Performance Monitoring System of Local Government in Nepal

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July 5, 2013
Outline of Presentation

• Overview of Nepal and its governance system
• Overview of the Performance of LGs
  – Existing situation, and
  – Issues on the Performance of LGs
• Development & Learning
  – What this system is
  – How this was initiated and mainstreamed
• Future prospective .......
About Nepal

- **Political divisions:**
  75 Districts and
  58 Municipalities & 3915 VDCs

- Kathmandu
- Mount Everest
- Lumbini - Birth Place of Buddha
Overview of Governance System in Nepal

- Unitary Government System with central and local government
- Two layers of local government (LG)

Note: The term ‘Local bodies’ stands for Local Government
General working structure of LGs in Nepal

Council

Executive Committee

Chair-person/ Mayor

Vice-chairperson/ Vice-mayor

Executive Officer/ Secretary

... Division

......... Division

........ Section

......... Division

........ Section
Efforts towards Decentralized services in Nepal

- Country’s commitment in Decentralization and almost 50 years’ experience
- Main basis of local government system
  - local self-governance, and
  - principle of devolution
- Local Self-Governance Act (LSGA), 1999, is main law.
Overview of the Performance of LGs (1/2)

Existing Situation of local services

• LGs have been given functional and financial power to decide and implement their priorities.

• There is growing trend of functional responsibilities and source of funding (grants from central government and other development partners)

• The new local self-governance act was enacted and elected LGs were working.

• Encouraged bureaucratic team was working in local affair agency (LAA).

• But many LGs were not accountable according to the spirit of devolution/decentralization

• The central political leadership was not so strong. Local leaderships were comparatively motivated, but there was no uniform working environment.
Overview of the Performance of LGs (2/2)

Issues on the Performance of LGs

• Planning and Implementation were not conducted on time

• Difficult to align the local investment in according to the provision

• Control from center was almost impossible because of the issue of autonomy

Need

To improve the local services and develop an accountable LG

To introduce strong and effective tools to monitor the LGs

To establish Performance Based Grant System (PBGS)
Selected policy issue

How the local governments could be monitored without avoiding the principle of local autonomy and made them responsible for their responsibilities.

Adopted counter measure for addressing the issue

Introduce MCPM system to monitor the performance of Local Governments
What MCPM is

- A monitoring/evaluation tool to assess the performance of LG
- **Indicator based assessment** in relating to the duties and responsibilities, based on legal provision
- **Two sets of indicators**; Minimum Conditions (MC), and Performance Measures (PM)
- A kind of **third party monitoring**
How MCPM works (1/4)

It affects the relations between center and local government, local politicians and people, and local government units and their clients.

Source: LGCDP, 2010. P.19
Assessment will be done on the set indicators

For MC, only 2 option—Yes or No

For PM, There is total 100 marks in 57 indicators (8 areas)

Then, the result will use to allocate the grants

MoF= Ministry of Finance
MoFALD= Ministry of Federal Affairs and Local Development
LBFC= Local Bodies Fiscal Commission
After getting the assessment result, it is used as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Performance “rating” and conditions</th>
<th>Reward/ Sanction</th>
<th>Staff Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MC not met</td>
<td>Lose all formula based grant</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>MC met but failed in any one of the areas of PMs</td>
<td>Less by 20 %</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>MC met &amp; obtained 36-50 marks in PMs</td>
<td>Status quo</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>MC met &amp; obtained 51-65 marks in PMs</td>
<td>20 % more</td>
<td>Rs. 100 thousand</td>
</tr>
<tr>
<td>5</td>
<td>MC met &amp; obtained 66-80 marks in PMs</td>
<td>25 % more</td>
<td>Rs. 125 thousand</td>
</tr>
<tr>
<td>6</td>
<td>MC met &amp; obtained 80+ marks in PMs</td>
<td>30 % more</td>
<td>Rs. 150 thousand</td>
</tr>
</tbody>
</table>
How MCPM works ... (4/4)

- Small portion of grant will allocate as an entitlement grant
- Major portion of grant will allocate on the formula basis
- And, the formula based grants will be tied on the MCPM result

Source: UNCDF, 2010. P. 46
Effect of this system:
How the performance status changed

Source: LGCDP, 2010. P.21
How it was initiated

- The concept has been transferred from developed (industrialized) countries and lessons from Uganda and Philippines were in center
- Who the Leader was (This is a team effort)
  - Bureaucratic Team within LAA
  - Forum of local elected leaders
  - Support from Development Partners (a project DFDP’s continue support)
- The first pilot testing was conducted in 2004 in 20 districts
- The result was used in funding the project – DFDP in FY 2005/06
How the system mainstreamed

• After testing in 20 districts, the assessment system was implemented in all LGs (districts, municipalities and villages) gradually

• Then, the result is using to allocate unconditional (block) grant and some project specific grants (e.g. LGCDP funding)

• To assure the trust (validity and reliability) of assessment process and result, quality assurance mechanism is developed.
How the system addressed in Government Policy

• After seeing positive outcomes (in improving service delivery, planning and monitoring culture, spending capacity, record keeping and so on), Government formally accepted this system from FY 2006/07 and aligned in National System.

Case (how does this system affect?):

“Kathmandu Metropolitan City failed in FY 2008/09 in MC/PM. This triggered the local politicians who questioned the staff why it this happened. Then, the things started improving. This shows that the system is not unfavorable for resource poor local bodies as some tend to blame performance based system.”
Components for sustaining the system

• This system is **legalized** through government regulation.
• It is accepted as a part of **regular government function and resource allocation**
  – DPs are also supporting/funding
• An independent national agency (local bodies fiscal commission-LBFC) is assigned to execute the assessment process
• Linkage with financial **incentives and penalties**
• Ownership:
  – Lead by central govt. agency
  – Fully accepted by LGs
Issue for improvement of this system

• Improvement of Indicators (process based indicators to outcome based indicators), and

• Link the results to other governance indicators
In summary

- Team effort and coordination between stakeholders is one important aspect of its success
- Commitment in implementation from government is another good matters. Government has taken lead role
- Provisions for sustaining can be taken as a good example, where ownership is in center
- Keys of its success
  Simplicity of assessment manual, quality assurance, assessment by third party (Team composition: local governance expert and financial management expert), and transparent indicators & process, and appeal system are the keys for its success
My eagerness after taking this course (PDI-in-DCs)

• How can we develop the team effort culture at leadership level? Does this example present the potentiality of such types of leadership in the macro context of developing countries?

In other word,

• Does this type of team working mechanism effort to formulate the macro-level policies? Is it feasible in other sectors/at macro level?
References

http://www.decentralization.org.ph/Editor/assets/AssessingPublicSectorPerformance.pdf


Local Governance and Community Development Programme (LGCDP). (2010). *Analysis of the minimum conditions and performance measurement (MC/PM system) in Nepal.*


Thank You

Welcome your comments and questions............