The MLD, NPC and sectoral ministries should abide by the legal provisions as provisioned in the LSGA/R and plans/programs which are not approved by the LG Council should not be carried out.*

Weakening of institutional and operational framework caused by increasing conflict poses a serious challenge for the promotion of good governance the local level. The HMGN's directives for utilizing the service of development of NGOs and the User Groups have been termed as a better option by the local stakeholders.

- *It is equally important to ensure that such People's Organization operate in a transparent way, remain accountable to the beneficiary community and utilize resources in an efficient way. It is also required to build the organizational capacity of such organizations so that they evolve as a dependable and sustainable partner*

Improve in Fiscal Management

No significant improvement in the budget management system has been recorded. The cases of irregularities are on increase due to carryover from the past years. Transparency issues in the Tendering System remain controversial.

- *It is, therefore, required to revisit the fiscal management system and take appropriate measures for improving the fiscal management system.*

Though the audit report is prepared by the LGs, it is not widely circulated. Even the audit report is not made available in the DIDC for public use despite the legal provisions.

- *The audit report should be circulated in time to all stakeholders in districts and there should be mandatory arrangement to keep the report in DIDC as per the provision of the LSGA and the report should also be discussed in the Public Hearing Forums.*

Strengthen Information System in LBs

There is no defined information management system for LGs. The provisions in the LSGA on establishment of DIDC are also not followed properly. The capacity of human resource at LG level to manage information is also weak. In this context the following recommendations are made,

- *In order to strengthen DIDC the District Statistics Office should be merged with in it.*
- *Despite the provision of people's right to information in the constitution, the required Act is not yet promulgated. This creates constraints for the LGs to develop clear guideline on information dissemination.*
- *An Act on "right to information" should be enacted and implemented. In the mean time the MLD/HMGN should develop a working guideline within the legal frame. It should include the inter organizational information flow. It should also include the provision to determine the legitimate space for whistle blower.*

Make Staffs Accountable to the LBs:

The central deputed staffs at local bodies do not contribute to greater accountability. In this context, the following recommendations are made,

- *Promulgate the draft Bill on Local Service, which is already drafted by the MLD in consultation with the stakeholders*

Establish Effective Monitoring mechanism at local level:

The monitoring of the cases on abuse of authority, corruption and code of conducts is weak at local level. In this context, different views were received during the study and consultation. The LBFC Report, 2000 has suggested for the formulation of an Independent Audit Board. It requires further study and greater consensus among stakeholders. In this context, the following recommendations are made,

- *Carry out a detail study on the appropriate institutional mechanism to discourage abuse of authority and misappropriation of public resources in local bodies.*
- *Ensure participation of all district line agencies in at least llaka level planning workshop and upward processes,*
- *Plan activities within given budget ceiling, enter in district planning process and report department/ministry after approval from district council,*
- *Submit NGO plan by respective LA to enter into district planning process,*
- *Monitor priority projects jointly with DDC/VDC and submit report to DDC,*
- *Submit quarterly progress report to DDC,*
- *Encourage CBOs (CO, CMC, etc.) to participate in the monitoring activities.*

Effective Implementation of Citizen Charter:

- *Establish mechanism of Self Monitoring by service recipient (e.g. In registering application, mention timeframe)*
- *Make elements in CC uniform, at least, within the district*
- *Mention the ultimate accountable person/institution, for e.g. DDC for devolved sectoral function*
- *Specify person/position for specific service delivery and for complain hearing*
- *Mobilize CSO for disseminating CC by using different channels.*

Model:

Name of Offices

FY..... District

S.N.	Type of Service/Facility	Required Document to be submitted	Time Frame (Duration)	Fee (if any)	Service Provider person/unit	Complain Attendant	Ultimate Responsible

Expedite Full Devolution:

- *Orient designated district's stakeholders (DDC and devolved Offices) on new program/institutional and procedural arrangement) with regard to full devolution*

ANNEX-4

REVISED TOOLS TO ENHANCE ACCOUNTABILITY AND TRANSPARENCY IN LOCAL GOVERNANCE

1. Organization and Management of Public Hearing Forum

Basic Information:

- Facilitating Agency: Civil Society Organizations or NGOs
- Responsible Agency: Relevant Offices
- Cooperating Agency: DDC and District Administration Office (for District Level Program) and VDC for village level program/Municipality for municipal level program
- Minute Writer of Hearing: Facilitating Agency
- Follow up of Minute: DDC/VDC/Municipality and District Administration Office (DAO) and CSOs,
- Notifying Period: At least one week before the event
- Means of Notification: Public Notice (Notice boards, local newspapers, FM Radio announcement in other public forums, correspondence to key stakeholders etc.)
- Participation: All development partners, CSOs including UCs, NGOs, Representatives of DDC, VDCs, Municipalities, government offices,
- Duration: 1-2 hrs per theme/office,
- Venue: Hall or open space with easy access to general public,
- Responsible for Cost: Relevant Offices

Procedures

- Consultation with respective Office and determination of theme, date and venue
- Preparation of brief outline of theme related issues, achievement, input, efforts and process,
- Notification of the public hearing event,
- Follow up to key stakeholders for participation,
- Arrangement of venue,
- Conduct public Hearing Forum
 - Nominate Moderator
 - Highlight objective and procedure of forum
 - Present theme and related information
 - Open floor for discussion,
 - Record concerns of participants
 - Response on issues raised
 - Summarize and make consensus on major findings,
 - Prepare brief report of the forum
 - Disseminate to DAO, DDC/VDC/Municipality and concerned Offices,
- Make appropriate time arrangement for further clarification, if any
- Acknowledge the participation,

2. Public Audit

Key Information

- Responsible Organization: Implementing Agency (e.g. UC)
- Participation: Beneficiaries and funding/facilitating agency/Respective LG
- Cooperating Agency: Funding Agency and Respective LG
- Method : Assembly
- Moderation: CSO
- Appropriate Time: Within 2 weeks of completion of project implementation,
- Minute Writer of Public Audit: CSO/NGO other than implementing,
- Reporting to: Funding agency, facilitating agency, Concerned LG and LA,

Project Information:

- Project Name:
- Location:
- Type of project:
- No of beneficiary (Household or Person):
- Ethnic Composition of Beneficiary Household:
 - Brahmin/Chhetri/Newar
 - Janajati/Aboriginal
 - Occupational Caste
 - Other
 - Total
- No. of UC Members:

S.N.	Name	Position

- Date of UC Formation:
- No of User representatives participation in UC formation
- Funding Organization:
- Estimated Total Project Cost:
 - Funding Agency Support (cost):
 - UG Contribution: a). Cash, b). Kind/Material, c). Labour
- Project Actual Cost (in Rs. equivalent): a). Cash, b). Kind, c). labour contribution, d). Other (if any),
- Cost Estimate/Design prepared by: (Name, Position, Office)
- Project Supervisor(s): Name, position and Office:
- Procedures and information for publicizing Project Implementation

What	To whom	How	Required Information
Procedure of UC formation	Users, funding agency, concerned LG	Assembly, Report	Total users (female/male/dalit/janajati) participated in UC formation meeting,
NO. of UC meetings held	Users, funding agency, concerned LG	Assembly, Report	Major decisions of UC meetings
Project Cost Breakdown	Users, funding agency, concerned LG, LA	Report to Assembly, Reporting	Administration: Labour Payment: Unskilled and skilled (No. of workdays and rate) Material (quantity, quality and cost) Transportation: Compensation: Other:
Project Supervision	Users, funding agency, concerned LG	Assembly, Report	Frequency and Name of Office Major recommendations Integration of Supervision report
Project Monitoring	Users, funding agency, concerned LG	Assembly, Reports	No of monitoring Visits and involvement Remarks of report
Operation and Maintenance Provision	Users, funding agency, concerned LG	Assembly, Report	Fund: Technical Manpower: Physical Assets Other:

- Actual Status of Project at Present:
 - Quantity (length, Breadth, height, capacity or size etc)
 - Quality (description of service provided, type, durability etc.)
- Verified by decision of UC:
 - Meeting No:
 - Date:
 - No. of UC members attended:

3. Social Audit of LG Plan/ Program
Indicative Procedure

Step	Element	Necessary Documents	Activity	Indicator	Responsible	Method	Participation
1	Organizational Policy	Periodic Plan/Annual plan/Budget Allocation By-laws/Operational Guidelines Relevant HMG Directives	Preparation of brief report on Vision, Mission, Guiding Principles, Goal and Strategy of Organization, Program Priority, Analysis of Committee system and formation etc. Preparation of Social Audit Policy and determination of Scope Analyze Strengths and weakness of policy instruments,	Inclusion of Pro Disadvantaged, Minority, Backward Area, Women and poor Pro Neutral Bias	Team: (LG senior Staff, CSO/NGO Representatives)	Review and Documentation	Decision Makers, Program in-charge (including LA)
2	Strategy and Achievement	Project Proposals/Documents Progress Reports UC Reports Review Report, Minutes of Coordination Meetings Monitoring Reports	Classify Projects, Disaggregate Beneficiaries groups, Analyze Representation in decision making at implementation level	Pro (Poor, gender, inaccessible, DAG etc.) Neutral Bias	Team, UC Representatives	Review Consultative W/S	Representatives of Sectoral committees of LG Program in-charge (including LA) Representatives of UGs, NGOs, CSO
3	Satisfaction of partners and Stakeholders	Training Report of LG, Project Summary Reports	Seek views of beneficiaries and partner organizations on quality of service, strengths and weaknesses of implementation modality, knowledge of LG policy and strategy Document capacity development efforts of LG	Operational Arrangement Participation in project management Information dissemination Opportunities for capacity development	Team	Workshop	Representatives of Project Beneficiaries, partner organizations, CSO
4	Knowledge Management and Competency	Administrative Structure of LG, Staff meeting minute HRD Report, DIDC	To analyze effectiveness of information dissemination, HRD opportunities of staff in development management,	Type and quantity of accessible document/infor	Team	meeting/workshop	Management and program related staffs of LG

Step	Element	Necessary Documents	Activity	Indicator	Responsible	Method	Participation
		guidelines, Personnel management By-laws of LG,	Job appropriateness of staff, adoptability of staff in new management tools etc. Analyze strength and weakness of administrative organization	mation,, Inclusion in staffing, Training opportunities to staffs			
5	Assessment and Feedback	Summary of Previous exercises	Debrief the findings, Recommend policy changes, strategies and actions for future.	Major findings, Recommendations Propose Action plan	Team and LG board	Participatory workshop	LG Representatives, Staffs, Representatives of LA, Partner NGOs, Representatives of CSO (women ethnicity, DAG, UCs etc.)

Duration: Preparation and pre-consultation (TEAM): 3 days = 9 person days
 Workshops: 4 events (half day each) 4 days
 Report preparation 2 days = 6 person days

Budget:

4. Orientation on Citizen Charter for effective service delivery

- Key elements of CC
- Orientation of the citizens for their rights
- Orientation of the citizen on the use of citizen card
- Training of CSO partners to monitor performance of the LG/DLA offices

Note: Refer to the guidelines prepared by the LG/HMGN

5. Orientation of the CSO Partners on Code of Conduct

Guidelines on Code of Conduct for Local Government Officials

Background

In line with the clear provisions in the LSGA for formulating of Code of Conduct for officials of Local Bodies, the HMG/DIMC has instructed the LG to formulate and implement the Code of Conduct. The LG Associations have formulated model Code of Conduct in consultation with MLD and other stakeholders and it has already been circulated to the LBs. The need is to implement it effectively. Key consideration and the general framework for enacting and implementing CoC are outlined below.

Scope of CoC

- Each Tier of local bodies shall formulate Code of Conduct for the representatives of the respective local bodies.
- The Code of Conduct shall be formulated in a participatory manner involving the stakeholders and civil society organizations and it shall be approved by respective council of the local bodies.
- The Code of Conduct for LG Representatives shall not be applicable to the secretariat staffs or other staffs under the local service. Specific Acts shall be formulated for them.
- Representatives of the LGs shall follow Code of Conduct in accordance with the provision of other laws such as, Code of Conduct regarding to election, rules set by the Social Behavior Reform Act, Civil Service Act, etc.
- Representatives of the LBs shall support in the effective implementation of other laws relating to discouraging abuse of authority and corruption. The related laws in this regards are, laws on investigation of Abuse of Authority, laws on controlling corruption, and the LSGA, etc.
- The Code of Conduct shall not infringe power and responsibilities of officials of LGs as stipulated in the LSGA and Regulation.
- If, the provisions of the Code of Conducts are contradicted with other prevailing Acts, the related Regulations and by-laws shall be followed.

Key Elements

The following *key elements* are expected to be incorporated in the Code of Conduct for officials of local bodies. Provisions may vary among LBs as per the local bodies' need and priority.

- Means and measures to discourage abuse of public property and post;
- Ensuring equitable and just allocation of resources, budget.

- Ensure impartial decisions irrespective of personal relationship or ideological, political, social, economic, cultural, religious, gender beliefs or inclination.
- To ensure any types of imposition of personal views/ideology in deliberating functions or undue influence to others in decision making shall be considered against this Code of Conduct.
- Ensuring fair allocation of tasks and responsibilities to all members of LBs, either elected or nominated.
- To encourage active participation of women and DAG representatives in decision making. Ensure clear delineation of roles and responsibilities; provide priority and adequate opportunities for capacity development.
- To ensure wider participation of civil societies organizations in the meeting and set procedures for regulating meetings. To ensure how the civil society could put forward public interests' agendas.
- To set procedures on declaration of conflict of interests in the meeting, if any. Make sure that having business relationships or any other interests of the members of local bodies with persons or institutions shall be considered incapable to decide on the matters relating to such party.
- Making regulation about accepting prize, donations or any kind of personal services and benefits.
- Reinforcing of effective implementation of the roles, responsibilities and authorities as conferred by prevailing laws; if any.

Institutional Arrangement for Monitoring

- LBs Council shall form 3-5 members' independent monitoring committee. The committee shall comprise members from civil societies as well.
- This committee will be responsible for investigating the issues of implementation of the CoC and will be the recommending authority. The LB executive shall execute the recommendations of the committee.
- One or more of the following actions could be taken by the LB in violation of the CoC by the officials of LBs
 - Caution the concerned official or bureaucrat.
 - Censure and have himself/herself self-censure
 - Inform the public, or have the public informed through other means including public hearing
 - In case any other prevailing laws have been violated, then, inform the concerned body of this and send written information for necessary action.
 - In the case of a bureaucrat, write to the concerned body for departmental action.
 - In case the accused official is aligned to a political party, the concerned political party should be informed of the action against the accused official.
 - Inform the general public about the implementation status of the CoC.
- The LBs shall be responsible to provide adequate logistic support for the monitoring committee and to create independent working environment.
- Other roles and responsibilities of the committee members shall be as defined in the working procedure guidelines.

Inform General Public

Basically, the LB shall inform to the public on the matters as follows,

- Implementation status of the recommendation by the monitoring committee and action taken against LBs' officials

- Key decisions and plans of the LBs
- Particulars about the facilities they receive.
- Meeting schedule and procedures of meeting to participate to the general public
- Property details in accordance with the law
- Change their alignment with political parties
- other information that LBs considers important to make public

The information shall be made accessible through,

- Discussion in the Respective Council
- Keep information in the District Information and Documentation Center
- Making provisions of Citizen Charter and report card
- Disseminate to civil society organizations (Schools, NGOs, INGOs, CBOs, health centers, etc)
- Disseminate to the monitoring agencies and other stakeholders (MLD, LG Associations, CIAA, etc)
- Disseminate to the political parties
- Published in local newspapers

This Code of Conduct for local government officials must be given to people’s representatives, officials and bureaucrats and they should make a signed acknowledgement of its receipt, before they join the office.

Note: Please refer to Annex 4

6. **Orientation Training on Information Support Service for A&T Promotion**

Horizontal and vertical information support service plays a visual role in the promotion of A&T at different level. Information is compiled, processed and disseminated in different form for different categories of information users. The scope and function of information support service for the A&T promotion is outlined below:

Steps	Key Activities	Responsibility	Potential Users
1. Information collection	Collection of relevant data, information at DIDC on District Profile, Periodic Plan, Annual Plan, Budget, Plan and Progress Reports of DLA, Auditors General Reports, Progress reports compiled by NGO/INGO, others	DIDC	
2. Information compilation	All data/information on the DIDC database including data/information compiled by the DLA and other development actors	DIDC DLA	
3. Information dissemination	The following information services can be considered <ul style="list-style-type: none"> - Ready reference service to provide information on latest decision on development activities, decisions, and other information of public concern - Reference service to any users who want to access development information. - Display of information at project site at community level through display board. - Publication of information in News Papers, Periodic Publications, Hoarding Board, Notice Board. - Organizations of meetings at LG to share information of immediate concern. - Financial information on annual budget, quarterly breakdown, name, location and duration of projects with budget. - Financial progress reports. - Quarterly reports on revenue generation and expenditure. - Information on tender contracts and amount. - Release of Funds to UGs and other partners. 	DIDC DLA NGO DIDC/DLA	
4. Information support service to partners	<ul style="list-style-type: none"> - Information support service to the management of Public Hearing Forum. - Information to the public through NGO about Citizen Charter, Code of Conduct, available resources, grants, loan. - Information on general public interest like public health, child care, available resources and services for DAGs 	DIDC/DLA NGO	

- Preparation, approval of DIDC rules and regulation about information support services.
- Information about the Users access to DIDC.
- Classification of classified, semi-classified and general documents and rules on how to access them.
- Review the location of DIDC at DDC and assess how it can be accessed by the users without constraints.
- Costing policy for information support service (photocopy, DIDC fee, loan etc)

7. Training on Organizational Management of Users Groups

Guidelines for formation and management of User's Committees

In principle, the UCs should be formed by the target community themselves. However, formation of UC seems inclusive on paper but in practice this is not the reality. The UCs also lack sustainability; and in practice, UCs no longer exist once the project is completed. Institutionalization of UCs has remained a key area of concern for the sustainability of development projects. In this context, following guidelines should be enforced in addition to the existing process of formation and management of UCs:

- Determine households that are specific beneficiaries of a specific project. Determine population and disaggregate to male and female. Categorize households based on ethnicity.
- On formation of UCs make sure that at least 30% of women are included which should be from different households. Without this, the UC should not be approved by LG.
- Make sure that disadvantaged groups of the project population (1) are included in the UCs.
- Make sure that there is a meeting minute of the user's gathering with signature of the participants which formed the UC. The gathering should include at least 2/3rd of the total households (appendix 3 of second amendment of LSGR requires to state number of beneficiaries attended the meeting that formed UC but it doesn't make provision a minimum number of beneficiaries to be present in the meeting). This meeting minute should be checked strictly while approving UC by the local governments as per LSGA. Without meeting minute, formation of UC shouldn't be approved by LG.
- In order to discourage influence of elites, make sure that a person is not involved formally in two UCs at a time. Elected representatives and close relatives of the representatives also should not involve in UC.
- While giving final clearance to the implemented project, make sure that the project audit is carried out in specified format. The project audit should also be approved by at least 2/3rd of the project households and audit report should be documented. The cost involved in the project audit must be included in the overall project cost. Local governments can, additionally, disseminate crucial information (for example- financial, contribution of stakeholders, physical information) of the project to the project population. This information can be displayed in a board on project site or all this information can be printed in a page and dissemination of about 50 sheets (in a Rs. 100 cost) in the project area households and it can make big difference. Local clubs, NGOs, schools can be used for the dissemination.
- Register UCs permanently in the concerned LG. LGs must train UCs to carry on maintenance and supervision works relating to the project by themselves once the project is completed. Monitor the works of the UCs and praise those who work well. If a UC is found involved in illegal acts, for example, contracting out, financial mishandling etc, it should be blacklisted so that the UC doesn't get other projects.
- When two or more VDCs are involved in executing a project, formation of UC must be done by wider gathering of the people of concerned area involving key stakeholders. Follow guideline 5.
- LG must develop HRD plan for the UCs. The HRD plan must be based on local needs of the UCs.

8. Training on People-Centered Planning Process

Planning Process

In the first step of planning process of LGs, there should be directives and budget ceiling provided to the LGs. This provision should be strictly followed because delayed directives and budget ceiling negatively affects other steps of planning and creates room for manipulation by the officials. Strong commitment should come from the central government that the budget ceiling and directives will be provided before November each year.

For each step starting from Ward gathering, there should be a simple form developed to enlist the demanded projects (based on priority) and signature of the participants in the ward gathering. A minimum of 50% of the households should represent in the ward gathering. Without signed ward gathering form, no projects should be moved forward. This also should be strictly checked by the LGs while planning. In order to ensure participation of DAGs in the planning process, local NGOs working in the area should be mobilized. Identification of DAG should be carried out by Community Organizations formed in the course of social mobilization by various programs. LGs should make sure that at least 1/3rd of DAGs households (based on their total households as identified by COs) represent in the ward gathering.

In higher steps of planning also, there should be appropriate formats to prioritize demanded projects. These formats should be signed by the participants. Unless the participants in the planning meetings sign the approval forms the plan shouldn't be considered at higher level.

An example of Project selection format at each level of planning process:

Name of meeting: e.g. Ward gathering, VDC, Ilaka, Subjective Committees etc.

Date:

Place:

SN	Name of the project (specify place and nature of project) (State in ascending order of prioritization)	Details of the project (unit and amount of works)	Estimated cost
1			
2			
3			
4			
5...			
Participants			
SN	Name	Institution	Signature
1			
2			
3...			

The selected plans should be desegregated based on subject and should be discussed in the subjective committees and form as sectoral plans. Since there is duplication in planning process in the sectoral line agencies, it should be eliminated by commitment and consensus among the central level stakeholders to recognize the plans generated by participation of the local people. Sectoral ministries' planning process should be entirely based on the demands of individual

districts that have arisen through bottom-up planning process and the timing of the planning process should be appropriately coordinated.

Information Dissemination:

Information dissemination forms a vital part while maintaining accountability and transparency in any organization. In LGs, information dissemination is mainly done by periodic publications and pasting notice on boards. There is also increasing trend to establish web-sites among DDCs and Municipalities. Information dissemination through web-site is much easier and efficient. However, most of the people aren't familiar with internet therefore LGs should focus on print media for information dissemination.

Since, LGs receive a lot of information from line agencies on respective sectors, such information has to be managed properly in order to monitor and disseminate input, process and achievement indicators of the specific sectors. It makes line agencies accountable to LGs. However, there is no defined procedure for Information Management at LGs. ADDCN is currently working on development of an Information Management System for LGs. The system will develop formats and procedures for information collection, storage, dissemination and usage. LGs and Line Agencies should follow the system. LGs should disseminate information regarding projects implemented by itself or through UCs.

Individual Project's information should be disseminated at site by a display board and/or information sheet to key stakeholders in the community (described in UC's provision). A format for the individual project's information dissemination is given below:

Format for Individual Project's Information Dissemination:

Name of the Project: Location: Start Date: Completion Date: User's Committee: 1. Chairperson: 2. Secretary: 3. Treasurer: 4. Members: Particulars of work (state in appropriate units referring to technician's evaluation): Details of Contributions (state in cash or kind): Central Government: Local Government: People's Participation: Others: Details of Expenditure:

9. Training on Financial Management for A&T Promotion in the LGs

In order to spell out the budget formulation in the LGs and the process of information dissemination on the budget ceiling, to resolve these problems, the following table should be referred to.

Information of Budget Ceiling (Disseminate for PHF)

Table 7.1

Programs	Budget Ceiling Amount	Sent Date of Budget Ceiling	Budget Proposed by LG based on Planning	Allocated Amount in Red Book	Actual Received Rs.	Date of Actual Receive
DDC grant	Total Amount Rs.					
Municipality Grant						
DDC Grant						
.....						
.....						
.....						
Total						

Note: The documents regarding budget ceiling, red book amount and actual receivable amount should be disseminated in PHF. This information can be disseminated in different ways i.e. notice board, print and electronic media

For the existing provision of accounting system, the format shown in Table 7.2 should be used and made public for the measurable performance of actual cost.

There is a need for the introduction of project formats in each of the UCs/NGOs/CBOs which have more funding from LGs. The format should have the provision for recording the accounting and social audit of all LGs income, expenditure and output. The format shown in **Table 7.3** can be used for the recording of contribution by different stakeholders of LGs. This format should be prepared every 4 months and disseminated to the public.

.....DDC/Municipality/VDC
Consolidated Income and Expenditure.....month/Year

Table 7.2

Programs	Balance Forward	Current Year released amount	Income from Advance Settlement	Income from Transfer	Others Income	Total	Actual Budget Expenses	Advance Expenses	Transfer Expenses amount	Total Expenditure	Balance	Remarks
Internal Revenue												
DDC grant												
Central Govt. Grant												
.....												
.....												
Total												

.....DDC/Municipalities/VDCs
Sources and Usage of Funds contributed by different stakeholders in Capital Investment

Table 7.3

Program Fiscal Year	Area	No of Beneficiaries group/ households	Contract or's or UC Name	Starting Date	Ending Date	Sources of Revenue							Expenses				Performance	Remarks
						Local Revenue	Revenue Sharing	HMG Grant	INGOs	NGOs/ CBOs	UC	Total	1st 4 month	2nd 4 month	3rd 4 month	Total		
Programs																		
F/Y.....																		
F/Y.....																		
F/Y.....																		
Programs																		
F/Y.....																		
F/Y.....																		
F/Y.....																		
Programs																		
Total																		

Note: This format can be used by LGs for short term and long term project. This format should be made pubic within 7 days completing by 4 months.

There should be a design of an application form for individual financial assistant. The submitted application has to be forwarded through chairman/mayor to LGs Board. After approval from the Board, this application has to be sent to the account section along with the signature of LGs Secretary, and paid to the concerned person or institution. This record has to be recorded in the format of **Table 7.4** and made public on the notice board on a monthly basis, as well as, at the program of PHF. It has, also, to be submitted at the next council.

Table 7.4
Financial Assistance Dissemination Record
.....DDC/Municipalities/VDCs
F/Y.....

S.N	Date	Name of Person/Institution	Address	Fathers Name	Amount Rs.	Voucher No.	Date
Total Amount Rs.							
Total expenditure amount up to this month Rs.							
Budgeted Amount Rs.							
Remaining Budget							

LGs should establish the information of sources of revenue and its utilization to regenerate the income from relevant sector. The format shown in Table 7.5 can be used for the purpose of revenue containing from different area of local resource and its investment for the development and to regenerate the income. This form should be filled up each month and disseminated.

.....District Development Committee
Sources and Usage of Local Revenue (F/Y.....)

Table 7.5

Sources of Local Revenues	Source Area	Last Year			Current Year				Remarks
		Budgeted	Actual Revenue	Expended sector	Budgeted	Revenue of the month of..	Expended sector	Exp. Of the month of...	
Infrastructure Tax									
Resource Utilization Tax									
Sales									
Service Fees									

A guideline is immediately required to enhance the role of internal audit section. In this guideline the focus should be on internal audit plan. The Internal Auditor should prepare audit plan and conduct the audit of DDC and Municipalities by 15 days after completing the month. At least 3 to 5 (It can be determined as a work load for DDC and number of VDCs) assistant level employees are required to perform the internal audit of VDCs and DDCs and DLA. As a member secretary of Account Committee, the Chief of internal audit section should submit the report to Account Committee and Secretary. The Account Committee meeting should be held once in the last week of each month for the discussion of financial indiscipline seen in the DDCs or Municipality. The Account Committee should strictly enforce financial discipline on the Secretary and the Secretary should oblige.

The Account Committee should be monitored regularly. A reference copy that has detected irregularities from the internal audit should be disseminated for information to the concerned bodies. It should be an agenda for the LGs Board and Council. The formats (Table 7.6 (a), (b)) are used for the monthly report of irregular amount that can be made public on the notice board or it can be made public in the concerned forum.

.....District Development Committee/Municipalities/VDCs
Detailed Irregular Amount of Month (F/Y.....)

Table 7.6 (a)

S. N	Date	Voucher No.	Description	Embezzlement	Others to be realized	Not compliance	Loss damage	Doc Evidence presented	Balance not CF	Net Reimbursed	Advance not clear	Total
Total of this month												
Irregular Amount Balance Forward												
(a) Total Irregular amount up to this month Rs.												
Settlement of Irregular amount Rs.												
Remaining Irregular amount up to this month												

Note: This format should be prepared at the end of each month.

.....District Development Committee/Municipalities/VDCs
Monthly Detailed Irregular Amount (FY.....)

Table 7.6 (b)

S.N.	Months	Embezzlement	Others to be realized	Not compliance	Loss damage	Doc Evidence presented	Balance not CF	Net Reimbursed	Advance not clear	Total
1	Shrawan									
2	Bhadra									
3	Ashoj									
4	Kartik									
5	Mangsir									
6	Paush									
7	Magh									
8	Falgun									
9	Chaitra									
10	Baisakh									
11	Jestha									
12	Ashad									
	(a) Total									
	(b) Balance Forward of previous year Rs.									
	(c) Total Irregular amount Rs. (a+b)									
	(d) Current year settlement irregular amount									
	(e) Remaining Irregular Amount Rs. (c-d)									

Note: This format should be prepared at the end of fiscal year

REFERENCES

1. *Law Books Management Committee, GoN, Local Self-Governance Act, 1999, Kathmandu*
2. *ADDCN, A Study Report on Identification, Review and Assessment of Enhancing Transparency and accountability in Local Governance, December, 2005*
3. *ADDCN and USAID, an Agreement Document between ADDCN and USAID on Enhancing Accountability and Transparency in Local Governance, May, 2004.*
4. *Quarterly Progress Reports prepared by ADDCN and submitted to USAID*