

**UNITED NATIONS CAPITAL DEVELOPMENT FUND**

**DECENTRALISED FINANCING AND DEVELOPMENT  
PROGRAMME (NEP/99/C01)**

**MID-TERM EVALUATION**

**JANUARY 2004**

**Janet Gardener, GHK International, UK**

**Dr Neela Mukherjee, New Delhi, India**

**Mohan Das Manandhar, ODC, Kathmandu, Nepal**

**Madhuban Maskay, Stupa Consultants, Kathmandu, Nepal**

## **Acknowledgements**

The Evaluation Team would like to thank the DFDP project staff for their advice, assistance and patience during the preparation of this report. Also the staff of Rupandehi, Dhanusha, Kaski, Kavre and especially Terthum and Udaypur for providing help and information during the Team's field visits; and to the Community Organisations, User Committees and beneficiaries of the projects visited. Finally to the Secretary, MLD Mr Khem Raj Nepal; Joint Secretary, MLD, Mr Ganga Datta Awasthi; and Mr Mahesh P. Dahal, National Project Director for their assistance and hospitality during the mission. The authors would especially like to acknowledge the contribution of Mr Ananda Dhakal, Under-Secretary, MLD for his advice and contribution to the evaluation during the field visits.

The content of this Report represents the views of the authors and does not represent those of UNCDF nor HMGN. Any inaccuracies or misrepresentations are those of the authors.

Janet Gardener, GHK International, UK

Neela Mukherjee, New Delhi, India

Mohan Das Manandhar, ODC, Kathmandu, Nepal

Madhuban Maskay, Stupa Consultants, Kathmandu, Nepal

January 2004

## TABLE OF CONTENTS

<b>Acknowledgements</b> .....	<b>2</b>
<b>TABLE OF CONTENTS</b> .....	<b>3</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>4</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>8</b>
<b>PROJECT DATA SHEET</b> .....	<b>9</b>
<b>INTRODUCTION</b> .....	<b>10</b>
<b>SECTION A: FACTUAL PRESENTATION OF PROJECT RESULTS</b> .....	<b>11</b>
<b>A1 ORIGINAL PROJECT DESIGN</b> .....	<b>11</b>
A1.1 Pre-Project Data .....	11
A1.2 Project Design .....	12
A1.3 Project Objectives.....	15
A1.4 Project Results/Outputs and Activities.....	16
A1.5 Project Inputs & Implementation Arrangements .....	17
A1.6 Risks Identified at the Project Design Stage .....	18
<b>A2 STATUS OF IMPLEMENTATION</b> .....	<b>20</b>
A2.1 Current Status of Delivery of Inputs.....	20
A2.2 Current Implementation Status.....	21
<b>SECTION B: ASSESSMENT OF RESULTS ACHIEVED</b> .....	<b>33</b>
<b>B1 PROJECT IMPLEMENTATION PERFORMANCE</b> .....	<b>33</b>
B1.1 Project Implementation Performance .....	33
B1.2 Project Monitoring System.....	46
B1.3 Technical Backstopping.....	47
<b>B2 PROJECT RESULTS (OUTPUTS, OUTCOMES AND IMPACT)</b> ...48	
B2.1 Beneficiary Impact .....	48
B2.2 Levels of Beneficiary Participation.....	51
B2.3 Comparison with Pre-project Situation .....	52
B2.4 Quality of DDC project prioritisation process .....	52
B2.5 Sustainability of Project Achievements.....	53
<b>B3 PROJECT PREPARATION AND DESIGN</b> .....	<b>55</b>
<b>B4 PROJECT EFFECTIVENESS</b> .....	<b>56</b>
<b>B5 CRITICAL ISSUES</b> .....	<b>56</b>
B5.1 Potential for Policy Impact .....	56
B5.2 Channelling of Funding.....	59
B5.3 Capacity Building Strategy .....	60
B5.4 Complementarities with UNDP .....	61
B5.5 Implications of the Conflict on DFDP and vice versa.....	63
<b>B6 FINDINGS, RECOMMENDATIONS AND LESSONS LEARNED</b> ...68	
B6.1 Finance .....	69
B6.2 Planning.....	70
B6.3 Implementation .....	72
B6.4 Capacity Building .....	73

B6.5	Policy Development.....	74
B6.6	Programme Management.....	75
B6.7	Implications of the Conflict.....	76
<b>ANNEXES</b> .....		<b>78</b>
<b>Annex 1: Evaluation Summary</b> .....		<b>79</b>
<b>Annex 2: Evaluation Follow-Up Matrix</b> .....		<b>85</b>
<b>Annex 3: Evaluation Terms of Reference</b> .....		<b>94</b>
<b>Annex 4: Financial Data</b> .....		<b>95</b>
<b>Annex 5: Pre-Project Comparison &amp; Beneficiary Participation</b> .....		<b>96</b>
<b>Annex 6: Quality and Effectiveness of Project Design, Supervision, Construction and Management</b> .....		<b>99</b>
<b>Annex 7: Sustainability of Projects</b> .....		<b>107</b>
<b>REFERENCES</b> .....		<b>113</b>

## **EXECUTIVE SUMMARY**

The DFDP has reached the mid-point of its 5-year programme and has established effective programme management and implementation procedures. It has achieved a high level of ownership amongst both central and local government stakeholders, and within the communities where it has been working. It is perceived to have been effective by external stakeholders such as DFID which committed in June 2003 to co-fund the project, allowing a scaling-up to more than double its original size.

The Evaluation finds that good progress has been made to establish the institutional and procedural framework for the project to proceed. The project has put in place systems to transfer funds to DDCs and user committees and it has developed the means to encourage transparent reporting to beneficiaries, the DDC and project management. It has also worked

within existing institutional structures to enable the provision of small-scale infrastructure projects by and for local people. The administrative cost of this is relatively low and, by linking the demonstration of field-based effectiveness with policy support to HMGN to develop further fiscal decentralisation, the prospect for institutional sustainability is good. Continued technical support from UNCDF is essential and this should be linked to demonstration of piloting lessons from DFDP field practice. This will provide a basis for financial sustainability by leveraging HMGN budgetary allocation and donor funds for further block grant funding.

Project expenditure is running at approximately 70% of the annually budgeted figure. Just over half (53%) of the total original capital fund (\$3.05m) has been disbursed within the 8 districts. Inception Workshops have been held to commence the programme in the 12 new districts.

Progress towards achievement of the Immediate Objective is assessed by consideration of progress against each Output and the indicators specified in the logical framework, as follows:

In terms of *Output 1* (transparency in project selection), there is still considerable work for the project to do to introduce project selection criteria and the tools to use them at all levels of the planning process. Also, formal systems for communicating district-level decisions to VDCs and communities are not evident.

Progress on funding mechanisms, management and reporting (*Output 2*) has been good with the important exceptions of the establishment of performance-based funding using performance criteria and *ex post* approval of block grant allocations, obtaining clarity on DDC and VDC projects in relation to service delivery responsibilities, and the establishment of a VDC block grant.

Management capabilities of DDCs/VDCs for implementation and maintenance of infrastructure has been enhanced (*Output 3*) through the implementation of over 500 projects. Concern remains over the capacity of DDCs to adequately design and oversee project implementation. Few projects appear to have formal arrangements for maintenance.

The monitoring and evaluation systems of DDCs and VDCs have been strengthened (*Output 4*) to the extent that DFDP reporting systems have been established, and the PMU is supporting development of a District MIS for the MLD. More emphasis is required from the project to strengthen the internal monitoring capacities of DDCs and VDCs.

Progress towards achievement of the Immediate Objective is qualified. The sustainability of fiscal transfers is currently threatened by the conflict situation (diversion of funds and absence of locally-elected bodies) although the project is providing valuable policy support to enable further fiscal decentralisation. Integration of planning and funding at district level is still far from a reality with little evident collaboration from line agencies nor convergence of planning processes. Institutionalisation of LSGA procedures will require much greater integration of DDC, line agency and DFDP funding and planning processes. The project is however providing DDCs, VDCs and communities with operational procedures and tools to promote greater responsiveness and accountability.

In addition to this assessment of progress, key issues are:

**Funding:** The need for further technical assistance to improve financial management at DDC and UC levels to avoid delay, irregularity and conflict of interest, and to improve mobilisation of resources; and to improve links to national planning and budgeting and integration with sectoral programmes.

**Planning:** The importance to the local planning process of social mobilisation. This is found to improve participation and empowerment, and to reduce capture of the process by local elites. However, even with social mobilisation, there remains a need to ensure greater transparency, inclusion and targeting within the planning and implementation processes to achieve more effective gender and poverty impact

Specific reviews of the levels of community contribution, the impact of voluntary labour and the nature and impact of focused projects are needed to assist analysis of current gender and poverty impact.

Investment: The quality of micro-project investment can be improved. This may be assisted by further support to DDCs and coordination with line agencies and sector programmes to enable improved design, costing and supervision of project implementation; and by adoption of technology and construction modalities appropriate to types and complexity of project and levels of implementation.

Improved definitions of 'district' and 'village' level projects which are closer to, and reinforce, respective service delivery responsibilities will assist definition and piloting of functional and fiscal decentralisation.

Capacity-building: Capacity-building efforts within the project have been unsystematic. There is a need for a strategy to prioritise training needs, supply core competencies, and develop better learning within the project through peer review and exchange, documentation of lessons learned and best practice, and promote policy dialogue through dissemination.

Implications of conflict: The conflict situation is causing disruption to project activities particularly the availability of DDC and VDC funds, the field supervision and monitoring by DDC staff, the involvement of the VDCs, and the holding of community meetings. The situation is unstable and affects districts, and parts of districts, differently. This will require flexibility on the part of the project management and the development of alternative procedures to allow continuation of project operation whilst ensuring adherence to key project objectives.

Programme Coordination: There is a lack of coordination between PDDP/LGP and DFDP especially at national level between UNDP and UNCDF presenting a risk that assumed links (and synergy) between social mobilisation, participatory planning and district planning and funding are not being achieved and the potential synergy of the two programmes is not obtained.

Key lessons learned from the evaluation are:

- The importance of continued social mobilisation to ensure participation by the community and avoidance of capture by elite groups
- The need for continued technical support to promote integration of district level planning and budgeting
- Current approaches to social mobilisation and quota-funding do not ensure gender or poverty impact. There is a need for continuous monitoring and refinement of tools to achieve effective targeting.
- DFDP and PDDP/LGP are interdependent and coordination is essential to obtain synergy and to achieve objectives
- The project is effectively implemented through DDC resources. However, there is insufficient DDC and local level capacity for design, costing and supervision of micro-project implementation.

In the light of the findings of the evaluation, a series of detailed recommendations has been made. These may be summarised as follows:

- Improve DFDP funding arrangements to:
  - Enhance transparency and financial management performance at DDC and UC levels
  - Integrate with HMGN budgetary cycle and seasons for micro-project implementation
  - Provide technical support to develop closer integration with sectoral planning and budgeting
  - Develop performance-based funding

- Link funding to service delivery responsibilities
- Develop VDC block grant mechanism (for future implementation)
- Enhance the planning process by providing tools to improve
  - transparency of project selection and decision-making
  - inclusion of women and the poorest
  - gender and poverty targeting
- Improve gender impact of project benefits through
  - gender assessment of programme impacts and implementation modalities
- Improve quality of capital investment through
  - Adoption of standard design and construction guidelines
  - Training of DDC staff on feasibility design and costing
  - Training of local people for supervision and procurement
  - Formal arrangements for operation and maintenance
- Enhance effectiveness of DFDP capacity building through
  - development of a Capacity-building Strategy to:
    - prioritise and address training needs
    - develop sustainable learning approaches
- Improve programme effectiveness through a stakeholder discussion of UNDP and UNCDF strategic approaches to local development, of PDDP/LGP and DFDP objectives, and definition of more effective working relationships between DFDP and PDDP/LGP
- Develop a classification of security situations and corresponding operational conditions to guide project implementation during the conflict situation.

## LIST OF ABBREVIATIONS

CARP	Conflict-sensitive Action Research Programme
CO	Community Organisation
CSO	Civil Society Organisation
DAG	Disadvantaged Group
DANIDA	Danish International Development Agency
DASU	Decentralisation Advisory Support Unit
DDA	District Development Adviser (PDDP/LGP)
DDC	District Development Committee
DDF	District Development Fund
DDG	District Development Grant
DFID	Department for International Development
DFDP	Decentralised Financing and Development Programme
DIMC	Decentralisation Implementation & Monitoring Committee
DoLIDAR	Department of Local Infrastructure Development and Agricultural Roads
DTO	District Technical Office
FY	Fiscal Year
HDI	Human Development Index
HMGN	His Majesty's Government of Nepal
IAB	Interim Administrative Body
LBFC	Local Bodies' Fiscal Commission
LDF	Local Development Fund
LDO	Local Development Officer
LG	Local Government
LGP	Local Governance Programme
LPP	Local Planning Process
LSGA	Local Self-Governance Act
M&E	Monitoring and Evaluation
MC	Minimum Condition
MLD	Ministry of Local Development
MoU	Memorandum of Understanding
MTE	Mid-Term Evaluation
NEX/CO	National Execution/Committee
NPC	National Planning Commission
NR	Nepali Rupee
O&M	Operations and Maintenance
PDDP	Participatory District Development Programme
PFM	Project Funding Matrix
PM	Performance Measure
PMC	Project Management Committee
PMU	Project Management Unit
PO	Programme Officer
PRSP	Poverty Reduction Strategy Paper
RR	Resident Representative
TA	Technical Assistance
UC	User Committee
UG	User Group
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VDC	Village Development Committee
WDO	Women's Development Officer



## PROJECT DATA SHEET

Project Number:	NEP/99/C01	
Project Title:	Decentralised Financing and Development Programme	
Sector:	Local Governance	
United Nations Cooperating Agency:		
Government Executing Agency:	Ministry of Local Development	
UNCDF Budget:	US\$10,000,000	
Government Budget:	In kind	
Total (original) Project Budget:	US\$5,000,000	
Date (original) Project Approved:	25 April 2000	
Date (original) Project began:	1 November 2000	
Date of (DFID) Project Addendum:	23 June 2003	
DFID Budget:	US\$5,000,000 (payable £3,200,000)	
Revised Total Project Budget:	US\$10,000,000	
Date Project Evaluated:	November 2003	
Actual UNCDF Expenditure at Evaluation:	US\$1,898,165 (Sept 30 2003)	
<p><b>Brief Description:</b> The Decentralised District Planning and Development Programme works in 20 districts of Nepal (originally 8 districts) to provide rural infrastructure through the fiscal transfer of block grants from central to local governments (District (DDC) and Village (VDC) Development Councils). The project supports and develops the government's own local planning process through which infrastructure projects are identified and prioritised for inclusion in the district and village development plans. Projects are implemented by local users committees supported by the DDC technicians.</p> <p>The primary objective of DFDP is to promote effective, responsive and accountable planning, implementation and maintenance of projects by government and grassroots institutions using transparent fiscal transfer mechanisms.</p>		

## INTRODUCTION

The Mid-Term Evaluation Mission took place during 22 days from 7<sup>th</sup> October to 29<sup>th</sup> October 2003. The Mission Team members were Janet Gardener, Team Leader, Dr Neela Mukherjee (Community Development Expert), Mohan Das Manandhar (Finance Specialist), Madhuban Maskay (Infrastructure Specialist), and Ananda Dhakal (Under-Secretary, MLD).

The Mission's Terms of Reference determined that the objective of the evaluation is to assess the progress made in achieving the objectives of the programme. The evaluation is intended to assist HMG, the beneficiaries and UNCDF to:

- (a) improve the efficiency, effectiveness, relevance and impact of UNCDF-funded projects;
- (b) provide feedback to all parties to improve the policy, planning, project formulation, appraisal and implementation phases; and
- (c) report on the results achieved to the respective governing bodies. The findings of this evaluation are also of interest to UNDP given the close cooperation and to DFID in the context of the recent signed cost sharing agreement.

Within this framework, the main purposes of the evaluation are as follows:

- Assess the results achieved today compared with the intended results as stated in the project document and in the annual work plans,
- Identify strengths and weaknesses of the programme implementation related to its stated objectives:
  - Contributing to the development of policies and procedures
  - Building capacity of the local bodies and user groups in the intended areas,
- Assess the potential programme impact on target beneficiaries,
- Assess the potential role of the DFDP in assisting in the implementation of the national decentralization policy through the delivery of lessons learnt.

The Team spent a total of 9 days in 4 of the 8 districts covered by DFDP (Rupandehi, Kaski, Dhanusha and Kavre). It was not possible to visit the other 4 districts due to UNDP security advice, and field visits were restricted to easily accessible project sites within the 4 districts following local security advice.

Despite this, it was possible to meet with a reasonable cross-section of DFDP stakeholders. The team held interviews and group discussions with project management (MLD and UNCDF/UNDP), project staff, other Government officials at District and VDC levels, former DDC and VDC Chairs and members, Community Organisation and User Committee members, and beneficiaries. Representatives from related local government support programmes (PDDP/LGP and DASU) were also interviewed as were other donors (DFID).

Within the districts, the team sampled a variety of projects, DDC and VDC- level, focused and non-focused, from a variety of community organisations (mixed, women's groups and dalit groups); and in VDCs with and without PDDP/LGP support.

An extensive review of documentation was undertaken by all Team members.

## **SECTION A: FACTUAL PRESENTATION OF PROJECT RESULTS**

### **A1 ORIGINAL PROJECT DESIGN**

#### **A1.1 Pre-Project Data**

A Concept Paper prepared in May 1998 by a Project Formulation Team commissioned by UNDP and UNCDF described Nepal as one of the poorest countries in the world, ranking Nepal 151<sup>st</sup> out of 174 countries in terms of the UN HDI. About half of the population lived below the poverty line, although World Bank figures put poverty as high as 70%. Life expectancy was 54 years, literacy 35%, and maternal mortality high at 850 per 100,000 live births.

HMGN's Ninth Plan (1997-2002) identified poverty alleviation as its overriding objective and highlighted 'Improved local governance and decentralised management of development activities' as a key component of rural poverty alleviation.

This objective accorded with a long history of policy and legislative effort toward decentralisation of government activity. This includes the Decentralisation Act of 1982, a new Constitution in 1990 bringing multi-party democracy and greater economic liberalisation, and legislation defining devolved powers to the 75 elected District Development Committees (DDCs) and 3995 Village Development Committees (VDCs).

The process culminated in the Local Self-Governance Bill (enacted in 1999) which legislates for a participatory planning process creating Village and District Development Plans led by DDCs and based on proposals from Ward Committees and community user committees. It also made provision for district funding based on intergovernmental transfers made to a consolidated revenue account, the District Development Fund, held by the DDC.

Block grant funding had been provided to districts for many years in the form of the District Development Grant released by the Ministry of Local Government to DDCs. This amounted to NRs8.7million per district in F/Y 96/97 although funds actually received on a block-grant basis amounted to only NRs2 milion per district.

Since F/Y 94/95, VDCs have received the Village Self-Help Grant (VSHG)(NRs 500,000).

The average development resource allocation to Districts in F/Y 97/98 was NRs 165 million although less than 15% of this was channelled through the DDC and only a proportion of this is for use at the DDC's discretion. On the other hand, 16% of the District's development resource was represented by the VSHG.

UNDP had supported the government's decentralisation efforts throughout the 1990's through:

- the Strengthening Decentralisation in Nepal project (NEP/89/009) which supported the development of decentralisation through the National Planning Commission

- the Supporting Decentralisation in Nepal project (NEP/92/027) which provided support to the development of a national decentralisation programme and, with the use of a Seed Grant Fund, to developing a district and village-based planning process for community-managed small-scale infrastructure projects;
- the Participatory District Development programme (PDDP) (NEP/95/008) and the Local Governance Programme (LGP) (NEP/95/021) built on the experience of the previous projects and, since 1995, have introduced support to District and Village development programming in 5 VDCs in 40 (later 60) districts. The projects conduct a social mobilisation process forming savings and credit community organisations (COs) using a Local Trust Fund. PDDP gives Seed Grants for small-scale infrastructure projects planned and managed through a participatory planning process conducted with the community organisations.

The planning process developed under PDDP has been incorporated into the Local Self Governance Act, 1999.

## **A1.2 Project Design**

### **A1.2.1 Local Development Fund Project (NEP/99/C01)**

#### *Design process*

The Local Self-Governance Bill of 1998 provided UNCDF with the necessary policy framework within which to develop a project in Nepal within its Local Development Fund programme which provides support to decentralised and participatory planning and financing of rural basic infrastructure and service delivery. Agreement was reached in late 1997 with UNDP and HMGN to develop the evident complementarities of the LDF with the UNDP Country Programme (notably PDDP and LGP) and to proceed to prepare a project.

A Formulation Mission was fielded in November 1997 to examine strategy, objectives, geographic scope, outputs, activities, budget and implementation arrangements for a project which was originally called the Local Development Fund. During the Mission a National Workshop was held with the National Planning Commission (NPC) to develop the project concept.

Justification of the project was positive given the favourable policy environment and evident complementarity with the apparently successful PDDP/LGP projects. The Project Document cites the following opportunities for the new project:

- To support HMGN strategy for improved governance and decentralised management to empower communities, and to better distribute development investment as an effective approach to poverty alleviation
- To build upon and extend UNDP's support to decentralisation
- To further develop participatory development at community, village and district level in the DDF districts.
- To reduce poverty, including addressing gender disparity, through the provision of rural basic services

- To contribute to the HMGN evolving decentralisation policy dialogue through the development of methodologies, procedures, institutional arrangements, best practice and lessons learned, specifically by defining mechanisms and procedures for channelling additional resources to local government bodies
- To provide local government bodies with significant additional resources to reinforce the substance and strength of the local level planning process.

Following the Formulation Mission, a Project Document was prepared and signed in April 2000.

Eight districts were selected to be included in the project – Rupandehi, Kaski, Dolkha, Udaypur, Kavre, Dhanusha, Achham and Terathum. Selection was according to a series of weighted criteria covering the following factors: good performance under PDDP/LGP; inclusion of remote and poor districts; inclusion of hilly, mountain and terai districts; evidence of social mobilisation; evidence of activity to address gender inequality; evidence of planning and management capacity; willingness of District to provide a share of the investment; inclusion of some districts with NORAD support to PDDP/LGP; and some which are involved in Rural Energy Development Programme.

The project design foresaw that the capital fund would be channelled directly from the Programme as annual ‘block grants’ to Districts. The funds would be managed, including decision making authority over the use of the funds, by the DDDC within the agreed Programme guidelines and LSGA. In addition, it was envisaged that the Programme could, in consultation with the stakeholders, agree to allocate a share of the funds as a VDC block grant which would be managed, including decision making authority over the use of the funds by VDCs.

It was further intended that the first annual allocation of the LDF (DFDP) budget between the District would use a formula taking into account the rural population of the District, its current resources envelope and its level of poverty. Subsequent annual allocations would be related to the performance of the District in the operation of their LDFs within the agreed guidelines, as determined by the performance auditing procedure.

### *Project Strategy*

The project strategy as set out in the Project Document was premised on the following:

- *UNDP Commitment to LDF* – whilst there is no financial contribution by UNDP to the DFDP, the collaboration with PDDP/LGP assumed that those projects would assist with:
  - Development and trailing of the DFDP monitoring and evaluation programme
  - Assistance with development of DFDP Project Success Criteria Handbook
  - Support to Community Awareness Programme
  - Assistance to COs and UCs with DFDP project planning, technical specification, costing, implementation and O&M
  - Project vehicles and administrative support

Specifically, it stated that ‘Inputs by PDDP/LGP programme will be mainly in terms of institutional support to LDF management, implementation and monitoring, in particular with the conduct of a community awareness campaign; community mobilization for project formulation; VDC and DDC project identification and

selection; community –level project implementation; and any remedial training for districts and communities not implementing the LDF effectively (UNCDF: Project Document, LDF/DFDP, page 70).

- *Affirmative action* - the project document states that LDF must also have an impact upon particular poverty groups of poor women, landless and disadvantaged groups. All DFDP/LDF project proposals will include a simple analysis of expected poverty impact on the poor, minorities and women) as condition for approval and prioritisation at VDC/DDC level (UNCDF: Project Document, page 54).
- *Piloting greater fiscal decentralisation* – providing HMG with a working model of decentralised fiscal transfer for development funding to be managed by DDCs and VDCs
- *Cost-sharing* – requiring a contribution in cash or kind from beneficiary community groups and financial contribution from DDCs and VDCs
- *Subsidiarity* – beneficiary groups will be responsible for implementation, operation and management of micro-projects wherever feasible, although VDCs and DDCs may take on larger projects
- *Communications Strategy* – to ensure transparency and accountability between COs and DDCs, and to promote the policy dialogue
- *Replication and Scaling-Up* – through leveraging additional funds from HMGN in DFDP districts, and from donors for additional districts
- *Working through existing structures* – using MLD, DDC and VDC resources and thereby building capacities

#### **A1.2.2 Project Addendum – Decentralised Financing and Development Programme**

An Addendum was made to the project in September 2002 to reflect changes to the:

- logical framework (placing more specific emphasis on building the governance and management capacities of DDCs, VDCs, COs and UCs):

	Original (2000)	Programme Addendum (2002)
<i>Development Objective</i>	To alleviate poverty through funding of rural infrastructure, income earning and human resource development opportunities identified by participatory planning processes	Poverty reduced in the Programme Districts through provision of rural infrastructure and human resource development opportunities
<i>Immediate Objective</i>	Small-scale infrastructure and other public investment needs identified by the community are delivered on a sustainable basis	The local authorities (DDCs, VDCs) and grassroots institutions (UCs, COs) in the Programme Districts implement and maintain small-scale rural infrastructure and other public investments in an effective, responsive and accountable manner
<i>Result 1</i>	Transparent project selection processes are institutionalised within the participatory planning framework	Transparency in project selection processes for micro-projects is strengthened within the participatory planning framework (LSGA)
<i>Result 2</i>	Financial management and reporting capacities at District and sub-district levels are institutionalised	Funding mechanisms and fund management and reporting capacities of DDCs, VDCs, and UCs are improved

Result 3	LDF financed infrastructure and other public investments are delivered, operated and maintained	Management capabilities of DDCs/VDCs for the implementation and maintenance of infrastructure enhanced
Result 4	Sustainable monitoring and evaluation of community-based project performance	Monitoring and evaluation system of DDCs and VDCs strengthened

- staffing structure (a National Local Government Finance and M&E Expert for the full duration of the project as Team Leader rather than an International expert for 33 months, and provision for an Administrative and Finance Associate)
- title of the project to 'Decentralised Financing and Development Programme'.

### **A1.2.3 Programme Revision – DFID Co-funding**

A revision to the Project Document and Programme Addendum was made in June 2003 to provide for an expansion of the DFDP to a further 12 districts<sup>1</sup> with co-funding of £3,200,000 from DFID for the remaining 3 years of the programme.

The revision set out the means for selecting the new districts based on the UN HDR regional HDI, institutional capacity and levels of other donor-funding.

The revision provided for additional programme support in the form of two National Finance/Planning/Infrastructure Specialists and additional short-term specialists, plus additional transport and office costs.

The logical framework, implementation and management arrangements remained unchanged with the exception of DFID representation on the Annual Review Committee. DFID will make annual payments of its contribution to UNCDF headquarters, the first on satisfactory selection of districts, the two subsequent payments in January 2004 and 2005.

### **A1.3 Project Objectives**

The logical framework was first amended following the start of the project in November 2000. An Inception Workshop, District Orientation Workshops and a Technical Backstopping Mission reflected the focus of the programme on the management and good governance capacity of DDCs, VDCs, UCs and COs. The project Addendum of September 2002 formally amended the logical framework. This and the expected indicators of success are shown below.

<sup>1</sup> Darchula, Bajhang, Baitadi, Kailali, Humla, Mugu, Jumla, Jajorkot, Rukum, Salyan, Solukhumbu and Taplejung.

	Programme Addendum (2002)	Indicators
<i>Development Objective</i>	Poverty reduced in the Programme Districts through provision of rural infrastructure and human resource development opportunities	% of population with increased access to public goods and services (break down according to gender, disadvantaged groups and human poverty)
<i>Immediate Objective</i>	The local authorities (DDCs, VDCs) and grassroots institutions (UCs, COs) in the Programme Districts implement and maintain small-scale rural infrastructure and other public investments in an effective, responsive and accountable manner	<p><i>Sustainable Funding / Replacement of UNCDF Funds</i></p> <ol style="list-style-type: none"> <li>1. % increase in intergovernmental fiscal transfers to the District Development Fund (DDF)</li> <li>2. % increase in donor funds to the DDF</li> <li>3. % increase in DDC local revenues</li> <li>4. % of VDCs' resources allocated for the implementation of Village Development Plans</li> <li>5. UNCDF's funding as a share of DDC total resources declines according to plan</li> </ol> <p><i>Increased Capacity to Deliver Basic Infrastructure</i></p> <ol style="list-style-type: none"> <li>6. # of basic infrastructure and basic services delivered at community level</li> <li>7. # of projects where line agencies provide technical support for implementation</li> </ol> <p><i>Increased capacity to Maintain Basic Infrastructure</i></p> <ol style="list-style-type: none"> <li>8. % of rural infrastructure being maintained 2 years after completion</li> </ol> <p><i>Accountability / Responsiveness</i></p> <ol style="list-style-type: none"> <li>9. % of DDCs informing VDCs / local communities of local public budgets (including Indicative Planning Figures)</li> <li>10. % of DDC and VDC accounts audited as per LSGA</li> <li>11. % of DDC and VDC accounts compliant with LSGA / Financial Regulation (confirmed by Audit)</li> </ol>

#### A1.4 Project Results/Outputs and Activities

Activities have been defined according to the Results/Outputs stated within the revised logical framework but form the basis of the Annual Work Plans and monitoring system. As such, activities are determined each year and may be traced through Annual Reports and Work Plans. Results/Outputs and indicators of success are shown below.

Result/Output	Indicators
<i>Result 1</i> Transparency in project selection processes for micro-projects is strengthened within the participatory planning framework (LSGA)	<ol style="list-style-type: none"> <li>1.1 # of DDCs in which at least 90% of projects proposed for DFDP funding are compliant with DFDP selection criteria</li> <li>1.2 # of DDCs publish final decisions on DFDP supporting projects and also inform to all VDCs .</li> </ol>
<i>Result 2</i> Funding mechanisms and fund management and reporting capacities of DDCs, VDCs, and UCs are improved	<ol style="list-style-type: none"> <li>2.1 % of Districts where expenditure reports are submitted in time and compliant with standard agreement</li> <li>2.2 # of projects where local communities have access to project spending records;</li> <li>2.3 # of micro-project having public (social) audit conducted</li> <li>2.4 # of DDCs where funds are used according to the conditions of project agreement.</li> <li>2.5 # of DDCs meeting project defined minimum conditions for access to DFDP</li> </ol>



Result/Output		Indicators
		2.6 (excluded in Annual Work Plans) Allocation formula, minimum conditions, and performance criteria developed and applied for capital development grants under the Programme
Result 3	Management capabilities of DDCs/VDCs for the implementation and maintenance of infrastructure enhanced	3.1 # of commenced DFDP projects completed within planned time (25 %margin) 3.2 # of commenced DFDP projects completed within planned budget 3.3 # of projects having O&M Plans and Provision for Financing them prior to construction 3.4 # of micro-projects completed passing a technical inspection ( eligible for final payment)
Result 4	Monitoring and evaluation system of DDCs and VDCs strengthened	4.1 # of DDCs able to monitor and assess implementation performance for DFDP projects based on NPC guidelines 4.2 Lessons learnt for best practice in the DFDP analyzed by PMU and disseminated to the stakeholders and others agencies.

In addition to these Outputs and Activities, the Programme works on a fifth Output of 'Policy Advice' which is not explicitly articulated in the logical framework, but is included in the Annual Work Plan format (for 2002 only) under Non-Specific Output Activities. The activities are concerned with providing fiscal decentralisation policy development support to the Local Bodies Fiscal Commission in 4 areas drawn from the LBFC's work-plan:

- Clarifying expenditure assignments for different levels of central and local government
- Clarifying revenue assignments and inter-governmental fiscal transfers
- Designing incentive tools and improving M&E
- Building LBFC capacities

### A1.5 Project Inputs & Implementation Arrangements

The budget for the DFDP was \$5 million and, with the expansion to 20 districts and co-funding from DFID, was extended in June 2003 to approximately \$10 million (DFID's contribution is £3.2 million sterling).

HMGN contribution is formally an in-kind contribution according to the Programme Document.

The project was originally designed to be nationally executed, managed originally by a National Executive Committee (NEXCO) with the same membership as the PPDP/LGP i.e. chaired by the Minister of Local Development with the Member of the NPC as Vice-Chair. Members were Secretary, MLD, Member-Secretary of NPC and UNDP as Adviser.

NEXCO was responsible for agreeing the annual allocation of funds and for annual review.

A Programme Management Committee (PMC) comprising the Programme Managers of PDDP and LGP, National Programme Director and LDF (DFDP) Team Leader advised the NEXCO.

Whilst partially amended in Programme Documents (Addendum September 2002, para 2.16), the NEXCO has been replaced by the Annual Review Committee which is chaired by the Secretary, MLD with membership comprising Joint Secretary, Self-Governance Division, MLD, the National Programme Director, National Programme Manager and representatives from NPC, Finance Ministry, UNCDF, UNDP (ARR), DFID and the Association of District Development Councils of Nepal (ADDCN).

DFDP follows NEX Guidelines for RR executed budget lines and UNCDF procedures on UNCDF budget lines.

The revised Programme Management Committee (PMC) comprises management of the DFDP and the PDDP/LGP bridging phase, and representatives of UNDP and UNCDF (Revision to Project Document 2003). The PMC is required to hold monthly management meetings and a Quarterly review chaired by the Joint Secretary, MLD.

Day-to-day management is provided by the Project Management Unit (PMU) headed by the National Programme Manager. Since the Programme Revision, expanding the project into 12 new districts, in June 2003, this has now been extended to provide a Field Support Unit (FSU) in Nepalgunj. Professional staff comprise the National Monitoring & Evaluation Specialist and newly appointed Planning Specialist and Infrastructure Specialist

#### **A1.6 Risks Identified at the Project Design Stage**

The Project Document contains some very specific risks associated with each Output. It also states 3 'general project risks':

##### *PDDP/LGP Cooperation*

- *Ongoing PDDP/LGP cooperation is crucial to LDF's (DFDP's) implementation.*

##### *District administrative stability*

- *Staff turnover can interdict LDF's training and capacity-building efforts and blunt the effectiveness of this aspect of the programme.*

##### *Monitoring and evaluation capacity building*

- *Where national capacity (for M&E) cannot be developed, UNCDF's ability to gauge project progress and performance will be compromised.*

Possible responses to the eventuality of the first two risks were suggested as changes to the DFDP budget, in the first place to take over the administrative support provided by PDDP/LGP (there is no mention of district planning or social mobilisation activity), and for the second to provide additional training to newly-posted staff.

The Formulation Mission identified a series of constraints to effective participatory decentralised management of rural development, based on practical experience at the time. These may be re-stated here as implied risks:

- *Control of LGBs over development resources is limited.* Resource allocations by central government to district line agencies substantially exceed those to DDCs. Village block grants (VSHG) exceed development funds which are at the discretion of the DDC.

- *Village funds are underspent.* Whilst this was due in part in early years to slow disbursement by central government, it also indicates lack of capacity at local level for planning, financial management and implementation.
- *District Development Plans (DDP) are not formulated within a defined resource framework.* The participatory planning process invites settlement and CO proposals some of which are filtered out during the process. However, the DDP is not constrained by any realistic assessment of the resources which are likely to be available. As a result, the total value of projects in a DDP is about double the available resource flow, and the DDP is a 'wish-list' rather than a plan. This also appears to cause some projects to receive only partial funding.
- *Local-level planning processes are 'compartmentalised' by the fund sources available.* Planning for the VSHG and the Seed Grant are regarded as separate exercises and not part of an 'integrated' VDC planning exercise.
- *District Development Plans do not fully reflect priorities identified within the District.* Not all groups within communities are well organised and able to articulate needs within the local planning process. As a result, the more articulate groups tend to dominate the process. In particular, women and minority ethnic groups are marginalised; also, due to political favouritism, some VDCs are favoured ahead of others; line agency projects may not reflect district priorities; due to over-commitment in the DDP some VDC priorities have to be dropped.
- *PDDP 'social mobilisation' operates in only a limited number of VDCs.* Due to the intensity of support required for social mobilisation, PDDP provides support in only an average of 5 VDCs in each of the 50 in the districts in which it operates.
- *Capacity of VDCs and DDCs is limited.* Motivated and qualified staff at DDC level are limited and turnover is high. DDC and Line Agency staff do not necessarily collaborate. VDCs are limited to one full-time staff member, the Secretary, although the numbers of elected (Ward) members are high per capita population and represent a potential resource for support.
- *Funds authorisation and release is inefficient.* Delay in release of funds substantially affects the district development programme due to the short season for implementation (because of rain and, in hilly and mountain areas, snow).

## A2 STATUS OF IMPLEMENTATION

The DFDP project was approved in April 2000. Field implementation began in the 8 participating districts with an Inception Workshop in November 2000 followed by District-level Orientation Workshops in February 2001. In June 2003, approval was given to expand the project to a further 12 districts with co-funding from DFID.

### A2.1 Current Status of Delivery of Inputs

#### *Financial Inputs*

The DFDP has a total approved budget of \$10,000,000 (Revision K – July 2003), this covers the project as expanded to 20 districts. As at September 2003, the project had expended \$1,898,165 (19%) leaving a balance of \$8,101,835 (81%).

The table below indicates the current financial status of the project. With a practical start date in 2001 and an expected end-date at the end of 2005, the project's expenditure could be expected to be at a little under 50% of the total approved budget. Considering the budget (Revision J) approved for the 8 districts (\$5million), the project is a little underspent at 38% of that total. In terms of expenditure against annually approved budgets the project is again a little underspent at 70%. It is understandably underspending on the newly expanded budget having spent only 19% of this.

**Table 1: Current Status of Financial Inputs**

*All Figures are in US\$*

Activity	Total Budget Approved 2001-Sept 2003	Total Expenditure	Delivery % of Annual Budget	Delivery % of 8 District Budget Revision J \$5,000,000	Delivery % of 20 District Budget Revision K \$10,000,000
<b>Part 1.</b> Programme Outputs and Activities	2,364,358	1,670,038	71		
<b>Part 2.</b> Programme Management (Key Activities)	38,282	25,862	68		
<b>Part 3.</b> Non-output Specific Activities	174,029	107,180	62		
<b>Part 4.</b> Office Stationery and Equipments and others	146,314	95,085	65		
<b>Total Budget</b>	<b>2,722,983</b>	<b>1,898,165</b>	<b>70</b>	<b>38</b>	<b>19</b>

*Note: Not including direct cost made through UNCDF HQ.*

#### *Other Inputs*

In terms of Programme Management, the PMU has been established. It is staffed by the Programme Manager and LG Finance Specialist, the M&E Specialist, Accounts and Administrative Associate, Secretary and Driver. It has recently been extended to deal with the project expansion. A Planning Specialist, Infrastructure Specialist and driver have been added to the staff and are posted in the Field Support Unit in Nepalgunj. Other technical support is provided in part through the Capital Fund from

which districts are invited to recruit Field Officers and cover administrative and training costs using 6% of the allocation.

External missions have been provided to assist with design of a monitoring and evaluation system (2 missions), project reviews and workplanning (3 missions), technical backstopping (2 missions).

Local inputs have been provided for specific studies such as of social mobilisation, implementation procedures, monitoring and reporting. A series of technical papers has been produced.

## **A2.2 Current Implementation Status**

The PMU provides managerial, administrative and financial control of the project, supporting the HMGN National Project Director and supported by the UNCDF Programme Officer. Direct implementation of the project is by DDCs, VDCs and COs/UCs with the intention (following the Project Strategy outlined in the project document) that no parallel structures are created as a result of the project. As far as possible, the project builds on structures and procedures outlined in the LSGA and associated regulations. Implementation by project staff is limited to orientation, some training, coordination, monitoring and financial accounting at central level. The project has developed the procedures summarised in the Box 1 below for operationalising decentralised financing and development.

### **Box 1: DFDP Operational Procedures**

The DFDP participating DDCs are required to sign a Memorandum of Understanding including a commitment to provide a 10% Matching Fund for all projects. VDCs are also required to provide a 10% matching contribution for VDC-level projects in their areas.

The DFDP block grant allocation to DDCs is announced to DDCs at the start of the planning cycle (intended to coincide with the HMGN own planning and budgetary cycle). For the first two financial years this has been an equal-share, annual allocation of roughly \$90,000 per district. (There have been 3 PFM submissions over 2 F/Ys in order to enable coincidence with the Nepali F/Y commencing in July). Commencing Nepali F/Y 2003-4, allocations will be made according to a formula developed by the HMGN Local Bodies Fiscal Commission (LBFC) which considers population, poverty, costs of construction and area of the district (discussed below).

Funds are allocated to DDCs based on an approved Project Funding Matrix (PFM) submitted by DDCs to the PMU for approval by the ARC. Funds are transferred in 3 tranches to the DDC District Development Fund account following confirmation that the DDC and VDC have deposited their 10% contributions. From the DDF Account it is transferred to a DDC DFDP bank account. Funds are transferred from the DDC DFDP account to User Committee bank accounts again in 3 tranches according to DFDP guidelines including physical inspection by DFDP-funded, DDC-recruited Field Officers or overseers and social audit (open meetings of users to review expenditure records and physical progress).

DFDP funds are available for two types of projects – DDC (District-level) projects and VDC (village-level) projects. The former are intended for larger, 'public good' projects, normally covering more than one VDC, (e.g. roads and health posts) and which may be identified by the DDC. VDC projects must be identified by a Community Organisation and are intended to satisfy local (single VDC or smaller) felt needs. As such they may include 'semi-private' goods such as drinking water well, toilets or irrigation.

A maximum of 40% of the district allocation is available for DDC projects, with a maximum contribution by DFDP of NRs1.2m (approx. \$16,000) in Terai districts, NRs1.3m in hill districts and NRs1.4m in mountain districts. A minimum of 60% of the allocation is for VDC projects with a maximum DFDP contribution of NRs0.5m (approx. \$7,000) in Terai districts, NRs0.6m in hill districts and NRs0.7m in mountain districts.

A minimum of 20% of the DFDP allocation must be expended on so-called 'focused' projects. This means targeting funding to benefit disadvantaged groups (such as dalits) and women.

In addition to the 10% cash contribution by DDCs to all projects, and 10% cash contribution by VDCs to VDC-level projects, communities are also expected to contribute an unspecified amount in cash or kind to all projects.

Projects funded by the DFDP should be identified through the participatory Local Planning Process prescribed in the LSGA, 1999 building on the social mobilisation activities of the PDDP/LGP (and other programmes) which has formed Community Organisations based on savings and credit activity. According to the LSGA, projects should be identified at Ward level for submission to VDC, Ilaka and DDC levels. Projects are approved by the DDC for inclusion in their Annual Development Plan and capital budget. Only DDC projects tend to be discussed at Ilaka level, VDC projects tend to be submitted directly to the DDC.

DDCs are able to use 6% of their annual allocation for technical assistance (TA Fund). This is intended to assist the operation of financing and development and may include hiring of consultants or contractors and training. It is used in most districts for the costs of a Field Officer and overseer required by the project to oversee DFDP projects.

It was intended that DFDP funds should be available to selected districts based on Minimum Conditions of performance determined annually and contained within the Memorandum of Understanding (MoU) to be signed by the project and each district. The project document indicated they should be:

- 'Four Programme Officers in post with salaries paid by the DDC...
- The District Development Plan gives reasonable geographic coverage of the VDCs, bears a reasonable relationship to the resources available for implementation and are prioritised by the DDC into appropriate categories for District funding (e.g will finance from own resources as top priority)
- [Where](#) allocated to the District, at least 5% of the total VDC grant for the district is disbursed
- The seed grant projects under the PDDP/LGP social mobilisation program successfully, and financially acquitted, in at least two VDCs
- DDC is using the PDDP/LGP accounts management system, and its accounts are in order'. (Project Document)

Whilst MoUs have been a requirement of district participation, Minimum Conditions were not formally exercised at the start of the project although Interim Minimum Conditions have now been introduced applying to DDCs since the absence of elected representatives and these reflect compliance with the LSGA. They are as listed in the DFDP Operational Guidelines follows:

Accountability	The Council of the District should have at least met once last year (LSGA S188) The District Council should approve the budget for the upcoming fiscal year (LSGA188) The DDC should have audited the expenditure of the last fiscal year (LSGA S232)
Transparency	The public should be informed about the selection process of the programs implemented last year (LSGA S202) Establishment of Information Documentation Center or the responsibility for it specified (LSGA S212)
Performance	The District should have annual plan formulated (LSGA S195) The DDC should have met at least 9 times (LSGA S202)

Indicative funds are released to participating districts according to an Allocation Formula (previously equal share) but for the FY 2003/4 according to a formula giving weightage as follows:

Poverty	50%
Population	20%
Price Index (for construction)	20%
Area (geographical)	10%

It is intended that Fund allocation to districts should also be subject to financial increment according to performance of the district over the previous year. This will be subject to an annual performance assessment exercise. The mechanism for this assessment and the Performance Criteria have not yet been formulated.

Selection of projects for funding is the responsibility of the DDC following screening and prioritisation by ward, VDC, Ilaka and sectoral committees (following a Participatory Planning Process developed by PDDP/LGP). The PD and Operational Guidelines set out a wide 'menu' for types of project eligible for funding. The project has not defined project Selection Criteria to assist project prioritisation.

### **Progress against Results/Outputs**

The PMU has developed a work-planning and reporting system based on the log-frame. Current implementation status may first be gauged from this framework. The following paragraphs indicate progress against Outputs followed by the Immediate Objective. [The Progress column reflects the Annual Reports' information. Text in italics reflects findings from Evaluation Team's Field Visits (detailed in Part B of this Report). Text below each Result/Output table gives progress on Activities as reported in Annual and Quarterly Progress Reports].

### **Progress against Results/Outputs**

Result/Output		Indicators	Progress (PMU Reports)
<i>Result 1</i>	Transparency in project selection processes for micro-projects is strengthened within the participatory planning framework (LSGA)	1.1 # of DDCs in which at least 90% of projects proposed for DFDP funding are compliant with DFDP selection criteria	Unclear – 7 reported using criteria but criteria described as 'crude'. <i>Criteria evident in 1 district out of 4 visited</i>
		1.2 # of DDCs publish final decisions on DFDP supporting projects and also inform to all VDCs .	No report. <i>No systematic reporting by DDCs evident from VDCs visited</i>

Within this Output, activities in 2001 and 2002 centred on preparation of guidelines, MoUs and Orientation Workshops in the 8 districts. Inception and District Orientation Workshops & MoU process have recently started for the 12 new districts. A Community Awareness Campaign reportedly reached 5800 people in 8 Districts. PFMs were submitted from all Districts (some delayed). All VDCs were reported to have been informed concerning selected projects. Project selection criteria were not developed as planned, although excluding DDAs as intended, training was given to WDOs in 5 districts.

Result/Output		Indicators	Progress (PMU Reports)
<i>Result 2</i>	Funding mechanisms and fund management and reporting capacities of DDCs, VDCs, and UCs are improved	2.1 % of Districts where expenditure reports are submitted in time and compliant with standard agreement	All districts reporting on time. <i>Sample of reports seemed compliant</i>
		2.2 # of projects where local communities have access to project spending records;	Social audit mechanisms (incl project book and signboard) developed in 2002
		2.3 # of micro-project having public (social) audit conducted	
		2.4 # of DDCs where funds are used according to the conditions of project agreement.	7 out of 8 districts reported OK (no report from Achham)



Result/Output		Indicators	Progress (PMU Reports)
		2.5 # of DDCs meeting project defined minimum conditions for access to DFDP	MCs not defined until 2002 for IABs in 20 districts
		2.6 (excluded in Annual Work Plans) Allocation formula, minimum conditions, and performance criteria developed and applied for capital development grants under the Programme	Not yet agreed. TA missions in 2002 and 2003 to develop with MLD/LBFC

Activities in 2001 and 2002, to achieve Output 2 included financial management training needs assessment and training of DDC staff, VDC Secretaries and UC members from 8 districts and 37 women from 2 districts. This is on-going in 2003.

62% and 76% of fund disbursement was reported to be on time respectively in 2001 and 2002.

All Districts were trained in project success criteria in 2001 during Orientation.

Social Audit Guidelines were completed in 2002 and activity (signboards, Project Book and Social Audit meetings were evident at most project sites visited).

Work has commenced on MCs/PCs but without agreement with MLD. A block grant allocation formula has been agreed and is being used for F/Y 2003 allocations. Further support is being provided to LBFC to advance fiscal decentralisation policy by conducting LBs Expenditure Assignment Study in 2004.

Result/Output		Indicators	Progress (PMU Reports)
<i>Result 3</i>	Management capabilities of DDCs/VDCs for the implementation and maintenance of infrastructure enhanced	3.1 # of commenced DFDP projects completed within planned time (25 %margin)	353 out of 481(73%) reported complete in margin
		3.2 # of commenced DFDP projects completed within planned budget	All within budget <i>Field visits suggest cost-overruns, high community contributions</i>
		3.3 # of projects having O&M Plans and Provision for Financing them prior to construction	166 of 481 completed projects reported to have O&M plans <i>None observed in field visits</i>
		3.4 # of micro-projects completed passing a technical inspection (eligible for final payment)	Completion not possible without technical inspection approval

Intended activities to review HMGN project implementation rules and procedures delayed until 2003. Project Book to be kept by Users Committees (but not Project Operational Manual) has been developed.

Planning, M&E and financial management training given in 2001, but not technical training as planned.

24 DDC staff were trained in 'technical aspects of infrastructure' in 2002. AutoCad training was given to 15 DDC Field Officers and Overseers in 2003.

Labour-based technology and Rural-access planning (IRAP) training was conducted for 27 DDC staff.

ToT was conducted for 2 DDC technicians in 2003.

38 UC members from 3 districts trained in O&M of drinking water supply.

Result/Output		Indicators	Progress (PMU Reports)
<i>Result 4</i>	Monitoring and evaluation system of DDCs and VDCs strengthened	4.1 # of DDCs able to monitor and assess implementation performance for DFDP projects based on NPC guidelines	No report
		4.2 Lessons learnt for best practice in the DFDP analyzed by PMU and disseminated to the stakeholders and others agencies.	No documentation

Activities for Output/Result 4 include preparation of a participatory M&E system for DDCs and VDCs. District Reporting Guidelines have been prepared.

In 2001, 3 staff from each DDC were trained in M&E (although this was reported not be DFDP-specific), and 125 VDC Secretaries (not all) from 5 districts trained in 2002.

The M&E Plan for DFDP was designed in 2001, and separate MIS for tracking funds and projects established in the PMU. A 1-day workshop on revised Reporting procedure was conducted in 2003. DFDP is participating in a working group led by MLD to develop a District MIS.

***Progress against Immediate Objective***

Objective	Indicators	Progress (PMU Reports)
-----------	------------	------------------------

<p><i>Immediate Objective</i></p> <p>The local authorities (DDCs, VDCs) and grassroots institutions (UCs, COs) in the Programme Districts implement and maintain small-scale rural infrastructure and other public investments in an effective, responsive and accountable manner</p>	<p><i>Sustainable Funding / Replacement of UNCDF Funds</i></p> <ol style="list-style-type: none"> <li>1. % increase in intergovernmental fiscal transfers to the District Development Fund (DDF)</li> <li>2. % increase in donor funds to the DDF</li> <li>3. % increase in DDC local revenues</li> <li>4. % of VDCs' resources allocated for the implementation of Village Development Plans</li> <li>5. UNCDF's funding as a share of DDC total resources declines according to plan</li> </ol> <p><i>Increased Capacity to Deliver Basic Infrastructure</i></p> <ol style="list-style-type: none"> <li>6. # of basic infrastructure and basic services delivered at community level</li> <li>7. # of projects where line agencies provide technical support for implementation</li> </ol> <p><i>Increased capacity to Maintain Basic Infrastructure</i></p> <ol style="list-style-type: none"> <li>8. % of rural infrastructure being maintained 2 years after completion</li> </ol> <p><i>Accountability / Responsiveness</i></p> <ol style="list-style-type: none"> <li>9. % of DDCs informing VDCs / local communities of local public budgets (including Indicative Planning Figures)</li> <li>10. % of DDC and VDC accounts audited as per LSGA</li> <li>11. % of DDC and VDC accounts compliant with LSGA / Financial Regulation (confirmed by Audit)</li> </ol>	<ol style="list-style-type: none"> <li>1. Fiscal transfers decreasing due to defence expenditure diversion</li> <li>2. DDCs report 144% increase over 2001</li> <li>3. Data for 2002 available</li> <li>4. No data</li> <li>5. Data for 2002 available</li> <li>6. 713 projects approved (June 2003), 677 (95%) commenced, 515 (72%) completed</li> <li>7. None</li> <li>8. N/A yet</li> <li>9. Reported in all Districts to VDC level.</li> </ol> <p><i>Field visits indicate communities unaware</i></p> <ol style="list-style-type: none"> <li>10. All DDCs audited, 35% and 25% VDCs in 2001 and 2002</li> <li>11. All in 2001, not reported in 2002</li> </ol>
---	---	---

The overall status of the project in relation to the Immediate Objective may be considered with reference to the log-frame indicators above.

### *Sustainable Funding*

Whilst DFDP is able to demonstrate partial progress towards an operational fiscal transfer, the declining economy and operational difficulties for decentralised development mitigate against achievement of these indicators. 2003 monitoring data may enable a clearer picture.

### *Capacity to Deliver*

The detail of DFDP Fund transfer to the 8 participating districts and the micro-projects implemented is set out in the following tables.

A total amount of US\$ 1,616,918 has been released to 8 districts (September 2003). Among them Accham 6%, Rupendehi 13%, Kaski 14%, Kavre 14%, Dolkha 14%, Dhanusha 13%, Udaypur 13%, Terhthum 13%. Table 2 below shows the amount of fund transfer to districts from 2001 to the present.

**Table 2: Fund Transfer to 8 DFDP Districts (to Sept 2003)**

Districts	Released in 2001		Released in 2002		Released in 2003 as on 30 Sept 03		Total Released as on 30 Sept 2003	
	NRs	US\$	NRs	US\$	NRs	US\$	NRs	US\$
Terhthum	2,800,000	37,394	8,103,098	105,050	5,311,500	69,100	16,214,598	211,544
Udayapur	5,014,250	66,885	4,719,608	61,272	6,842,178	88,930	16,576,036	217,088
Dhanusha	3,814,250	51,117	5,160,999	67,327	6,701,256	87,172	15,676,505	205,616
Dolkha	4,514,250	60,315	4,818,520	62,704	7,756,861	101,170	17,089,631	224,189
Kavre	6,818,149	91,484	7,054,318	90,765	3,498,108	45,667	17,370,575	227,916
Kaski	4,814,250	64,257	5,502,709	71,272	6,690,365	86,926	17,007,324	222,456
Rupandehi	3,314,250	44,546	5,017,043	65,313	7,195,391	93,491	15,526,684	203,350
Achham	2,000,000	26,882	1,500,000	19,342	4,488,052	58,535	7,988,052	104,759
<b>Total</b>	<b>33,089,399</b>	<b>442,881</b>	<b>41,876,295</b>	<b>543,046</b>	<b>48,483,711</b>	<b>630,991</b>	<b>123,449,405</b>	<b>1,616,918</b>
<b>Total Fund</b>	% utilisation		% utilisation		% utilisation		% utilisation	
<b>8 districts</b>	<b>14.5</b>		<b>17.8</b>		<b>20.7</b>		<b>53.0</b>	
<b>\$3,050,000</b>								

The capital fund now has a total budget of \$6,750,000 (Budget Revision K). For the 8 original districts, the fund budget was \$3,050,000. As at September 2003, \$1,616,918 had been released – 24% of the revised budget, and 53% of the original budget. At near the mid-point of the project, this is progress according to plan.

DDCs may use up to 6% of their annual capital development grant for 'Technical Assistance Funds' to assist in the operating of the Programme. These funds may provide for the financing of additional posts for planning and financial management where needed, or other skills needed to support the decentralised planning and management processes of DDC's that already have sufficient finance personnel, such as a resource mobilisation unit.

The allocation of this TA fund is to be made as follows: funding for DDC support posts (2%), ad-hoc technical services (2%) and community mobilisation and organisation programs (2%). However, for each district, the allocation of the TA fund will be decided by the DDCs based on local needs. Expenditure is reported as a separate item on the quarterly expenditure statement. The DDCs are encouraged to progressively take responsibility for financing any additional staff positions from their own resources.

The records show that the entirety of the 6% TA Fund is used. About half (3% of total allocation) is used in salary and DSA for the staff, about one third of TA Fund (2%) is used for social mobilisation, training and feasibility study. The remaining 1/6 of the total TA fund (1%) is used for office equipment and other miscellaneous purchase.

The DFDP Fund has mobilised additional funds from the DDCs and VDCs. They are required to provide 10% of the annual DFDP allocation as a matching fund. In addition communities are expected to make an undetermined contribution in cash or kind. Table 3 below shows that the total resources which have currently been used for capital development amounts to \$2,804,848 – a mobilisation factor of 1.7 over the DFDP Fund of \$1,616,918 (including 6% TA fund). This includes a 6% contribution from DDCs and VDCs, 3% from programmes, almost one-third (30% from communities) and just over half (55%) from DFDP).

**Table 3: Fund Mobilisation (September 2003)**

Fund Source	Amount (US\$)	% Project Fund	% DFDP Fund + TA
DDC Contribution	168,251	5.99	10.4
VDC Contribution	167,819	5.98	10.4
Other Organisations	73,256	2.6	
Community Contribution	853,145	30.4	52.8
DFDP Fund	1,542,376	55	
<b>Project Fund Total</b>	<b>2,804,848</b>	<b>100</b>	
Total DFDP + TA Fund	1,616,917		<b>100</b>

Thus far (to September 2003), the DDCs and DFDP have approved a total of 713 projects. From the 713 approved projects, 677 (95%) have been commenced (June 2003), and 515 (81%) have been completed.

The projects commenced are in a variety of sectors, with no particular domination by type. Table 4 below shows that about one-third (34%) by number are in the social sector (schools, health posts and community buildings), just under one-quarter (24%) are for transport (roads, trails and bridges/culverts), almost one-fifth (18%) are for productive infrastructure (irrigation, micro-hydro), 14% of projects are for drinking-water and sanitation.

By cost, rural transport projects rise to one-third of the total cost of all projects, reflecting a much higher average project cost of over \$3,000 compared with only half that for drinking water and sanitation projects.

**Table 4: Project Type by Sector**

Project Type	Number*	%	Cost (NRs)	%	Average Cost	
					NRs	US\$
Social Sector	228	34	39,727,359	34	174,243	2,275
Rural Transport	160	24	38,197,674	33	238,735	3,116
Productive Infrastructure	124	18	16,855,730	14	135,933	1,775
Drinking Water/Sanitation	98	14	11,669,484	10	119,076	1,555
Others	67	10	10,324,917	9	154,103	2,012
<b>Total</b>	<b>677</b>	<b>100</b>	<b>116,775,164</b>		<b>172,489</b>	<b>2,252</b>

\* commenced projects (June 2003)

DDCs are required to commit 20% of the DFDP Fund to 'focused' projects targeting women and disadvantaged groups. They are also able to use up to 40% of the Fund for District-level projects. Table 5 below shows that almost 21% and 28% of projects have been for focused projects. 24% of projects and just over 34% of the Fund have been for District level projects.

**Table 5: Distribution of DFDP Fund Allocation (to Sept 2003)**

Project Type	Number Projects*	% Projects	DFDP Fund (US\$)	% Fund
Focused	146	28	317,088	20.6
Non Focused	369	72	1,225,288	79.4
District	125	24	525,343	34.1
VDC	390	76	1,017,032	65.9
<b>Total</b>	<b>515</b>	<b>100</b>	<b>1,542,376</b>	<b>100</b>

\*completed projects

Annex 4 contains a detailed breakdown of DFDP project funding.

#### *Accountability / Responsiveness*

In addition to the Audits which have taken place according to the LSGA, the project has introduced Social Audit Guidelines in 2002 which require:

- a signboard at the project site indicating the Community Organisation responsible, the total costs of the project and the financial contributions made to it, as well as the start and expected completion date;
- a project book detailing project design and costings, and expenditure records, meeting minutes and attendance.
- Open meetings on the occasion of the request for next instalment payment.

Responsiveness is expected through the participatory local planning process and the meeting of identified needs through village and district development plans as outlined in the LSGA.

#### ***Programme Management***

The Project is managed by an Annual Review Committee which should meet to discuss strategic direction of the project. It is chaired by the Secretary of the Ministry of Local Development and has representation of the National Planning Commission, Ministry of Finance, ACCDN and UNCDF. The ARC has met on 4 occasions.

The National Project Director is an Under Secretary of the MLD. The original post-holder has recently been reassigned and a replacement appointed. The National Programme Manager is contracted by UNCDF.

The Project Management Committee should deal with day-to-day management issues, comprising the NPD, NPM and UNCDF PO is also constituted.

The project management support is provided by the Project Management Unit headed by the National Project Manager.

The project was originally designed to be nationally executed. It follows NEX guidelines for RR executed budget lines and UNCDF procedures for UNCDF budget lines.

## Reporting Systems

The project has discussed and reviewed the project logical framework as a basis for work-planning, monitoring and reporting.

Annual workplans have been prepared for 2001, 2002 and 2003. Quarterly Progress and Financial Reports are made by the NPM and (usually the NPD) to UNCDF and UNDP. Annual reviews have been conducted for 2001 and 2002 to enable the production of Annual Reports.

The PMU has established an MIS to track fund disbursement and micro-projects implementation. It is also piloting a more comprehensive MIS for UNCDF using the project logical framework, annual workplan and output/activity indicators to track overall project progress. This is linked to the UNCDF Strategic Results Framework (SRF). Based on quarterly (now 4-monthly) reports from the project districts the MIS is also building a more comprehensive database of local government socio-economic data, financial and service delivery performance.

The PMU included in its 2001 and 2003 (but not 2003 Workplan) the following programme management tasks. Status is indicated in the right-hand column and reflects the Evaluation Team's understanding.

Activity	Status
<b>Policy and Technical Review Meetings</b>	
Organize Programme Management Committee Meeting (Jointly with PDDP/LGP)	Not meeting
Monthly management meeting with UNCDF	Frequent, informal meetings as needed
Quarterly Technical Review Meeting with UNCDF	
Support MLD to organize National Executive Committee (NEXCO) Meeting	ARC meetings held as needed. It has met 4 times (twice for MTE)
Support UNCDF and MLD to organize TPR	TPR held in 2001, now not required by UNDP
Review the DFDP programme at the district level	Not held in absence of elected LBs
Organize and conduct annual review workshop	Conducted annually
Ensure half yearly review of DFDP	No formal review
<b>Reporting</b>	
Prepare Quarterly Work Progress and Financial Reports	Prepared
Prepare Annual Progress Report (APR) for the TPR	APRs prepared
<b>Project Manuals and Information Materials</b>	
Modify and print DFDP information brochure.	Information Brochure available
Revise DFDP guidelines for the Districts.	Draft revised Guidelines produced
Prepare DFDP documentary and booklet on best practices	Not prepared
<b>Monitoring and Evaluation</b>	
Develop and Institutionalize MIS at PMU	DFDP MIS and UNCDF MIS operational. DMIS being developed with MLD (pilots in preparation)
UNCDF Monitoring Mission	Various held, including MTE
Monitoring and supervision by DFDP and HMG	Limited – monitoring visits to Districts as needed
Monitoring and supervision by UNCDF and UNDP Nepal	RR, DRR (3-4 times) & PO visit districts occasionally No regular visit from UNCDF HQ although 5 visits made
<b>Programme related activities</b>	
Conduct case study on effect of (different forms of)	Completed

Activity	Status
social mobilization on participatory planning process	
Assess technical quality and expenditure management of micro-projects	Completed
<b>Policy Advice</b>	
Support MLD to develop block grant allocation formula.	In process

A number of other Working Papers, including the report of a Conflict-sensitive Action-Research Programme (CARP), have been produced (which do not appear in Work Plans).

### **Technical Backstopping**

The PMU has received technical backstopping from New York at Inception and at Annual Reviews of 2001 and 2002. A Technical Review Mission by Roger Shotton in February 2002 (UNCDF 2002a), was followed up in June 2002 by a mission which produced a report 'Redefining Project Strategy' (UNCDF 2002b).



## **SECTION B: ASSESSMENT OF RESULTS ACHIEVED**

### **B1 PROJECT IMPLEMENTATION PERFORMANCE**

#### **B1.1 Project Implementation Performance**

##### ***B1.1.1 Funding Arrangements***

###### *Total Project Expenditure and Disbursement*

Project expenditure is broadly on target with 70% of the annually budgeted expenditure committed (see Section A2.1).

There does not appear to be any mis-balance in the budgeted expenditure pattern with all Parts of the budget within 62-71% of targeted annual expenditure.

Disbursement of the capital fund is also close to target with 53% of the Fund for the 8 districts committed at near the mid-point of the project. Some delay has been reported in disbursement of the Fund to the DDCs. This appears to be as a result of the time taken to approve the PFM – in part due to time taken by the PMU, and also due to delays on the part of the DDC and VDC in depositing their matching funds in the DDC DFDP account which is a condition of approval. Delays in transfer either from PMU to DDC, or DDC to VDC means a delay in the start of micro-projects which causes difficulties for communities both in terms of seasonality and the requirement to complete within one financial year.

Allocation of the DFDP fund has been made in the first cycles on an equal-share basis, regardless of population or other factors. The current cycle for the 20 districts is being made according to a formula devised by the Local Bodies Fiscal Commission of HMGN. This is an innovative initiative and seeks a more rational, policy-driven allocation of DFDP according to population (20%), poverty (50%), costs of construction (20%), and area of the districts (10%). In fact, actual district allocations remain similar because the poverty allocation is given too much weight, determining 50% of the DFDP Fund 'pool' with a measure (HDI) which is insufficiently sensitive (it is a regional measure) and is not weighted by population size,

DFDP is providing continuing support to the LBFC to further develop the allocation formula, refining the approach to fiscal decentralisation by considering functional responsibility and expenditure assignment of the LBs.

The project can therefore be said to have established a partial mechanism for the transfer of funds to User Committees via DDCs for community-based rural infrastructure investment. Funds are not yet transferred to and from the national treasury (Ministry of Finance).

According to the Project Document, DFDP funds should be released to DDCs according to performance-based incentive mechanisms. Minimum Conditions (MCs) (based on statutory requirements) of performance allow entry into the programme and Performance Criteria (PCs) (based on performance in a number of areas of local good governance) determine subsequent levels of funding. These have not yet been introduced by the project.

Introduction of PCs would allow a changed system of fund transfer based on past performance (ex post) rather than on prior submission and approval of PFMs (ex ante). The former implies greater autonomy for DDCs (better reflecting the spirit of fiscal decentralisation) and a monitoring role for project management (MLD).

### *Resource Mobilisation*

The project has also been effective at leveraging resources from other sources including matching funds from DDCs, VDCs and, particularly, the community.

Until recently, there has been little problem in obtaining matching funds from DDCs and VDCs. Table 3 in Section A2.2 above shows that they have achieved matching funds of 10.4% from both - just above the required 10%. However, some of the approved projects have been cancelled because VDCs were not able to contribute 10% of the cash cost of the project as per their commitment. In addition, communities report that final instalment payments have been delayed due to lack of VDC funds. This was either because VDCs could not get their Grants from Central Government and DDCs in time or they have committed the fund (in unplanned manner to many projects) in excess of their grants. This may be a result of reduced transfers by HMGN to local bodies, although the exact reasons would be worthy of further examination to support reviews of the programme to consider implementation of the programme in the light of the conflict and security constraints.

It is notable from Table 3 in Section A2.2 above that whilst DDCs and VDCs contribute almost 6% to the total project costs, communities contribute over 30%, the equivalent of a 52.8% matching fund.

### *Capital Expenditure*

Table 6 below shows that 20.6% of the DFDP fund has been committed to focused projects (targeted to women or disadvantaged groups) – just above the required 20%. In terms of DFDP contribution per project, focused projects receive the least at an average of \$2,172 compared with \$3,321 for non-focused projects. They are also the least expensive in terms of total costs (including all contributions) at an average of \$4,317 compared with \$5,893 for all others.

DDCs are also required to allocate no more than 40% of the DFDP fund to DDC level projects – the table below shows that 34.1% has been thus allocated. DDC-level projects, as might be expected receive the highest per project DFDP contribution at an average of \$4,203, compared with \$2,608 for all other (VDC-level) projects. The same applies if total costs are considered, the average cost of DDC-level projects is \$6,805 compared to \$5,011 for VDC-level projects.

**Table 6: Project Type and Cost**

Project Type	Number*	%	Average DFDP Funding (US\$)	% DFDP Fund	Total Cost (US\$)	%	Average Total Cost (US\$)
Focused project	146	28	2,172	20.6	630,252	20	4,317
Non-focused project	369	72	3,321	79.4	2,174,596	80	5,893
DDC-level project	125	24	4,203	34.1	850,681	44	6,805
VDC-level project	390	76	2,608	65.9	1,954,166	56	5,011
<b>Total</b>	<b>515</b>	<b>100</b>	<b>2,995</b>	<b>100</b>	<b>2,804,848</b>	<b>100</b>	<b>5,446</b>

\* completed projects (to June 2003)

The average DFDP contribution to all projects is \$2,995 or 55% of the average total cost per project of \$5,446.

*A review of the type of DDC-level projects being implemented may help to indicate how these projects are being distinguished and the extent to which they are compatible with DDC and VDC service delivery functions.*

In terms of completed focused projects during the year 2002, the following is the picture in relation to total expenditure on DFDP projects.

**Table 7: Focused Project Expenditure by District, 2002**

Name of District	% of total project expenditure
Accham	0.0
Dhanusha	32.0
Dolakha	17.0
Kaski	15.5
Kavre	77.9
Rupandehi	12.2
Terhthum	7.6
Udayapur	6.6
<b>Total</b>	<b>18.1</b>

Source: DFDP PMU financial statements

The above table shows that the ratio of expenditure on focused projects to total project expenditure has varied widely amongst the districts in the year 2002. While districts such as Kavre have demonstrated a ratio of 77 % others such as Accham, Udayapur and Terthum are yet to make significant progress in this direction.

*A review of the nature and impact of focused projects is necessary to ensure that benefits are reaching women and disadvantaged groups and that these projects are meeting their priority needs.*

#### *Financial Management*

The overall financial management of the project is functioning well within the PMU with readily accessible, almost 'real time' records and reports.

At District-level, the project document states that the project will aim to further improve financial capacity in the District, building on the start that has already been made by PDDP/LGP. These programmes have introduced an account management package for the DDCs and financial procedures for the Seed Grant Fund projects in the socially mobilised VDCs. Site visits by the Evaluation Team showed that the account management package introduced by PDDP/LGP is not fully operational. *Remedial work to fully operationalise the DDC accounts management package would be of great benefit to improved financial management.*

It is intended that each DDC should operate a separate cashbook for its programme funding and that the project will assist DDCs to record and report on funds flows. Whilst all DDCs have a separate cashbook for its programme funding and standard reporting formats, there is a variation in the records and report format on funds flows. *Streamlining of the DDC format for records and report on funds flows is required and should be addressed by Project office.*

It is intended that each community group or functional user committee should open a separate bank account for its DFDP financed project and that the first tranche of DFDP funds will be transferred from the DDC into the project bank account once all the requirements for start-up of the project have been met. This appears to occur without problem.

In addition, the User committee should operate the project bank account. It should maintain a simple account ledger of all receipts and expenditures, including all supporting vouchers. Again, site visits also indicated that this is largely complied with.

#### *Financial Reporting and Monitoring*

The User committee should submit a quarterly financial statement to the DDC to acquit the expenditure of the first tranche of DFDP funds. This is a requirement for disbursement of the subsequent tranche. This does not appear to be generally practiced. Instead of a quarterly financial statement, the User committees are submitting only a statement of expenses according to their construction work.

In addition, the CO/User committee should submit to the VDC a quarterly Project Report that should include a quarterly statement of expenditure and quarterly bank reconciliation with copy of bank statement. The VDC should certify the Project Reports and forward the complied reports to the DDC. Again, this does not appear to be generally practiced. Instead of a quarterly financial statement of expenditure, the User committee are submitting a statement of expenses according to their construction work for certification by VDC.

The CO/UC should continue to use its bank account for financial transactions associated with the operation and maintenance of the completed project. It seems that whilst some User Committees do continue to use the account, those user committees who belong to other groups, use their own account for the O&M fund. However, most of the user committees do not have an O&M fund.

The project document intends that User committees should receive training in the maintenance of the project account ledger, the acquittal of expenditures, and preparation of the annual financial statement. *Whilst some training has been given, the User committees need more training to maintain the project account ledger and preparation of financial statement.*

The Evaluation Team was able to confirm that, as required, the DDC (Field Officer or Overseer) examines and approves each acquittal of expenditures submitted by a User Committee, including physical inspection of the progress of the works. Confirmation of the completion of a project (in the form of a Completion Report) is given only after examination and approval of the final statement of expenditure, and a formal on-site technical inspection of the project.

In those DDCs visited, all DFDP financial records were kept in a form suitable for auditing, as required.

#### *Technical Assistance and Financial Management Capacity Building*

The project document intended that the DFDP would support the DDCs (and VDCs) to increase their mobilisation of local resources in order to provide the local government bodies with additional longer-term resources both to finance development activities and to increase their own staff capacities. The element of 'cost recovery' from some DFDP-financed projects was to provide one continuing,

additional stream of locally generated revenue. The DFDP was also intended, through the provision of advisory support, to work more broadly with the DDCs (and VDCs) to identify other potential local resources of revenue, and to develop plans and procedures to generate revenue from these sources.

It is evident from the visits to VDCs that this is not fully practiced. *The programme should consider the provision of technical support to DDCs and VDCs to mobilise local resources.*

### **B1.1.2 Planning Process**

The DFDP project builds on the local planning process defined in the LSGA and developed by the PDDP/LGP. As such, DFDP has performed an important role in assisting the institutionalisation of that process, not least in the provision of the capital funds to 'fuel' the planning process.

It was envisaged in the project document that resources to support the participatory, local planning process would be provided through PDDP/LGP in the form of its social mobilisers and District Development Advisers (DDAs), operating both at grassroots and district levels. The DFDP logical framework and work-plans therefore focus on the funding mechanisms, project selection and implementation.

The main activities of the project with regard to the planning process have been Community Awareness campaigns, Community Mobilisation training and Project Selection/Ranking workshops. These have had an emphasis on explaining the DFDP project, with input on project selection and means of ensuring transparency, such as reporting procedures and the social audit activities.

Perhaps with an assumption concerning PDDP/LGP activity, the project has had less impact on the effectiveness of the planning process, and a number of issues have been raised – notably in a report commissioned by UNCDF in June 2002 Redefining Project Strategy. This points out:

- the inconsistency in the current DFDP planning process whereby VDC-level projects (less than NRs 500,000) are fast-tracked to the DDC without screening by Ilaka workshop, sectoral committees and Integrated Plan Formulation Committee (IPFC). The inconsistency arises since the development of a 'parallel' planning process for LTF (now LDF) projects. The report points out the inconsistency in this process and suggests that this weakens the emerging local planning process (by creating an alternative procedure) and weakens the technical efficiency of the planning process (by weakening the area and sectoral integration).

*It is therefore recommended that all projects funded by LDFP should undergo screening by Ilaka, sectoral committees and IPFC.*

- project identification for DFDP is centred on community organisations rather than Ward meetings. At VDC level, whilst projects are ranked, it is not clear how this is done nor the degree to which this is a planning or 'voting' process. In the absence of most elected representatives and VDC Secretaries, it was not made known to the Evaluation Team, the extent to which Village Development Plans (periodic or annual) have been prepared. They are certainly not known to the many stakeholders interviewed by the Team.

Despite the presence of DDAs, project selection criteria at district-level appear not to be well understood by DDC officers in 3 of the 4 DDCs visited. Indeed, 2 of the 4

districts reported not having a periodic plan. Funding of projects appears to be on the basis of giving preference to projects ranked first by VDCs, but prioritisation and screening beyond that is not transparent.

It seems that the process of project identification and approval is undertaken as a separate exercise for DFDP, in other words as a fund-driven exercise, rather than a planning exercise. Integration at DDC level occurs only for the few discretionary sources of funds available to the DDC, and there does not appear to be linkage to the line agencies' sector plans and budgets.

Despite good village-based data and resource mapping which took place 3 years ago under PDDP/LGP, most DDCs still appear to need significant support to analyse this and use it for planning and resource allocation purposes.

*Working with PDDP/LGP, more attention needs to be paid to the planning process to permit more effective, targeted and transparent planning methods. In particular, DFDP may pilot the proposal of projects for DFDP funding by local citizens (through Ward meetings) as well as by COs; and develop selection and prioritisation criteria.*

In the absence of block-grant funding, the role of the VDC in the planning process (even if effective) is largely facilitatory rather than decision-making, dependent on the DDC rather than autonomous, and therefore potentially undermined by the process.

*DFDP may consider the introduction of VDC block grant funding should the conflict and security considerations allow.*

The DFDP project could play a key role with the coordinated support from PDDP/LGP to reinforce the nascent local planning process as set out in the LSGA. It seems that lack of coordination raises the danger that PDDP/LGP focuses on social mobilisation and to a lesser extent on district planning, whilst DFDP focuses on funds transfer and implementation. As a result, the link between them, the local planning process, is lost. The risk of this is compounded by weakened institutions for planning in the absence of locally elected bodies, especially at VDC level.

*There is an urgent need for improved coordination between PDDP/LGP and DFDP (see B5.4 below).*

### ***B1.1.3 Participation and Accountability***

Though in theory there are 5 'maturity' criteria to be fulfilled for CO/UC's to be eligible for DFDP funds, in practice these are not strictly adhered to and utilization of DFDP funds is considerably rushed for meeting annual targets. The community takes time to come together, deliberate on its needs, discuss and prioritise on projects, plan and implement and maintain assets created. But in the rush for allocating DFDP funds, there is little time to look into the quality of projects, extent of community-based decision-making, and the capacity of community to plan and implement projects is hardly scrutinized.

Though PDDP/LGP is important to DFDP it seems from the Evaluation team's field visit interviews that the DDA is not always aware of the allocation of DFDP funds. This seems to support the impression that the DDC planning process is not well integrated and that DFDP funds (as well as other funding sources) are decided on separately. *VDC, Ward members and major CO's should be informed of the outcome of DDC planning meetings for greater transparency and compatibility.*

In non-PDDP/LGP areas there are a variety of community mobilization processes some of which are strong -based while others are narrow-based, weak and not transparent. Since all community mobilization processes are not of the same type or intensity DFDP needs to recognize this fact that planning/project proposals made on that basis are widely different. Mere recognition is not enough DFDP also needs to carve out suitable arrangements through DDC/VDC for improving the social milieu for DFDP investment. *Additional training is required for social mobilisers, Field Officers and overseers to improve the quality of the participatory planning process.*

With meagre DFDP/other funds and reduction in Government budgets, a large number of projects selected by COs or CMCs tend to raise local expectations and impose unnecessary load on the COs in terms of project proposals and selection. With limited funds at DDC level most of the project proposals do not attract funds and are not selected for implementation. This leads to disappointment. For example in Bharat Pokahari VDC in Kaski 60 COs select 60 projects (one each) and only one project gets selected through LDF in each VDC. Even DFDP funds are grossly limited in comparison to the proposals received. *Project planning should be limited to 2 or 3 per VDC to avoid raising expectations, wasted effort, and to match with funds likely to be available.*

It is not difficult to trace out the source of certain demands dubbed as “community demands” in DFDP investments. This point actually emerged from talking to the community, user –group, VDC, DDC and others. It was quite clear that such demand can be of that of VDC or DDC or some powerful elite, which kind of engineers the agenda to be served through the COs. The CO then becomes more of a mouthpiece for flagging the agenda and getting it passed through appropriate channels. For instance, according to local interviewees, the Sedi library constructed under DFDP in Serangkot VDC, Kaski District is an idea from the VDC ex-chair while the primary health centre in Methinkot VDC in Kavre District, which serves 36 VDCs is a need prioritized at district level. There are many other instances where community agenda is different from what has been prioritized. *More information is required to made available at VDC, Ward and CO level concerning procedures for project identification and selection to avoid capture of the process by more informed groups.*

It is rather difficult to have the agenda of the poor prioritized mainly because of weaker voices competing against many demands of non-poor, who wield much socio- political and economic power. Dominance of elite group in decision-making of DFDP funds is evident from the pattern of investment. During field visit, it was also observed that kinship and patronage often dominate relationship amongst the executive members/officials of different groups and official bodies. For example it is not difficult to find that the Chairperson of User Committee of a DFDP project happens to be a close relation of the ex-DDC Chairman or alternatively, the Chairpersons of a CO and its user-group are directly related. *Some rules about conflict of interest need to be set up for CO/UC/Ward/ VDC/DDC for constituting committees.*

From the angle of long-term sustainability, it is important for DFDP to develop rules and guidelines for those UC's, which are created over-night for seeking DFDP funds. There are vested interests involved and the financial practice is in question at least in terms of some project groups visited where DFDP funds had been transferred in a single name of chairperson of user-groups or given to him in cash by DDC. This has often led to creation of bad blood amongst the members of the user-group.

The Social Audit introduced in the second year of the project is successful in sharing details on expenditure on projects with user-groups and also setting up placards

containing details on expenditure at the project site. Most of the sites visited had these boards stating the break-up of sources of project funds. However the *project sign-boards should also show the utilization of funds. Use of radios has also been made for sharing expenditure data with user-groups. This has helped those who are illiterate and cannot read and write and should be used more widely.*

#### **B1.1.4 Implementation**

The DFDP project has provided an operational framework for the identification, approval, construction and management of community-based rural infrastructure projects based on the provisions of the LSGA, 1999.

The Evaluation Team raises a number of issues regarding the quality of the implementation of the projects funded.

##### *Project Feasibility*

Field observation has shown that there is a shortage of technical capacity at local level to provide some measure of technical and financial feasibility for preliminary project proposals. As a result, when DDC technicians come to undertake design and costs estimates, difficulties arise to negotiate with communities feasible design, location, size and cost. Very often pressure is applied by local political leaders to proceed with projects which would not normally pass technical feasibility standards.

The principal stages which should be carried out during a feasibility study are

- desk study,
- field survey works,
- analysis of field data,
- outline engineering design,
- preliminary cost, and
- reporting.

Economic and financial evaluation is not required for local body projects according to the Financial Administration Regulations (FAR, 2003).

The field observation indicated that the preliminary lay out schemes were prepared on an unplanned basis. Of the 14 building projects visited, most of them were located in a suitable and easily accessible place. However, there are some cases where the projects were not financially feasible. The construction of community building in Chilia VDC, market shed in Parroha VDC and community training center in Nirmal Pokhari VDC are still incomplete due to lack of money.

Location options should seek to maximize the use of the project buildings. Most of the buildings visited are in use. However, the location of bore tube well in Makra VDC was not in the most appropriate place. The community building of Chilia VDC is not located at suitable and easily accessible place to the people.

An inefficient feasibility study may deprive beneficiaries getting full advantage of the projects. The ward 2 of Dhalkebar VDC has 2 months water deficit a year. Similarly inefficiency may produce projects which are not cost effective. Inspection of an RCC slab culvert construction in Dhanusha showed another culvert exists very nearby (



approx. 50m away), which could be used through some repair and maintenance of the approach road.

The field discussion revealed that the UC representatives mainly the chairman and the secretary were most of the time together with the technical team during the survey. Their involvement is essential to ensure effective mobilization of beneficiaries and resolution of conflicts regarding land requirements, siting etc.

*Project proposals should be subject to simple technical and financial feasibility study and DFDP should prepare some basic guidelines.*

#### *Detailed Design*

The Evaluation Team found that the practice of conducting detailed survey and design was not adopted for most types of projects due to lack of manpower in the DDC. However in the case of high tech projects such as RCC slab culvert/bridge and RCC water tank (150 000 cum), standard detailed design was followed.

Cost estimations are done on the basis of rates approved by the DDC and norms prepared by DoLIDAR.

Technical assistance has been given by DFDP Field Officers to UCs for the preparation of cost estimates, technical details, (e.g. planning, survey design, and specification), and execution of social audit. The UC was observed in some cases to keep records in the Project Book of the fully-paid, part-paid and free labour inputs from local users.

The quantity estimates should be prepared from the design, and properly documented on standard measurement book. The engineering details of the design and cost estimation should be prepared and documented. The discussion with the DDC revealed that in most cases these details were not worked out. Detailed plan profile and cross sections were not adopted particularly in the rural road construction.

*Design and costs estimates were observed to have been discussed and agreed between DDC, VDC and UCs. This should be formalised into an agreement between the concerned office (DDC/VDC) and the UC. It should contain details of costs, project implementation period and operation and maintenance after completion of the project. The agreement should also specify the works to be done jointly by the DDC/VDC and the UC. It should also specify that the UC should be responsible for the maintenance of the completed projects.*

The project document intended that the investment costing of each LDF (DFDP) project should include all costs associated with the provision of the infrastructure and with creating the capability of its O&M.

It seems that cost estimates for DFDP projects do not include the cost associated with the provision for O&M and engineering feasibility.

Similarly there does not appear to be any consideration of recurrent costs. Several projects visited contained no furniture or equipment to make the physical facilities operational (e.g. library and community buildings). It appears that, in the absence of sector committee screening of projects, line agencies are not aware of DFDP projects within their sectors (see B1.1.2 above).

*Costing of DFDP projects should include engineering feasibility, design and supervision costs; any direct recurrent costs for inputs by 'service providers' to operation and management; and any costs of training User Committees in O&M.*

### *Procurement*

Procurement for the projects is carried out by Users Committee. However, there is no standard procedure followed by User Committees and as the size and technical specification for the goods/materials needed for the project becomes specific and important, *the user committees need simple standard procurement procedures.*

### *Construction*

Environmental impact, especially in the case of roads, should be an important design consideration. The DoLIDAR Manual, 1998 and Best Practices Report, 1999 describes a road construction approach which adopts environmentally sound, affordable, participatory, technically appropriate, labour-based rural road construction and maintenance methodology. The major feature of labour-based rural road construction is that it provides benefits to local residents and not outside contractors.

Construction techniques should follow the philosophy of the minimum destruction of existing vegetative cover and reutilization of excavated materials as construction materials. In the hill and mountain terrain, the construction of narrow track of typically two-meter width in the first year and gradually widening later provides opportunity for natural stabilization of the slopes and growth of the vegetation (DoLIDAR Manual, 1998). This helps to reduce slope failure and soil loss in the hills and mountains. The use of labour and hand tools will reduce the chance of instability and soil loss.

The field visit showed that all the rural roads did not follow the DoLIDAR Manual Approach:

- Mass balance was not maintained rather there was cut through approach.
- Phased construction approach was not followed.
- Proper water management was not applied.
- Bioengineering techniques were not introduced.

The field observation of the seven roads showed that the Environment Friendly Road (EFR) approach was not applied in road construction. Water management works were not carried out. This has attributed to concentrated flows and rill erosion in some places. Mass balancing was not followed strictly in the hills. Poorly constructed roads with inadequate maintenance have further resulted in the substantial damages of various natural resources including agricultural and forestlands in some sections.

The overall gradient of the road is steep. Similarly, little efforts have been given to protect the road embankment in terai. Gravel thickness is not up to the standard. The widening of the road as committed in Patsari and Dudhrakch VDCs were not fulfilled. The essence of the Strategy seems to have remained in shadow due to, among others, the professional predisposition of the engineers on the conventional approach of road building, lack of support to implement the strategy and institutional limitations to implement such a flexible approach.

*Construction of rural roads should follow the approach set out in the DoLIDAR Manual 1998.*

In the case of other projects, the riverbank protection works in Semlar VDC has stabilized the riverbank through the use of small-scale civil engineering structures in combination with bioengineering works. This has protected farmlands from further flood damage.

The construction of sulabh latrine has been appreciated as quality work by the users. Similarly, most of the building constructions were found to be in good condition. However, some buildings needed further works such as construction of apron, retaining wall and environmental protection measures such as plantation of trees and shrubs.

Two types of water supply projects (i.e. gravity flow and tube well) were observed in the field. The drinking water projects observed have been very much appreciated by the users. However, ineffective survey of levels and water table has meant additional construction work in the case of in a gravity flow project and a cost over-estimate in the case of a drinking water well (surplus project money was used for buying electric pump and water pipe, which could be used for irrigation purpose).

The open wells in terai area have been well constructed and are functional. However, the water supply is not well protected and represents a health risk. Safe water in close proximity is expected to ease the hardship imposed on women from long walks and climbs while bringing water from the distance sources. The water supply schemes of Dhalkebar and Bharatpur VDCs have fulfilled this requirement.

#### *Construction Modality*

Any public works including construction, maintenance and improvement of infrastructure can be implemented either through forced account (Amanat), contract or UC (Clause 64, FAR, 2003). However, the work awarded to the UC ought not to be done through contractors. The FAR (2003) points out that the UC should be made responsible to implement labour-based rural development project rather than those involving more complicated technical works and use of the machines. The work to be executed through UCs, and local level should not be carried out using heavy equipment such as loader, excavator, etc.

However, subcontracting of work by UCs has occurred mainly for RCC ring construction and installation works, and slab culvert work.

*DFDP should develop guidelines on the appropriate construction modality of different infrastructure projects. This should also include guidelines on the use of sub-contractors.*

#### *Supervision and Monitoring*

Article 210 of LSGA (1999) has provision of establishing supervision and monitoring committee for the rural infrastructure projects. The technical staff of DDC and DDA should conduct supervision and monitoring of the technical aspect of the project. The VDC should constitute a committee for a regular supervision and monitoring of the projects and programs commenced within the VDC area (Clause 69, LSGR, 1999). The committee should submit a report to VDC every month. The functions of the committee are to see if:

- the project has been implemented as per the calendar of operation
- regular supervision has been made by the technician..

- the works has been done as per fixed standard
- there is progress implementation in proportion to the expenditure incurred in the project
- the particulars, bills, receipts, documents of the expenditure have been kept and others felt necessary by the village level monitoring and supervision committee

Field observation showed that there has not been sufficient, effective and continuous technical supervision, and as a result monitoring and control is lacking. This appears to be due to the lack of technical staff and overburden of work at DDC so that the technical team has not been able to effectively supervise the project activities. Similarly, due to inadequate skill for the supervision of the project activities, the UC member is not able to provide quality supervision.

*DFDP should pilot the development of additional supervisory resources at VDC level either through the creation of a pool of skilled labour or through the VDC Supervisoir and Monitoring Committees as required in the LSGA 1999.*

The social audit mechanism associated with payment of instalments is however helping to ensure that a minimum level of supervision taking place. The UC must submit certified copies of the report of the social audit, bills and voucher regarding the work progress prepared by the supervision and monitoring committee to the DDC/VDC. The second and third installments request can be made only upon the submission of the certified copies (FAR, 2003). The DDC technician or consultant submits the progress report of the project together with the social audit report after which certification is issued and the payment is made.

*The emphasis of this audit procedure however is reported to be on the financial records rather than physical progress and quality. A technical audit is required.*

#### *Operation and Maintenance*

Field observation showed that whilst there is a lack of clarity concerning responsibilities for maintenance, and rarely a formal agreement assigning functional or financial responsibility, for those projects (usually semi-private) where COs have a real appreciation for the project, maintenance is occurring. Maintenance of roads however is more doubtful in the absence of a formal agreement.

*Formal arrangements for O&M of projects should be required as part of the project proposal.*

Annex 6 contains field notes of project site visits to review quality and effectiveness of project implementation.

*The DoLIDAR Manual and green road best practices report should be referred for rural road construction. The norms (DoLIDAR Work Norms, 2000) and approach (DoLIDAR Manual, 1999) follow the work norms for labour-based construction works including man-days, materials, quantity and their transportation. Standard designs of sectoral infrastructure projects can be adopted from the concerned line agencies. Procedural guidelines for farmer managed surface irrigation system for community irrigation projects and community based gravity flow rural water supply schemes are good reference materials. These include community based gravity flow water supply system (1998), irrigation policy guidelines (2003), rural water and sanitation (UNICEF, 2003) and rural road construction (SDC 2003). The District Roads Support Programme (DRSP) provides a useful model of good practice for participatory rural roads planning, design, construction and management.*

### *Capacity Building for Micro-project Implementation*

The sustainability of infrastructure development project at the local level requires that technical know how of project implementation and maintenance should be transferred among the beneficiaries. There were cases when the construction materials were rejected for use, which was procured independently by UC members. The UCs are not given sufficient training on the patented trademark and manufactures and expiry dates of the materials. They independently procure the materials for the project. Though this process maintains transparency, however, it may constrain in procuring the quality product. The lack of sufficient knowledge on the quality sanitary products may compel the UC members to procure such products regardless of their quality standards. These indicate that there is an urgent need for technical training for the beneficiaries regarding these issues.

*More intensive training on project feasibility, design, implementation and maintenance and procurement should be provided to the technical team at all levels i.e. engineers, overseers and supervisor. Strengthening of the Technician working under rural infrastructure project requires that they be conceptually clarified on the approach and concept of rural infrastructure works. This process can also ensure the transfer of technical know-how among the grassroots people. In addition, other stakeholders such as UC members, VDC members and other beneficiaries should also be provided with different training relevant as per the context. Supervisory training among the beneficiaries in this regard for day-to-day supervision is also critical.*

#### **Box 2: Rural Road Construction**

Rural road serves as a focal point of discussion with reference to rural infrastructure development project. The rationale for rural road project is low cost labour based rural construction, environmental protection, sustainability and poverty alleviation. This approach is popularly known as “Green Road Concept”: most appropriate technology keeping in mind the extremely fragile geological and ecological setting. While the roads are physical outputs, the capacity building of local organization, promotion of self-help potential of the rural people and enhancement of the skills of local population are other important outputs. As observed, there is limited application of these principles in rural road construction funded by DFDP. For example mass balance of cut and fill has not been considered. Phased wise construction starting from a track, then subsequently widening to full width of 4 to 4.5 m has not been adopted, rather a full width road has been constructed at one go. Water management has not been carried out as per the need leading to concentrated flows and rill erosion. Mass balancing with cut and fill is not being followed strictly. Due to inadequate budget gabion structures and dry walls have not been provided where necessary. The overall gradient condition of the road seems to have followed satisfactorily. An effective and continuous technical supervision, monitoring and control seems to be lacking. Soil bioengineering has not been applied for erosion control. During road construction the most commonly found places where erosion/slides have occurred are on faces of side cuts and embankments on sides, bottoms and outfalls of drainage and surface of roadway. Therefore the stepwise recommendation with reference to rural road construction as per work norms has to be followed.

### **B1.1.5 Capacity Building**

The Evaluation Team has noted above (Section A2.2) the various training activities supported by the project. Whilst these may have been valuable, they have been undertaken in the absence of any apparent strategic direction informed either by need or demand. As a result, inputs appear to be ad hoc and untargeted.

The TA Fund (6% of the districts DFDP Fund allocation) was intended to provide at least part of the training resources for the Districts. There has not been a review of the use of this Fund. The financial account (Section A2.2) shows that one third of the

Fund is used for social mobilisation, feasibility studies and training, but there has been no analysis or assessment of the nature or quality of this training.

It is understood that the project is currently developing a *Capacity Building Strategy*. This should:

- *Review the use of the TA Fund and the extent to which demand-led training is effective*
- *Consider combining demand-led training with a focused supply-led and targeted training programme with core components and target beneficiaries*
- *Define wider approaches to capacity-building.*

This is discussed further under Critical Issues (Section B5.3).

## **B1.2 Project Monitoring System**

The DFDP PMU has established an effective MIS for tracking micro-project details and finance. It is also piloting a UNCDF MIS which provides information based on indicators in the DFDP logical framework and for the UN Strategic Results Framework.

Information is collected via quarterly (now trimesterly) reports from the DDC and includes data which is capable to be built into a database of local government activity for use by MLD. The MLD is piloting its own database based on District Periodic Plan outputs. The M&E Specialist is providing such support to the MLD Working Group set up for this purpose and may provide additional inputs to the MLD MIS based on process of planning and development rather than simply outputs. It will also be important to link the MLD MIS with PDDP/LGP support to district planning (if this is not already linked).

The Evaluation Team is of the view that additional resources are needed in three areas of monitoring:

1. Monitoring of *micro-project implementation* relies on inadequate staff resources at DDC level. As a result quality of design, construction and maintenance suffer. Alternative, additional resources are needed for this function. The project team needs to address this issue through identifying a suitable resource (e.g. pool of local labour, DDC/VDC Supervision Committee and consider means of training them). This may be seen as a policy issue for MLD in its pursuit of decentralised development since this affects the increasing number of community-based, rural infrastructure projects, not just DFDP (see also A1.1.3 above).
2. Monitoring of the *quality of key processes* within the decentralised development process. Whilst the existing M&E system is effective at recording and reporting on the quantity of projects and events within the planning and development cycle, there is no system to measure the quality of key activities. For example, the project, based on DDC reports, is able to record the number of social audit exercises taking place and may even be able to report on the number of participants at open meetings. It is not able though, to indicate the quality of the event, whether records were produced, whether people were able to understand what was being said, and whether it served the purpose of transparency and accountability.

The project team has not developed a Participatory M&E system as suggested in Activity 4.1 of the 2001 Work Plan. The report from that activity was a review of existing systems. Subsequent Reporting Guidelines also do not fulfil this role. A qualitative M&E system should be setting qualitative indicators and reviewing these on a regular basis (probably on a sample basis and including beneficiary assessments). *An external consultant may be needed to design such a participatory M&E system which can run provide qualitative data on key project processes and which operates alongside the existing M&E system.*

*In the interim, it is suggested that the PMU should develop its own checklist for its own field visits to provide a sample check on some key qualitative process indicators.*

3. The existing system does not provide a breakdown of women-focused and DAG-focused projects and does not provide sufficient information to assess the effectiveness of 'affirmative action'. *Separate details are required for women- and DAG- focused projects These should be provided for the current PFM.*

### **B1.3 Technical Backstopping**

UNCDF has fielded back-stopping missions for Annual Reviews and Work-planning exercises and for discrete outputs such as M&E and fiscal decentralisation support.

These are reported by the project staff to have been mostly useful, although it has also been expressed that the Missions are too short to be able to give clear advice on how to carry out some decisions. Notable in this respect is the Redefining Project Strategy report which is comprehensive in its assessment and recommendations. The report was produced in June 2002, but many recommendations are still to be operationalised. In addition, insufficient time is spent with project staff to brief them on policy support work.

## **B2 PROJECT RESULTS (OUTPUTS, OUTCOMES AND IMPACT)**

### **B2.1 Beneficiary Impact**

There are two types of target beneficiaries under DFDP - the locally elected representatives and officials of VDC/DDC and the local communities/groups, with special focus on women and the disadvantaged groups. In absence of elected bodies since 2002, DFDP's impact on management capabilities of elected representatives cannot be considered under the present circumstances.

#### ***B2.1.1 Impact of Capital Investment***

In terms of reaching the expected target beneficiaries it may be said that the nature of the DFDP projects determines the type/s of beneficiaries. This in turn is determined in large part by the process of social mobilisation, which forms the core of DFDP investment planning. This helps to determine the degree of inclusiveness of beneficiary coverage, especially for the poor groups, women, the dalits and the ethnic groups.

Most community-based infrastructure projects can be classified as 'public' or 'semi-private' according to their relative access by potential users. For example, in case of a road/health post/school project, beneficiaries include communities from ward/s or even the entire VDC, depending on coverage/situation of each project. Hence for some projects such as roads and schools, which are general in nature, the coverage of beneficiaries are also general (or 'public') in nature.

However for projects related to productive infrastructure, drinking water and sanitation, user access is restricted – in terms of social, economic and operational inclusion. For productive infrastructure projects such as irrigation and micro-hydro sets, those in possession of land are the potential beneficiaries. Again the location of the micro hydro in an area determines who has more access to water and how much.

With regard to the beneficiaries under DFDP it may be said that its social sector and transport projects, which constitute 34% and 24%, respectively (of the total approved number of projects) have more broad-based population-coverage across areas where such projects have been set up. They have also helped in reducing area-based poverty as a whole. While investment in productive infrastructure (22% of total number of projects), drinking water and sanitation (14% of total number of projects) have more focused coverage of beneficiaries. Irrigation projects under DFDP have directly benefited those with land while drinking water and sanitation have directly helped those who were without such facilities, especially the dalits and the disadvantaged groups.

In this context, one could conclude that 58 % of DFDP projects in social sector and transport projects is more area-based and not focused in terms of beneficiaries. While 22 % of DFDP projects mainly in irrigation are directly focused on those with land including few poor/disadvantaged households possessing some land. This excludes any direct impact on those households, which are landless or possess homestead/negligible land. Though it needs to be mentioned that with increase in irrigation opportunities in any area the wage labour tends to benefit indirectly through more income earning opportunities from growing off-seasonal crops.



Drinking water and sanitation in households increases physical capital and hence helps in improving health and quality of life.

Based on the above it may be concluded that greater number of projects DFDP (58%) have gone into area-based projects such as transport and social sectors while only 22% of projects has flown to productive infrastructure such as irrigation, which again has directly benefited both poor and non-poor groups, mostly those with more land while 14% of projects has gone directly for improving drinking water and sanitation standards mainly in poor/disadvantaged households.

Hence direct impact of DFDP on target groups of beneficiaries (the poor and marginalised) has been much less than what should have been possible with alternative ways of allocating DFDP funds or a higher ratio of investment on focused projects. It is also important to mention that much of the hard-core poor groups have not directly benefited from DFDP investment so far, most of them being excluded from the social mobilisation process. It is important that conscious efforts are made to include them for direct targeting of such groups.

### **B2.1.2 Social Inclusion of the Local Planning Process**

With reference to social inclusion it may be said that the exclusionary process is more pronounced at the ward level planning done by VDC/DDC (in the absence of social mobilisation). Ward members and others are invited by the VDC to come up with plan proposals for their locality. This process is not full proof to have a pro-poor focus and hence there is no guarantee that plan proposals will necessarily be arrived at benefiting focus groups. In a semi-feudal agrarian society such a process of planning by elite at the local level normally carries a general focus without specific sensitivity towards gender aspects and the disadvantaged groups.

However, when COs at the grassroots are involved in the planning process it can have at least 2 types of implications. Some COs have a focused group approach and work with specific target groups for e.g. "Bisheswar amongst poor" programme specifically targets poor groups while PDDP/LGP has a more holistic approach and targets the community as a whole. Even with a conference of group members and Chairmen-managers' conference there is no mechanism in the system that the voices of poor groups are heard. In this context it may be mentioned that recently PDDP/LGP is refining its strategy towards inclusion of ultra poor by forming new groups with ultra poor or including them in the existing groups, however, the impact of such refined strategy is not visible as yet.

For purposes of social inclusion those COs with special focus on poor groups are in a better position to target planning with the poor while other agencies have to consciously offset the anti-poor biases while mobilize the whole community. There are other COs, which target the women groups and in such cases women from better-off women groups can dominate the planning process while the poor women get left behind in the planning process.

### **B2.1.3 Impact on Women and Disadvantaged Groups (DAG)**

In terms of gender the local women groups in study districts have been considerably active for proposing new projects under DFDP. However, many of such women-led projects have been proposed by women from mostly better off groups. Most women from the hard-core poor groups are yet to be empowered in terms of decision-making, involvement and making proposals to VDC/DDC for investment. Many NGOs supporting women groups at the local level have been instrumental in sending

proposals for DFDP investment, which, in turn have helped many poor women to become beneficiaries under DFDP.

There are many small-scale rural infrastructure constructed for direct benefit of the DAGs under DFDP. Such infrastructure has positively impacted on the quality of life of such groups whether through safe drinking water or through bio-gas toilets. However, the magnitude of such investment is low and much more needs to be done for the inclusion of the disadvantaged groups and improvement in their asset -status and direct focusing of livelihoods of such groups will make DFDP investment more meaningful in terms of its impact.

The empowerment process of poor women and DAGs in most cases is still very weak and decision-making lies in the hands of the VDC/DDC, NGOs, men groups, better-off women groups and other developing agencies. To this extent, the impact of DFDP and the effectiveness of the 'focused' projects remains limited.

Overall, therefore, the impact of the affirmative action towards women and DAGs remains limited. It appears that except for Kavre district (visited by the MTE Mission) the other districts have undertaken affirmative action merely in terms of reaching the target of 20 per cent. The sensitisation of staff at VDC/DDC towards affirmative action is considerably low and needs to be built upon in the coming years. Without additional effort, affirmative action will merely be in terms of reaching a set target rather than change in mindset of institutions such as DDC/VDC.

The present ratio and fund available for affirmative action are limited and are unlikely to have any significant impact. DFDP funds mostly work in isolation, scattered in different areas in small quantum and hence no strategic impact can be expected. 'Poverty and vulnerability of the disadvantaged groups cannot be reduced merely by building toilets in a few disadvantaged households'. DFDP will have impact only if it is able to improve the poverty targeting capabilities of VDCs and DDCs. This means developing a planning process which is more inclusive and transparent – beyond the capture of elite groups, which is informed by local-level planning data including definitions of localised poverty (already in development), and which produces targeted investment plans using simple planning tools such as problem identification, project identification and prioritisation.

*It is recommended that the DFDP and PDDP/LGP project managements consider a gender assessment of PDDP/LGP and DFDP to review project impact, scope and implementation modalities, and to identify any necessary changes to ensure that the projects benefit women.*

#### *Focused Projects*

UNCDF undertook an internal review of the DFDP focused projects in August 2002 (UNCDF 2002c). This indicated that there had been some lack of clarity amongst DDCs concerning the interpretation of focused projects. Projects proposed by women or DAGs had been assumed to benefit them, and social sector projects (schools and health posts) were also interpreted as focused.

As a result, some operational changes were made principally to define more closely the 'menu' for focused and non-focused projects; to disaggregate women and DAG projects; to more closely define DAG normally as dalit groups; publication by DDCs of all focused projects; and to include the allocation of focused projects within the DDP as one element of future performance-based funding.

The Evaluation Team acknowledges the usefulness of the review and the operational changes. It also concludes however, that the misinterpretation of focused projects remains and that there is insufficient appraisal and monitoring to ensure that projects are in fact focused.

*In this regard, it is strongly recommended that the M&E system disaggregates (separates) focused projects into DAG and women-focused projects (all reports currently total focused projects as DAG projects with womens projects reported as zero).*

*It is further recommended that a second evaluation is undertaken to look at the effectiveness of focused projects looking at the inclusiveness of social mobilisation and the planning process and to devise simple planning methods which can be used to better target poor women and disadvantaged groups.*

Finally, it is concluded that the *current target-based approach (20% for focused projects) needs to be backed by performance-based funding if it is to be effective and reach beyond the 20% minimum funding target. This may be included in the development of performance criteria.*

*In the meantime, and especially in the current circumstances of conflict and a shortage of investment funds, it is recommended that the minimum proportion of fund allocation for focused projects is increased to 50% including 25% for projects benefiting women, and 25% for projects benefiting disadvantaged (dalit) groups.*

#### **B2.1.4 Impact on VDC/DDCs**

In terms of the impact of the project on the DDC and VDC officials, the project has been able to provide some additional training (see above) and exposure to good practice to LDOs, DPOs and Field Officers. Some Field Officers have gained employment and new skills e.g. AutoCad training. The Field Officers and Overseers have comparatively better resources with which to undertake their work, however it is also the case that they have a heavy workload with comparatively little reward.

Institutional impact is important – the project provides additional legitimacy to the local government bodies as well as the skills and resources to improve their performance. Clarifying the distinction between VDC and DDC projects using consideration of service delivery functions will help to reinforce institutional roles.

#### **B2.2 Levels of Beneficiary Participation**

The extent of beneficiary participation has been different for different projects. The PMU records show that by the end of 2002, some 261 VDCs were participating in the programme, involving 521 Community Organisations and almost 16,000 members, the majority of whom were women. Though such participation has been mostly through cash contribution and voluntary labour it has been directly influenced by social mobilisation and beneficiary ownership. Annex 5 indicates some field examples. The better the social mobilization process through group mobilization and beneficiary participation in decision-making of projects the easier has been the process of community contributions. Those groups, which have conferenced together and sorted out their differences at the beginning of project selection, preparation and planning have fared better in terms of building stakes and ownership. At least, in case of one project visited the type of project and bringing people together through charismatic leadership of the DDC chair (see Dhikurpokhari, Kaski) has made the

difference in terms of community contributions. Those communities, which have been brought together hurriedly at short notice for proposing projects and contributing towards them have not fared well in terms of broad-based decision –making, planning and implementation of DFDP projects. Many of these groups have not been able to resolve conflicts amongst themselves and hence the quality of DFDP project has been adversely affected. Hence better the quality of group adhesiveness and participatory decision-making and planning, better are the chances of DFDP projects to be implemented with group ownership and maintained subsequently.

### **B2.3 Comparison with Pre-project Situation**

The pre-project situation saw the development of social mobilisation and a participatory planning process feeding into a District Development Plan.

DFDP has provided an opportunity for CO/UC to link up with VDC and DDC and receive funding for project proposal. DFDP has streamlined the process of funding for community-based proposals, which was rather difficult to access earlier. A few CO/UC had donor funds from DDC and from independent sources on a limited basis but the process of planning for projects was few and far between. Though PDDP/LGP was mobilising communities there were no fund flows for plan proposals except for seed money provided through local trust fund (now Local Development Fund). DFDP provided a framework to regularise the system of local planning under LSGA by facilitating project proposals from CO/UC for channelling them to DDC through VDC and meeting some of the priorities of the community. In all cases of DFDP projects described in Annex 5 almost all CO/UC have sent in a second round of proposals under DFDP.

To this extent, it may be said that DFDP has played a critical role in providing additional technical and financial resources which are helping to institutionalise a decentralised development process.

### **B2.4 Quality of DDC project prioritisation process**

The quality of the DDC project prioritisation process appears to be affected by the capacities of the DDC officials (particularly the LDO and DPO) and the frequency of their transfer or duration in post; the role of the DDA; and the role of the DDC Chairman.

In one of the 4 districts visited a technical process of project prioritisation was described using a scoring matrix of selection criteria. Other districts were not able to describe their prioritisation procedure.

*It is recommended that the project should develop a scoring matrix with sample criteria which is a requirement for use by DDCs (and VDCs) in project prioritisation and selection. This should be linked to the objectives of the Districts' periodic plan.*

Of more concern to the Evaluation Team was the extent to which the planning process for DFDP projects is seen to be, and is conducted, as a separate process distinct from the wider district development plan preparation. To a large extent, as observed from the districts visited, DDCs and VDCs are using the LSGA planning process for the DFDP fund only. This reflects in part the lack of discretionary funds available to them, but there is little evidence of integration of the process with the allocation of line agency or other programme funds which are included in the annual District Development Plan.

*It is recommended that the PMU conduct a review of the planning practices of the participating DDCs to identify the extent of integration of the DFDP funding and planning mechanisms with other district development funds, to document and publicise good practice, and devise means with the PDDP/LGP DDAs to strengthen the integration of the district planning process.*

## **B2.5 Sustainability of Project Achievements**

### ***B2.5.1 Institutional sustainability***

#### *Finance and Planning Capacity*

Decentralised financing and planning is legislated for within the framework of the LSGA, and as such, institutional sustainability is well-founded. Financing is being further developed through the LBFC and systems for block grant allocation informed by functional responsibilities, sectoral decentralisation and expenditure assignment are being developed with support from UNCDF. Continued technical support from UNCDF is essential at this time and this should be linked to demonstration of piloting lessons from the DFDP field practice. This will provide a basis for financial sustainability by leveraging HMGN budgetary allocation and donor funding for further block grant funding.

The decentralised planning system relies to a large extent on technical assistance provided by UNDP through PDDP/LGP. It was evident from visits to 4 DDCs that progress towards an integrated district planning process linked to the national planning and budget system is at a critical stage. A basic level of district capacity has been created with good local level planning data, a defined participatory planning process, and varied levels of capacity for medium-term and annual planning. Technical assistance is in place in the form of DDAs. Nonetheless, the planning system is far from institutionalised, and is confused at sub-district-level by the existence of a parallel process by-passing ilaka and sectoral screening. Without continued technical support at district and sub-district levels, the LSGA planning process may not be sustained.

Achievement and sustainability of DFDP's outputs rely to a large extent on further technical support by DFDP to the development of fiscal decentralisation policy and procedure and continued support by UNDP and/or UNCDF to a demonstrably effective decentralised planning and development processes. *It is therefore recommended that technical assistance for fiscal decentralisation policy and district and local level planning is maintained together with support to effective systems for lesson-learning, documentation and dissemination.*

#### *Implementation Capacity*

At the district level the Field Officer (FO) team was contracted for project planning and implementation as temporarily hired staff. The team was used to check the quality of work and the accuracy of the bill supervised and implemented by the UC. The UC, which is at the field level for project implementation, had no technical training or supervisor to assist in supervision.

Salary structure and incentive scheme of the FO staff has become a demotivating factor on their part. So has been the temporary nature of their job. Their motivation level doesn't appeal them to learn and adopt new technologies and on the other hand

whatever they learn is not going to be utilized in DDCs because of their temporary job.

The FO team performed the regulatory functions, but this arrangement brewed frustration among team. The FO staff found themselves at a disincentive when they compare their financial compensation structure with those of the others for the works, which are of similar in nature. The per diem provided to the project technical staff for their visit to the work site is so low that it is not sufficient to meet their actual cost of staying at the field. Therefore, the overhead charges should be increased as far as possible so that the person could be in more or same the equal level as others with the same position.

*The PMU should review the employment status and terms and conditions of FOs to ensure that the design and supervision capacity required for decentralised development is sustainable.*

Further to the role of the FOs, it is also clear that there is an overwhelming demand on the District Technical Office from DDC, VDCs and UCs. In Kavre, about 4,000 projects per year require design and supervision.

*Training of additional community-based technical resource is urgent to overcome this possible obstacle to quality implementation and sustainability.*

### **B2.5.2 Micro-project Sustainability**

The sustainability of micro-projects will be determined in part by the **social sustainability** of DFDP projects. Those CO/UC's, which are working over time and are doing well in terms of social mobilization have made better contribution to strengthening social sustainability of DFDP projects as compared to those beneficiary organizations, which have been formed at short notice in a non-transparent manner and have found it difficult to bring forward beneficiary groups in terms of their priorities and contributions.

Drawing on project examples in Annex 7, it may be said that the chances of sustainability are higher where the beneficiaries have come together after much preparation and thought for planning and constructing their own projects with support from DFDP. In those cases where the beneficiaries have never sat together for any common goal or have not resolved their differences social sustainability of DFDP projects is an issue. Weak leadership is also averse to social sustainability.

Sustainability will also be determined by clarity on **ownership and responsibility for maintenance**. As far as ownership of projects is concerned it is important to point out that the VDCs have less ownership since they have little influence in decision-making. The majority of the projects are decided at the community level and then the power of fund allocation lies with DDC and project management. Under DFDP, the role of VDCs is more in the nature of a recommending body without financial powers. VDCs are there to merely fulfil formalities such as ranking and recommending projects and providing 10% of project cost for VDC level projects.

As regards responsibility of maintenance, ownership of beneficiaries for household level assets is much higher than those at the community level such as road or health centre.

During field inquiry it was noticed that there were mixed responses regarding whose should be maintaining assets created under DFDP. In a VDC at Rupandehi, the

VDC secretary stated that maintaining VDC-level asset such as road is the responsibility of the VDC while some community members in the same VDC thought that it was their responsibility to look after the road. In case of one health post constructed with DFDP funds at Dhanusa it was observed that a maintenance fund was being started with a proportion (1/3<sup>rd</sup>) of user-fee of that health post set aside for that purpose. Though the idea for setting up a maintenance fund was being picked up by some user-groups in districts, mainly in Dhanusa, it was still in its nascent stage and much needs to happen in terms of integrating maintenance plan into the main planning proposal for DFDP.

Most projects visited had no arrangements in place for maintenance.

*It is recommended that projects should only be approved if arrangements for maintenance are defined and agreed within the project proposal.*

Annex 7 contains an analysis of the social, technical, financial and ecological sustainability of the projects visited.

### **B2.5.3 Exit Strategy**

With the objective of achieving sustainability of the project's achievements, the project team should be discussing an exit strategy. This is not necessarily with a view to withdrawal but with the aim of identifying strategic approaches (perhaps a set of guiding principles) and milestones to be reached which maximise the prospect of DFDP practice and outputs becoming institutionalised.

*It is recommended that the project team discuss and prepare an exit strategy.*

## **B3 PROJECT PREPARATION AND DESIGN**

The project preparation was undertaken through a thorough formulation process which appears from the documentation to have been adequately consultative.

The original 8 districts were selected according to transparent process and criteria (see section A1.2.1 above).

The project design relies heavily on resources to be provided by UNDP through the PDDP/LGP. The design assumed that support to the local planning process through social mobilisation and support to district planning would be available wherever DFDP would operate. This ignored both the desirability of DFDP operating on a district-wide basis (to build capacity for district planning), the possibility of the expansion of DFDP to other districts where PDDP/LGP were not operating, and the risk of a withdrawal of the technical support provided by PDDP/LGP (it acknowledged the risk of withdrawal of administrative support).

Implementation arrangements (and critically coordination with PDDP/LGP) was originally intended through the NEXCO, NPD and PMC (see PD and section A1.5 above). Subsequent changes to the project management by separating the management committees for PDDP/LGP and DFDP may have contributed to weakening the coordination between the programmes (see PD Addendum and section A1.5 above).

The original logical framework was revised in 2002 to more realistically match activities and outputs/results to what may be achievable by the project, but it was not revised at the time of the Revision in 2003 to reflect the expansion to 20 districts.

Neither the original or revised project designs have included in the logical frameworks the policy development support currently provided through the project.

*It is recommended that a further review of the log-frame should be undertaken in order to:*

- *frame clear outputs and activities for the policy support given to the MLD and LBFC, and*
- *review outputs and activities associated with the expansion to 20 districts, the possible changes to PDDP/LGP and, the forthcoming capacity-building strategy.*

In terms of the size of the capital fund, with a total rural population in the 8 Districts of 2.45 million, the annual allocation over 5 years of the \$3.05 million capital fund amounts to a little over \$0.20 per capita. This is low, although the project design did not assume coverage of whole districts as is now the case.

The project document contained a list of constraints to decentralised development which the project was designed to overcome (quoted at A1.6 above as Identified Risks). These have been shown to be prescient and remain as major constraints to the success of DFDP.

## **B4 PROJECT EFFECTIVENESS**

The project document sets out the project strategy (see A1.2.1 above). This has largely been adhered to and indicates that expectations have largely been met. Exceptions to this have already been highlighted in this evaluation i.e. the high risk of the assumptions made about PDDP/LGP support; the importance of the affirmative action mechanisms for poor women, landless and disadvantaged groups; and the importance of a communications strategy to promote transparency and accountability, and lessons learned to inform the policy dialogue.

The project is particularly effective in working through existing structures to build capacity. As a result it has more chance of achieving sustainability of its outputs. This also makes it more cost-effective as its administrative costs are low.

Overall effectiveness may be improved by an explicit definition of UNCDF's support to policy development (see B3 above and B5.1 below) and continued technical support to the local government planning process at ward, VDC and DDC levels.

## **B5 CRITICAL ISSUES**

### **B5.1 Potential for Policy Impact**

DFDP operates within a clear and supportive policy environment in the form of the LGSA, 1999 and associated Regulations. It has also developed productive working relationships with the MLD and the LBFC. It is therefore in a relatively strong position to support HMG in policy and procedural development for decentralised finance and development.



Despite the legislative framework, the necessary clarity, detailing and institutionalisation of decentralised development through a participatory, bottom-up and sectorally integrated planning process linked to national planning and budgeting and enabled through fiscal decentralisation is far from a sustained reality. It remains important therefore for UNCDF (and UNDP) to provide technical assistance to the financing and planning of local development at all levels of policy development and implementation. It is also important that the strategic links between policy development and practice remain close, so that lessons of practice inform policy and procedure.

*Piloting and field experience at district and sub-district levels should remain a clear and explicit objective of the project (as opposed to meeting targets of expenditure). In this way, important procedural outputs such as the Operational Guidelines, funding and management tools such as minimum access conditions, performance criteria and assessment and performance-based funding can be trialled, adapted and introduced at relatively low risk to the government.*

*Further technical support to district planning and budgeting is essential to continue the process of sectoral integration and decentralisation, and to further clarify and develop links between VDC and DDC planning, finance and implementation. UNCDF should consider funding technical support to village and district planning in the event of a withdrawal by PDDP/LGP.*

Policy support to fiscal decentralisation through the LBFC also plays an important role and this should maintain a clear link to field practice as well as building local expertise. Support has been given to developing allocation formula for DFDP funds as a pilot for HMGN block grant funding. HMGN has adopted an alternative interim formula. *The lessons of piloting the HMGN interim allocation formula need to be documented in order that improvements may be made.*

*In view of these issues, it is recommended that the project logical framework be reviewed to include an additional output such as 'policy and procedures supporting the LSGA Act and Regulations for decentralised finance, planning and development are strengthened'.*

Much discussion continues on a 'parallel' financing, planning and development processes either through the Local Development Fund Board and by-passing VDC, ilaka and sectoral screening. Alternative processes have the potential to undermine procedures defined within the LSGA designed to strengthen and legitimate the institution of elected local government and may ultimately negatively impact on the achievement of DFDP objectives. Differences on the processes are most evident between UNDP and UNCDF and reflect different development strategies. UNCDF strategy emphasises strengthening local government as the most effective and sustainable channel for local development; whereas UNDP emphasises participatory, localised development through strengthening community-based resources.

UNCDF is concerned to build the capacity of local governments to take up their responsibilities for service delivery as defined in legislation. The focus of PDDP/LGP and therefore DFDP, on CO-identified infrastructure projects deflects attention away from service responsibilities of UGs, VDCs and DDCs. A focus on distinguishing and building service responsibilities has implications for types of projects and levels of responsibility, definition of implementation and management (including O&M) responsibility and potentially funding channels i.e. LDF and DDF. This in turn is affected by emerging sectoral decentralisation guidelines assigning specific responsibilities to line agencies and DDCs.

*It is recommended that UNCDF organises a workshop on strengthening decentralised planning and development which can discuss approaches defined within the LSGA Regulations, the 14-step planning process, and the LDFB; and the respective primary objectives of DFDP and PDDP/LGP. The aims of the workshop should be to:*

- *Share and increase understanding of different approaches to decentralised planning and development*
- *Clarify legislation, regulation and project practice*
- *Share understanding of DFDP and PDDP/LGP strategy and objectives*
- *define areas of synergy (and understand potential for conflict)*
- *define areas of collaboration and*
- *define mutual responsibilities and deliverables of each programme.*

Following such a workshop it may also be appropriate to consider re-aligning DFDP-funded projects more closely with DDC/VDC service responsibilities and reconsidering the project proposal process to allow ward meetings and VDC members to propose projects for funding. This may be difficult in the context of the conflict situation. It is also suggested by Henrik Larsen in a report of the Inception Workshop for the DFDP new districts in August 2003 that this may also lead in the longer term to a differentiation of CO projects which may be funded through the LDF, rather than the DDC's DDF.

*Deepening the policy impact of DFDP would benefit from a review of related policies and programmes and development of networks for the exchange of information. For example, there are numerous sector programmes operating at district-level which may provide mutual support in terms of planning, financing and implementation arrangements. DFDP can certainly coordinate use of the technical guidelines produced by sector programmes e.g. for water and sanitation, irrigation and roads.*

For example, the National Strategy for Rural Infrastructure Development (NSRID) takes *"the development of basic rural infrastructure (with strong emphasis on rural/agricultural roads) country-wide in a planned and sustainable means by adopting the labour-based, local resource-oriented, environment-friendly techniques and in accordance with the HMGN decentralised, participatory approach"* as its key objective (NSRID, 1997). The specific objectives of the NSRID include the following:

- Development of Local Infrastructure Development (DoLID) with adequate human and technical resources to establish appropriate technical organisation to deal with the rural infrastructure sector.
- Establish decentralised planning process to make local governing institutions capable in effective decentralised planning
- Establish district-wise standard implementation process to have effective participation of users, elected bodies, private sector and NGOs in project implementation process.

DFDP is also achieving discrete and important influences on local government policy and practice through demonstration and support to specific initiatives. These include:

- development of a district MIS. Using the experience of DFDP and UNCDF MIS, DFDP is able to demonstrate practical uses of such systems to MLD and provide technical support to the development of an MLD MIS

- development of Operational Guidelines for decentralised finance, planning and development. These have been welcomed by MLD, but need to be reformulated as generic Guidelines with annexes for DFDP-specific requirements.

## **B5.2 Channelling of Funding**

With the objective of piloting an intergovernmental fiscal transfer system, the DFDP project design indicated a transfer of funds to DDCs and its District development Fund. In this regard, it mirrors the principles of the LSGA and associated Financial Regulations, but is different from the PDDP/LGP funding process which uses the Local Development Fund.

There are two important differences between funding through DDF and LDF and the choice for funders will depend on their primary objective.

Firstly, LDF is one step removed from the DDC. The fund flows from DDF to LDF, and LDF being a legal entity itself (having its own board, chaired by chairperson of DDC and members including LDO and other head of line agencies of basic services) can decide on funding among the CO-proposed projects endorsed by VDCs. As such, it is out of DDC planning and budgeting loop. Using this funding channel therefore obviates the objective of building transparent and accountable government through locally elected bodies. Furthermore, it obviates the opportunity to build the capacity of the DDC to undertake sector-integrated district planning and budgeting linked to, and forming an integral part of, the decentralised national planning and budgeting process.

Secondly, however, the LDF is semi-autonomous, small and tied to micro-credit groups. As such, it is quick in deciding the projects and in providing funding to COs. It may therefore better serve the objective of fast delivery of community-based rural infrastructure. However, with accountability limited to the board which does not necessarily have broad elected representative base, it may not meet governance objectives.

However, in the current conflict situation and in the absence of local elected representatives (albeit with government-nominated chairpersons), there is not much difference between the accountability of the DDC board and LDF board as decision-making bodies, except for the formal government status of the DDC and DDF. However, LDF, with a separate account independent of the DDC, has a funding mechanism which is efficient for the project-wise funding as it does not need to integrate with the DDC's planning and budgeting. It relies only on the DDC's decision to transfer the allocated amount of LDF's fund from DDF to LDF. Again, this may suit funders requiring quick impact investment channels.

Channelling funds through the Red Book is thought to represent a risk of delay of disbursement and at worst, diversion of funds. Delay may be caused firstly in the time taken for the budget to be finalised after the Budget Speech in July, debate in Parliament and subsequent modification by Ministry of Finance (approximately 6 weeks). Secondly, the actual budget is then passed to the Financial Comptroller-General's Office where the request (budget) is matched with Treasury resources. Here there may be a delay as there is discretion to withhold resource and prioritise releases. In the case of DFDP, this may be represented by a delay in the release of funds by the central government to DDCs.

Channelling funds through the Ministry of Finance/ Financial Comptroller-General's office may present too great a risk to the programme, especially in the current uncertain economic climate.

The evaluation team has learnt however of a method of including budgeted external funds within the Red Book without channelling funds through the Ministry of Finance and Comptroller-General's office. UNICEF funding for the Decentralised Action for Children and Women programme agrees a budget with the Ministry of Local Development which submits this to the National Planning Commission and Ministry of Finance for inclusion in the Red Book as a donor fund. The funds are however channelled to the District Development Fund of the DDC. The model, which has been developed by MLD and which was accepted by MoF, has created an account in the DDF (in lieu of national treasury) which gives discretion to the DDC on its use (amount and timing), but the amount is reflected in the Red Book as budgeted and is considered as national revenue (as it appears in the national treasury account).

This may also be an option for the DFDP fund. Whilst not providing a completely integrated fiscal transfer mechanism, it provides a closer link to national budgeting procedures.

The amount that could be committed in the Red Book would be in the form of a programme with amount allocated to each of the districts with or without project-specific figures.

This would imply either that the PFM would have to be approved *ex-ante*, before July (or at least mid-August), so that Districts would be able to draw on the Red Book projects-specific budget immediately after Budget approval, or that 'approval' is *ex-post* and Districts plan and expend according to a Red Book discretionary block grant which is appraised towards the end of the financial year and before the announcement of the next annual grant.

*It is recommended that DFDP should review the funding arrangement and use of the Red Book as used by the DACAW programme.*

### **B5.3 Capacity Building Strategy**

Institutional capacity for decentralised financing and development is making progress due to the efforts of DFDP and other projects such as PDDP/LGP, donor-based district projects (e.g. DASU and SNV), village-planning projects such as UNICEF, and sector programmes working on decentralised development.

Institutional capacity is limited however to the extent that these efforts are perceived (and operated) as relatively isolated projects. DFDP now has a great opportunity to institutionalise understanding and support for decentralised development processes through its scale (20 districts) and horizontal and vertical linkages with other programmes and all levels of governments.

In order to generate and re-inforce this capacity, the DFDP should now develop the means to enhance linkages, and disseminate knowledge, skills and experience of decentralised development.

*It is suggested that the project may wish to invest in a learning and communications strategy which can more effectively 'network' through programmes, especially government programmes, to build understanding, demonstration and capacity. This will require review and promotion of media and forums for communication and discussion both within and outside of DFDP, at district, inter-district and national levels.*

The Evaluation has observed a shortage of capacity in a number of key areas:

- There is dearth of social analytical and communications skills amongst the technical personnel of DFDP and this often hinders their interactions with CO's and user group members. Their level of sensitization and understanding of issues related to gender/disadvantaged groups also needs to be attended to especially for officials/elected representatives of DDC/VDC.

*More focused training-workshops are required for addressing issues related to target groups, issues related to focused and non-focused projects and holistic ways of poverty reduction.*

- There is a critical lack of technical capacity at sub-district level to undertake and supervise quality construction.

*A local resource (VDC Supervision Committee and/or local pool of skilled technicians) should be trained to oversee and monitor community-based infrastructure design and construction.*

- Despite training having been given, the Team observed a lack of capacity at all levels to maintain appropriate financial records

*Additional training is required for DDCs/VDCs and UCs in financial management.*

- Whilst this may be expected to be a PDDP/LGP responsibility, the Team observed a lack of knowledge and understanding of the district planning and budgetary procedures

*LDOs, DPOs need training/refresher training on principles and methods of district planning and budgeting*

The Team also observed that capacity-building has been undertaken by the Project Team in a rather ad-hoc basis and using training as the principal method of learning.

*It is recommended that a Capacity-Building Strategy is formulated as a matter of urgency to:*

- *Prioritise learning needs and target groups*
- *Consider needs and approaches in non-PDDP/LGP districts and VDCs*
- *Devise a variety of means of learning including e.g. training, practical on-the-job learning, exposure to good practice, peer review and discussion, learning, mutual support networks*
- *Develop means of monitoring and evaluating capacity-building and ensuring follow-up and reinforcement of learning events*
- *Consider sustainability of learning through use of local providers such as public, private and NGO training organisations and institutes*
- *Define the resources necessary to implement the strategy.*

#### **B5.4 Complementarities with UNDP**

The Evaluation Team is of the view that PDDP/LGP is crucial to DFDP because it provides the base for socially mobilized groups to participate in DFDP projects and

provides such service at zero marginal cost to DFDP. Though there are other organizations involved in social mobilization at the grassroots through NGOs their approaches and quality vary widely. Since there is wide heterogeneity amongst the NGOs' strategy for social mobilization, PDDP/LGP provides a relatively uniform platform for DFDP to perform. In non-PDDP/LGP areas DFDP is expected to cope with different strategies/approaches for social mobilization and at the moment no clear-cut policy framework of DFDP has been worked out to respond and gear itself to a variety of social mobilization processes existing in the field. This is currently under-focussed and more research is required for DFDP to orient itself to non-PDDP/LGP areas.

Similarly, DFDP has been providing the link between the demand-side (social mobilisation) work of the PDDP/LGP and the supply-side (district planning support provided by the PDDP/LGPO DDAs. This is an important complementarity promoting institutionalisation of the LSGA.

Despite the intended complementarity of PDDP/LGP and DFDP and the potential for synergy between them, all stakeholders perceived that there was a lack of coordination. This is most manifest in the programmes' approach to the local planning process and approaches to local development. PDDP/LGP places most emphasis on social mobilisation (organising community organisations) and district-level planning, whilst DFDP focuses on capacity-building for local government-led decentralised development. In the design, it seemed that DFDP would complement PDDP/LGP linking social mobilisation and district planning by funding local development and reinforcing the local planning process developed by PDDP/LGP. However, in practice there seems to be a critical difference in emphasis which leads PDDP/LGP to devote resources to development of a Local Development Fund controlled by a Trust and working through a parallel planning process. This could have the effect of undermining the planning and coordination role of local government.

There appears to be no forum for this divergence of objectives to be expressed at either field or project management level nor between UNDP or UNCDF. As a result the practice of the two programmes seems to be increasingly divergent.

Programme synergy should be monitored by the respective UNDP and UNCDF programme officers based on reports from the project managers. If the intended synergy is not occurring and, worse, if the two projects are actually in conflict, this needs to be highlighted and discussed both within the respective project national steering committees (DFDP's Annual Review Committee) and between the two agencies.

In the light of the end of the bridging phase of PDDP/LGP and the expansion of DFDP, there is an opportunity for a review of PDDP/LGP and a discussion of the means to obtain the coordination with DFDP which is essential for the achievement of both programmes' objectives.

Coordination is required in terms of programme objectives, strategies, work-plans and management arrangements.

*It is strongly recommended therefore that UNDP, UNCDF, PDDP/LGP and DFDP project managers and NPDs meet as a matter of urgency to review objectives and strategy (log-frames and work-plans), define points of synergy/dependence for monitoring, define improved working relationships (e.g. joint management meetings,*

*joint reporting, joint reviews); and that this review becomes the basis of an MoU between the programmes to define joint working at all levels.*

*In case PDDP/LGP is withdrawn from certain areas efforts should be made by UNDP to maintain PDDP/LGP in those areas where DFDP is piggy backing the programme.*

*In the event of a situation where DFDP is working in districts where PDDP/LGP support does not exist, or no longer exists, DFDP should consider alternative resourcing for support to district-level planning and the local participatory planning process.*

### **B5.5 Implications of the Conflict on DFDP and vice versa**

The Maoist insurgency is causing severe disruption to the national and local economies of Nepal and to the livelihoods of the people, especially the rural population. The conflict is considered to be affecting the Western districts of Nepal the most. Field visits by the Evaluation team in the Districts thought to be at least security risk (so-called Phase 1 districts) showed the conflict to be widespread with government (DDC and VDC) officials (particularly senior officials) virtually confined to the District headquarters. The Team was unable to visit Achham, Dolkha, Udaypur, and Terathum, the latter two districts are in the Eastern region.

Box 2 overleaf represents notes of a discussion concerning the impact of conflict with the UNDP Conflict Adviser following a study of the conflict in two western districts of Nepal. Box 3 below is an extract of a report for Danida on the impact of the conflict on local bodies.

The impact of the conflict on the programme in the 4 districts visited by the Team was observed to be as follows:

- Increasing expenditure on security and decreasing revenue due to declining economy is causing a reduction or delay in development funds reaching DDCs and VDCs.
- The absence of VDCs in most project areas (as a result of destruction of VDC offices by Maoists) and the closing of branch banks (due to Maoist attacks) has constrained active involvement of VDCs in the planning process and financial transactions.
- Constraints in movements in interior locations, which makes the monitoring and supervision of DFDP projects a difficult task. Though VDCs have been burnt and destroyed by Maoists assets created under DFDP are generally intact. It has been mentioned by some groups that the Maoists have preference for community-owned and managed projects, relative transparency.
- Participatory planning and social audit activities are constrained by discouragement of large meetings by security forces and Maoists.

The political and security situation is however volatile and the project response has therefore to be sufficiently flexible to adapt to changing circumstances. Discussion suggested the following political scenarios

1. *Peace Agreement* – agreement on constitutional reform (CR), ceasefire holding - access to affected areas open up quickly. Expectations high. Need for rapid response

2. *Peace talks making progress but no final agreement* – CR process slow, opposition parties continue agitation, individual violations of ceasefire - access opening up but with some areas remaining tense and with difficult operating environments. No early prospect of resolving governance issues at local level
3. *Peace talks move very slowly and with no prospect of breakthrough* – opposition parties remain excluded, popular unrest and disillusionment with peace process, frequent outbreaks of violence – access to some parts, more areas restricted and operationally difficult, some key areas closed off altogether. Security unpredictable. Need for flexible approach, monitoring and readiness to adapt or withdraw
4. *Peace talks break down* – conflict resumes, low confidence in peace dialogue – access highly restricted, support possible only in less affected districts, unless access can be negotiated with Maoists.

The conclusion from most agencies is that programmes need to be flexible and able to respond quickly to opportunities created by the changing political scenarios. They also conclude that more emphasis should be given to tangible programme benefits for the rural poor, using existing structures of local governance but with an emphasis on transparency and accountability. Withdrawal of investment programmes is not considered a viable option since this may help to fuel the conflict.

UNCDF has already resolved to continue its work with and through DDCs (UNCDF/DFDP Programme Strategy in the Absence of Local Elected Bodies) (UNCDF 2003).

The foregoing analysis supports this decision. However, this cannot mean 'business as usual'. It is recommended that the PMU reviews with DDCs the actual position on the ground, particularly at sub-district level and seriously considers *how **inclusive, transparent and accountable** planning and construction can best be delivered in restricted circumstances.*

In particular a review of the functions expected to be performed by the VDC is needed.

Further, it would be prudent to consider the above political scenarios and consider the variable impact on the operation of the programme at district level.

It is not clear to the Evaluation Team how, for example, participatory planning events can take place and adequate support and supervision can be given to User Committees by DDC technicians in those most conflict-affected districts, especially some of the 12 new districts.

The project will have to develop a series of operational options reflecting different levels of security which define different approaches to planning and implementation which can still ensure acceptable standards of transparency and accountability.

*It is suggested that a focused discussion should take place with a sample of LDOs, DDAs and Field Officers in both 'new' and 'old' districts to seriously consider operational difficulties, security criteria and classification and DFDP operational options. This discussion may be assisted by an external facilitator and the UNDP Conflict Adviser.*

The operational options should depend on the levels of inclusion, transparency and accountability possible within the different levels of security classification and would appear to range from:



1. No operation of DFDP – either not launching the project in new districts, or suspending the project in existing districts where e.g.:
  - DDC technicians are unable to travel, or
  - communities are unable to meet to plan or form user committees, or
  - it is not possible to transact funding or move construction materials
2. Limited operation of DFDP where some or all of the above security considerations apply. Options may include:
  - completing ongoing schemes but suspending release of funds for schemes not started, or
  - suspending work on schemes in ‘insecure’ VDCs where DDC technicians are unable to travel, or
  - conducting ‘representative’ planning processes at district HQ through representation of wards, VDCs and including e.g. NGOs,
  - continuing with capacity-building activities only (for time-bound periods)
  - adapting MCs and PCs to different levels of security contexts.
3. Full operation of DFDP in districts where there is no security restriction.

*In any event close systems of monitoring and frequent communication with all districts is essential in order to ensure flexibility of the programme.*

**Box 2: NOTES ON IMPACT OF CONFLICT****Conflict-affected groups:**

- Those living in highly conflict-affected areas: under full control of the Maoists, under government control and those in between where living conditions most adversely affected.
- Direct victims – those who have lost family members, or themselves injured or traumatised by actions of both Maoists and security forces.
- Internally displaced people – forced to leave homes and villages
- The poor most affected by conflict – weaker safety net, with fewer options and alternatives when affected
- Also wealthier families have been targeted by Maoists, especially those involved in local politics

**Socio-economic Impact of Conflict:**

- Restricted mobility and security, reducing ability to produce goods even for private consumption, let alone for market. Regular marketing disrupted, although eased during ceasefire.
- Migration of better-off households (rural landlords and businessman) into towns has also impacted rural economy
- Migration of labourers has led to drop in productivity, with women remaining and bearing burden of most agricultural and all other productive and domestic tasks.
- Closure of savings and credit by Maoists affects access of communities to finance
- Need to emphasise programmes which are successful during conflict especially labour-intensive activities. But where single women-headed households predominate care needed not to exacerbate other productive activities

**Impact on infrastructure**

- Destruction and hindrance of operation and maintenance. Strategically important infrastructure (telecommunications, power supply, police buildings, post offices and VDC buildings have been targeted.
- Schools, health posts, water supply, irrigation and trails/bridges largely untouched
- Movement of technical personnel and materials (e.g. pipes) severely restricted, also funds for construction, operation or maintenance systems have been severely disrupted

**Impact on livelihoods:**

- Agriculture main source of livelihood, traditional subsistence agriculture with seasonal peaks and troughs of activity and food sufficiency.
- Coping mechanisms include seasonal migration e.g. to India. Remittances poor due to lack of mechanisms for sending money. More diversity in terai region.

**Governance**

- Profound affect on local level (district and village) state institutions. – both because of absence of elected bodies and because of destruction of offices.
- Slowing down of development activities, reduction of transparency and accountability and further deterioration of practice.
- Linkages between district and VDC weakened with most VDC Secretaries leaving their posts to remain in District HQ or elsewhere.
- Reduced district's access and impact and authority at VDC level.
- Reduced ability of VDC to access resources
- With VDCs beyond district control reduced ability to mobilise tax revenue
- VDCs not functioning, 74 out of 75 VDC offices destroyed in Accham, loss of elected members, lack of central funds flow (block grants), and a hostile operating environment.
- Few VDC Secretaries present , reduced line agency services
- Impeded development activity and loss of confidence by villages in development process
- All conflict analysis stress the role of poor governance in contributing to the conflict in Nepal. Continued failure of development programmes to benefit the poorest and most marginalised
- Maoist cadres contain large numbers of dalits, women and formerly excluded groups who now are empowered and self-confident – a position they will not be willing to give up.
- Maoists wish programmes to be delivered through their 'People's Government' (Janasarkars) and to be operated transparently with immediately visible benefits.

*Source: Notes of Discussion with UNDP Conflict Adviser, Nov 2003*

**Box 3: Report by Danida on Impact of Conflict on District Participatory Planning**

**General Effectiveness of Local Bodies in Current situation (Ceasefire and Absence of Elected Representatives)**

The DPP process (which has been carried out in all five survey districts) has provided greater knowledge about planning and greater awareness about the need to involve stakeholders. It has also provided a framework for carrying out planning. LDO/VDC Secretaries have consciously sought to include the previous elected representatives and this has given legitimacy to the process and enabled consensus to be achieved. In general the maintenance of good relationships between the LDOs/VDC Secretaries and the political parties and previous elected representatives has been an important strategy for maintaining the effectiveness of LBs.

However, the longer term viability of these relationships is vulnerable and their deterioration would negatively impact on the performance of the DDCs, Municipalities and VDCs. LDOs also feel the need to refer back to MLD for authority, often on quite trivial matters. Additionally, the new 7 member DDC Councils, composed largely of LA people, weaken the authority of the LDO as does the interference of other district and military authorities. These factors have negatively affected the efficiency and effectiveness of local bodies which is further compounded by absence of elected representatives. Together these developments have undermined the autonomy of LBs.

Conditions for administering rural VDCs remain difficult. In spite of the ceasefire, many VDCs are effectively 'no-go' areas for the secretaries who are confined to district headquarters. The ability of local bodies and LAs to implement development works is considerably affected by the extent and influence of the Maoist presence. (In Myagdi, for example, 39 out of 40 VDCs are out of action or destroyed).

DDCs have not been able to carry out monitoring functions due to the security situation and lack of resources, both human and financial, with which to do this.

The extensive presence of the security forces at some DDC offices in more rural districts creates a number of problems and tensions. One observed problem was that the security forces represented an economic burden to the DDC which was a drain on already scarce resources.

*Source: The Devolution of Health, Agriculture and Education: Field Study Report of 5 Districts (Myagdi, Kaski, Sunsari, Ilam and Bara), DASU Danida, June 2003*

## **B6 FINDINGS, RECOMMENDATIONS AND LESSONS LEARNED**

Overall, the Evaluation Team has found that the DFDP, at the mid-point of its 5-year programme, has established effective programme management and implementation procedures. It has achieved a high level of ownership amongst both central and local government stakeholders, and within the communities where it has been working. It is perceived to be effective by external stakeholders such as DFID which has now committed to co-fund the project, allowing a scaling-up to more than double its original size.

The Evaluation finds that good progress has been made to establish the institutional and procedural framework for the project to proceed. The project has put in place systems to transfer funds to DDCs and user committees and it has developed the means to encourage transparent reporting to beneficiaries, the DDC and project management. It has also worked within existing institutional structures to enable the provision of small-scale infrastructure projects by and for local people. The administrative cost of this is relatively low and, by linking the demonstration of field-based effectiveness with policy support to HMGN to develop further fiscal decentralisation, the prospect for institutional sustainability is good. Continued technical support from UNCDF is essential at this time and this should be linked to demonstration of piloting lessons from the DFDP field practice. This will provide a basis for financial sustainability by leveraging HMGN budgetary allocation and donor funding for further block grant funding.

The project is underspending at approximately 70% of the annually budgeted figure, although just over half (53%) of the total original capital fund (\$3.05m) has been disbursed within the 8 districts. Inception Workshops have been held to commence the programme in the 12 new districts.

The PMU has developed an effective work-planning and monitoring framework based on the logical framework which has been revised to more clearly and realistically reflect the objective and expected results.

Progress towards meeting the Immediate Objective of the project - 'Local Authorities (DDCs and VDCs) and grassroots institutions (UCs and COs) in the Programme Districts implement and maintain small-scale rural infrastructure and other public investments in an effective, responsive and effective manner' - may be assessed by a review of progress on achieving each Output. With reference to indicators specified in the logical framework, progress is found to be as follows:

In terms of Output 1 (transparency in project selection), there is still considerable work for the project to do to introduce project selection criteria and the tools to use them at all levels of the planning process. Also, formal systems for communicating district-level decisions to VDCs and communities are not evident in those communities visited by the Evaluation Team.

Progress on funding mechanisms, management and reporting (Output 2) has been good with the exception of the establishment of performance-based funding using performance criteria and *ex post* approval of block grant allocations (not based on specific project approvals as now).

Management capabilities of DDCs/VDCs for implementation and maintenance of infrastructure has been enhanced (Output 3) through the experience of implementing over 500 projects. Concern remains over the capacity of DDCs to adequately design

and oversee project implementation. Few projects appear to have formal arrangements for maintenance. Training in this area appears to have been unsystematic.

The monitoring and evaluation systems of DDCs and VDCs (Output 4) have been strengthened to the extent that DFDP reporting systems have been established, and the PMU is supporting development of a District MIS for the MLD. More emphasis is required from the project to strengthen the internal monitoring capacities of DDCs and VDCs.

Progress towards achievement of the Immediate Objective and the extent to which the indicators of success are being reached is qualified. The sustainability of fiscal transfers is currently constrained by the conflict situation (diversion of funds and absence of locally-elected bodies) although the project is providing valuable policy support to enable further fiscal decentralisation. Integration of infrastructure planning and funding at district level is still far from a reality with little evident collaboration from line agencies nor convergence of planning processes. The project is however providing DDCs, VDCs and communities with operational procedures and tools to promote greater responsiveness and accountability. In detail, there are a number of key areas where improvements are needed.

### **B6.1 Finance**

For the funding arrangements within the programme, the Evaluation has found that the basic financial management and reporting procedures are in place. However, the following issues are of concern:

1. Financial management systems at DDC/VDC/UC levels require additional attention to avoid delay, irregularity and conflict of interest. Financial accountability could be improved at UC level. Whilst Social Audit processes have undoubtedly improved transparency, they need adapting to include the non-literate. Further, there is a lack of control over UC financial management, particularly in use of bank accounts and presentation of financial statements.
  - i. Remedial work to fully operationalise the DDC accounts management package would be of great benefit to improved financial management.*
  - ii. Streamlining of the DDC format for records and report on funds flows is required and should be addressed by Project office.*
  - iii. User committees need more training to maintain the project account ledger and preparation of financial statement.*
  - iv. The programme should consider the provision of technical assistance to support DDCs and VDCs to mobilise local resources.*
2. Whilst effective procedures and levels of resource mobilisation are occurring, it seems that there are particularly high (possibly too high) levels of community contributions.
  - i. The possible negative impact of high community contributions should be reviewed.*
3. With the same concern of negative impact on the community, release of funds should allow sufficient time for communities to organise construction of projects including the required voluntary labour. This should be at a level and timing to ensure no negative impact on household income.

- i. After approval of the projects by the DDC council, the PFM should be finalised before October to allow time for detailed design, costing, and deposit of DDC and VDC contribution, so that the first instalment of DFDP Fund can be made before January.*
4. The project exerts a central control over DFDP funds through approval of the PFM. With the introduction of Minimum Conditions and Performance Criteria, it would be possible to increase incentives, enhance performance and increase autonomy, whilst exerting *ex-post* control through performance assessment and performance-based funding.
  - i. Once performance criteria and appraisal system have been agreed, the project may adopt an ex post approval of grant funding.*
5. The planning and financing process established under DFDP are not yet well integrated with the governmental cycle, and sectoral integration is not obtained.
  - i. DDCs need further technical support and encouragement to integrate the DFDP and other line agency programme planning and funding approaches.*
  - ii. It is recommended that the PMU conduct a review of the planning practices of the participating DDCs to identify the extent of integration of the DFDP funding and planning mechanisms with other district development funds, to document and publicise good practice, and devise means with the PDDP/LGP DDAs to strengthen the integration of the district planning process. In particular it is recommended that all projects funded by LDFP should undergo screening by Ilaka, sectoral committees and IPFC.*
  - iii. With the objective of institutionalising the decentralised fiscal transfer system, the project team should further investigate the funding modalities through HMGN 'Red Book' budget system, including that operated by the DACAW programme.*
6. The project design intended that decentralised financing would eventually include a VDC Block Grant. This may not be possible now in the current conflict situation and in the absence of elected bodies.
  - i. When possible, however, the VDC Block Grant should be contemplated with a view to enhancing local level planning and accountability, improving poverty targeting, and enhancing definition of functional responsibilities for service delivery and O&M.*

## **B6.2 Planning**

1. The project design assumed that continued support to the local planning process would be provided by PDDP/LGP. The Evaluation finds that social mobilisation is an important platform for inclusive local-level planning. Whilst there is evidence that there is capture of the process by local elites, it has also been observed that in the absence of social mobilisation, the participation of local communities is less and domination by elite groups is stronger. However, participation by the hard-core poor is not evident in the planning process.
  - i. There is need to refine the social mobilisation process to ensure inclusion of the poorest in COs or to assist formation of COs amongst them.*
  - ii. Additional training is required for social mobilisers, Field Officers and overseers to improve the quality of the participatory planning process.*

2. The current distribution of DFDP benefits does not appear to directly impact poor women and disadvantaged groups effectively. Affirmative action may be perceived merely in terms of reaching targets. DFDP will have an impact on gender inequality and poverty only if it is able to improve the targeting capabilities of VDCs and DDCs. This means developing a planning process which is more inclusive and transparent – beyond the capture of elite groups, which is informed by local-level planning data including definitions of localised poverty (already in development), and which produces targeted investment plans using simple planning tools such as problem identification, project identification and prioritisation.

There is a need to encourage greater transparency in the planning process to ensure maximum knowledge of the process and therefore the greatest levels of inclusion.

- i. It is recommended that the project should develop a scoring matrix with simple criteria which is a requirement for use by DDCs (and VDCs) in project prioritisation and selection. This should be linked to the objectives of the Districts' periodic plan.*
  - ii. More information is required to be made available at VDC, Ward and CO level concerning procedures for project identification and selection to avoid capture of the process by more informed groups.*
  - iii. VDC, Ward members and major CO's should be informed of the outcome of DDC planning meetings for greater transparency and compatibility.*
  - iv. For social audit, project sign-boards should also show the utilization of funds. Use of local radio announcements for sharing expenditure data with user-groups has helped those who are illiterate and should be used more widely.*
  - v. Project planning should be limited to 2 or 3 per VDC to avoid raising expectations, wasted effort, and to match with funds likely to be available.*
3. The targeting of investment to benefit the women and the poorest needs more effective gender and poverty analysis and use of planning tools at local level.
  - i. Poverty and gender sensitisation is needed amongst staff of VDC/DDCs in order to change mind-sets.*
  - ii. A review of the nature and impact of focused projects is necessary to ensure that benefits are reaching women and disadvantaged groups and that these projects are meeting their priority needs.*
  - iii. The current target-based approach (20% for focused projects) needs to be backed by performance-based funding if it is to be effective and reach beyond the 20% minimum funding target. This may be included in the development of performance criteria.*
  - iv. In the meantime, and especially in the current circumstances of conflict and a shortage of investment funds, it is recommended that the minimum proportion of fund allocation for focused projects is increased to 50% including 25% for projects benefiting women, and 25% for projects benefiting disadvantaged (dalit) groups.*
4. There may be a negative impact on communities because of the high levels of voluntary labour required of them to complete projects. Particularly in areas of high labour migration (especially western districts), the impact will be felt particularly by women, children and the elderly.

- i. The impact of the requirement for voluntary labour should be reviewed.*
5. More strategically, it would be helpful to undertake an overall assessment of the programme to review its impact on women. This would help to identify any structural changes necessary within the planning and development process.
  - i. It is recommended that the DFDP and PDDP/LGP project managements consider a gender assessment of PDDP/LGP and DFDP to review project impact, scope and implementation modalities, and to identify any necessary changes to ensure that the projects benefit women.*
6. There is evident lack of coordination between UNDP and UNCDF, PDDP/LGP and DFDP at all levels. This presents a risk that the important assumed links between social mobilisation (the demand-side of the development process) and decentralised financing (supply-side) are not made.
  - i. Coordinated support to district and VDC planning by PDDP/LGP and DFDP is required with clear responsibilities and areas of cooperation defined to ensure achievement of both programmes' objectives and to obtain the added value of collaboration between the two.*

### **B6.3 Implementation**

With regard to the implementation of projects, the key finding of the evaluation is again that whilst procedures are in place, the quality of infrastructure can be improved. A key area for improvement is in the design and supervisory capacity of the DDC.

This may be improved by support from the project to coordinate with DTO, line agencies and sector programmes to:

1. provide improvements to proposal formulation, appraisal of proposals; appropriate standard guidelines, costing and designs;
  - i. A workshop for DTO officials, DDC officials and Field Officers to discuss design standards and supervision would be a useful beginning to ensure quality of investment.*
  - ii. DFDP can coordinate use of the technical guidelines produced by sector programmes e.g. for water and sanitation, irrigation and roads.*
  - iii. More intensive training on project feasibility, design, implementation and maintenance and procurement should be provided to the technical team at all levels i.e. engineers, overseers and supervisor.*
  - iv. Project proposals should be subject to simple technical and financial feasibility study and DFDP should prepare some basic guidelines.*
  - v. Design and costs estimates should be formalised into an agreement between the concerned office (DDC/VDC) and the UC. It should contain details of costs, project implementation period and operation and maintenance after completion of the project. The agreement should also specify the works to be done jointly by the DDC/VDC and the UC. It should also specify that the UC should be responsible for the maintenance of the completed projects.*
  - vi. Costing of DFDP projects should include engineering feasibility, design and supervision costs; any direct recurrent costs for inputs by 'service providers' to operation and maintenance; and any costs of training User Committees in O&M.*





- *Develop means of monitoring and evaluating capacity-building and ensuring follow-up and reinforcement of learning events*
  - *Consider sustainability of learning through use of local providers such as public, private and NGO training organisations and institutes.*
  - *Define the resources necessary to implement the strategy.*
2. *The Strategy should:*
- *Review the use of the TA Fund and the extent to which demand-led training is effective*
  - *Consider combining demand-led training with a focused supply-led and targeted training programme with core components and target beneficiaries*
  - *Define wider approaches to capacity-building.*
3. *Priority needs for capacity-building are:*
- *The sensitisation of staff at VDC/DDC towards affirmative action is considerably low and needs to be built upon to include workshops to address gender and poverty analysis and targeting.*
  - *A local resource (VDC Supervision Committee and/or local pool of skilled technicians) should be trained to oversee and monitor community-based infrastructure design and construction.*
  - *Additional training is required for DDCs/VDCs and UCs in financial management.*
  - *LDOs, DPOs need training/refresher training on principles and methods of district planning and budgeting*
  - *Policy development support and technical back-stopping should pay more attention to including the project team.*

## **B6.5 Policy Development**

Technical support from DFDP to policy development by MLD and LBFC is essential to build on, and link with, the demonstration of the effectiveness of LBs provided by support from DFDP. Minimum conditions and performance criteria and assessment will enhance the performance of districts and increase the demand for increased fiscal transfer. Further work such as that on expenditure assignment will provide the policy and procedural framework to enable increased transfers. It will be important for DFDP to maintain its piloting role for low-risk introduction of increased fiscal decentralisation based on policy recommendations. Additional support is needed to strengthen and institutionalise the planning process. There are a number of specific recommendations:

- i. Piloting and field experience at district and sub-district levels should remain a clear and explicit objective of the project (as opposed to meeting targets of expenditure).*
- ii. Policy support should maintain a clear link to field practice as well as building local expertise*
- iii. Deepening the policy impact of DFDP would benefit from a review of related policies and programmes and development of networks for the exchange of information. For example, there are numerous sector programmes operating at district-level which may provide mutual support in terms of planning, financing and implementation arrangements.*
- iv. Further technical support to district planning and budgeting is essential to continue the process of sectoral integration and decentralisation, and to further*

*clarify and develop links between VDC and DDC planning, finance and implementation. UNCDF should consider funding technical support to village and district planning in the event of a withdrawal by PDDP/LGP.*

- v. *the project logical framework should be reviewed to include an additional output such as 'policy and procedures supporting the LSGA Act and Regulations for decentralised finance, planning and development are strengthened'.*

## **B6.6 Programme Management**

The programme management has established functioning management structures with clear systems of accountability. Work-planning and reporting is clearly linked to the project objectives (logical framework) and to UNCDF strategic results framework. Information systems produce clear and rapid presentation of project activities, outputs and inputs.

1. A review of the project logical-framework is required to reflect policy development support and changes associated with expansion and capacity-building.
  - i. *It is recommended that a further review of the logical-framework should be undertaken in order to:*
    - *frame clear outputs and activities for the policy support given to the MLD and LBFC, and*
    - *review outputs and activities associated with the expansion to 20 districts, the possible changes to PDDP/LGP and, the forthcoming capacity-building strategy.*
2. The current M&E system does not allow an assessment of the quality of activities and outputs. Monitoring of quality of process and outputs needs additional work to provide additional information from stakeholders and beneficiaries as well as more systematic spot-checking and supervision.
  - i. *An external consultant may be needed to design such a participatory M&E system which can provide qualitative data on key project processes and which operates alongside the existing M&E system.*
  - ii. *In the interim, it is suggested that the PMU should develop its own checklist for its own field visits to provide a sample check on some key qualitative process indicators.*
  - iii. *The M&E system should disaggregate focused projects into DAG and women-focused projects (all reports currently total focused projects as DAG projects with womens projects reported as zero).*
  - iv. *A review of key activities such as the impact of focused projects, the nature of DDC and VDC projects, and the effectiveness of social audit mechanisms is necessary.*
  - v. *More work is required to exchange experience, draw and document lessons, demonstrate success, identify weaknesses and build capacity.*
  - vi. *Development of the District MIS should be ensuring the integration of the DFDP (UNCDF) MIS and reporting systems with HMGN systems.*
3. DFDP monitoring relies entirely on capacity at DDC-level. This is overloaded in terms of monitoring and supporting quality of construction.

- i. Additional technical capacity is required to increase local resources for monitoring and supervision.*
4. Finally a strategic issue for programme management is the dependence on, and coordination with, PDDP/LGP. Coordination between PDDP/LGP and DFDP is not effective and differences in strategic approaches to local development between UNDP and UNCDF may undermine achievement of project objectives. The two programmes are interdependent and there should be considerable synergy from them.
  - i. Improved coordination between UNDP and UNCDF programme management is essential if synergy anticipated in project design is to be obtained.*
  - ii. It is strongly recommended therefore that UNDP, UNCDF, PDDP/LGP and DFDP project managers and NPDs meet as a matter of urgency to review objectives and strategy (log-frames and work-plans), define points of synergy/dependence for monitoring, define improved working relationships (e.g. joint management meetings, joint reporting, joint reviews); and that this review becomes the basis of an MoU between the programmes to define joint working at all levels.*
  - iii. In the event of a situation where DFDP is working in districts where PDDP/LGP support does not exist, or no longer exists, DFDP should consider alternative resourcing for support to district-level planning and the local participatory planning process.*
  - iv. Achievement of DFDP's outputs rely to a large extent on the effectiveness of the decentralised planning process and it is therefore recommended that technical assistance for district and village planning is maintained by UNCDF.*
  - v. In case PDDP/LGP is withdrawn from certain areas efforts should be made by UNDP to maintain PDDP/LGP in those areas where DFDP is operating.*
  - vi. It is recommended that the project team discuss and prepare an exit strategy.*

### **B6.7 Implications of the Conflict**

The political and security situation is fluid and varies within and between all districts. Western districts, including the 12 new DFDP districts, are assessed to be in the most conflict-affected regions. The conflict is affecting the poor and poor women the most. Local authorities, particularly the VDCs, are severely constrained in their ability to deliver and maintain services in many parts of all districts. The quality of planning and implementation processes within DFDP is likely to be affected and close communication and monitoring is required to assess the impact on the programme. There is a need for flexibility in the programme management responding to the different operational scenarios. The project team should discuss this with district stakeholders to consider necessary adaptations in the light of operational constraints. In particular, an adaptation to the planning and funding process is likely to be required in the virtual absence of VDCs.

- i. It is suggested that a focused discussion should take place with a sample of LDOs, DDAs and Field Officers in both 'new' and 'old' districts to seriously consider operational difficulties, security criteria and classification and DFDP operational options. This discussion may be assisted by an external facilitator and the UNDP Conflict Adviser.*

- ii. *In any event close systems of monitoring and frequent communication with all districts is essential in order to ensure flexibility of the programme.*

## **ANNEXES**

## Annex 1: Evaluation Summary

### 1. Basic Project Data

Project Number:	NEP/99/C01	
Project Title:	Decentralised Financing and Development Programme	
Sector:	Local Governance	
United Nations Cooperating Agency:		
Government Executing Agency:	Ministry of Local Development	
UNCDF Budget:	US\$10,000,000	
Government Budget:	In kind	
Total (original) Project Budget:	US\$5,000,000	
Date (original) Project Approved:	25 April 2000	
Date (original) Project began:	1 November 2000	
Date of (DFID) Project Addendum:	23 June 2003	
DFID Budget:	US\$5,000,000 (payable £3,200,000)	
Revised Total Project Budget:	US\$10,000,000	
Date Project Evaluated:	November 2003	
Actual UNCDF Expenditure at Evaluation:	US\$1,898,165 (Sept 30 2003)	
<p><b>Brief Description:</b> The Decentralised District Planning and Development Programme works in 20 districts of Nepal (originally 8 districts) to provide rural infrastructure through the fiscal transfer of block grants from central to local governments (District (DDC) and Village (VDC) Development Councils). The project supports and develops the government's own local planning process through which infrastructure projects are identified and prioritised for inclusion in the district and village development plans. Projects are implemented by local users committees supported by the DDC technicians.</p> <p>The primary objective of DFDP is to promote effective, responsive and accountable planning, implementation and maintenance of projects by government and grassroots institutions using transparent fiscal transfer mechanisms.</p>		

### 2. Background of the Project

A Project Formulation Mission was fielded in November 1997 and a Project Concept was prepared in May 1998. This coincided with efforts by HMGN to give practical effect to the Local Self-Governance Bill (enacted in 1999).

The DFDP (originally the Local Development Fund project) was designed to complement and build on the UNDP's Participatory District Development Programme (PDDP) and the Local Governance Programme (LGP) which, since 1995, had been developing a grassroots social mobilisation process based on savings and credit and providing support to the district development planning process in 60 districts across Nepal.

The Project Document was approved in April 2000, it was amended in September 2002 and revised with co-funding from DFID in June 2003.

### 3. Description of the Project

The project, as amended, has the following goal, immediate objective and outputs:

*Goal*

Poverty reduced in the Programme Districts through provision of rural infrastructure and human resource development opportunities

*Immediate Objective*

The local authorities (DDCs, VDCs) and grassroots institutions (UCs, COs) in the Programme Districts implement and maintain small-scale rural infrastructure and other public investments in an effective, responsive and accountable manner

*Outputs*

1. Transparency in project selection processes for micro-projects is strengthened within the participatory planning framework (LSGA)
2. Funding mechanisms and fund management and reporting capacities of DDCs, VDCs, and UCs are improved
3. Management capabilities of DDCs/VDCs for the implementation and maintenance of infrastructure enhanced
4. Monitoring and evaluation system of DDCs and VDCs strengthened

The project has a fifth output not included in the logical framework which is to provide Policy Advice to HMG, specifically to the Local Bodies Fiscal Commission (LBFC) to promote further fiscal decentralisation.

The project design assumed as design principles:

- Commitment to the project by UNDP's PDDP and LGP programme, including collaboration and administrative support
- Affirmative action to provide targeted impact on particular groups of the poor including women, the landless and disadvantaged groups
- Working through existing structures rather than parallel project-created structures.

Eight districts are included in the original project design: Rupandehi, Kaski, Dolkha, Udaypur, Kavre, Dhanusha, Achham and Terathum.

The original budget for the programme was \$5million. This project was extended by a further 12 districts in June 2003 with co-funding from DFID of an additional \$5 million (£3.2million).

The capital fund was \$3.05 million for the original 8 districts, now extended to \$6.75 million for the 20 districts.

Funds are transferred from UNCDF to the DDCs' District Development Fund accounts as annual block grants allocated until this F/Y on an equal-share basis. Transfer is made following approval by the ARC of each DDCs project funding matrix which indicates the share of funding (amongst DDC, VDC and community organisations) for each infrastructure project and deposit of the DDC and VDC minimum 10% contribution in the DDCs DFDP account.

Infrastructure projects are identified, prioritised and approved according to a participatory planning process at Ward level. Projects are proposed via Community Organisations and implemented by User Committees. Prioritisation and approval occurs at Ward, VDC and DDC levels according to a local planning process prescribed in the Local Self Governance Act 1999.

The project is nationally executed, managed by an Annual Review Committee, chaired by the Secretary of the Ministry of Local Development. There is a Project Management Committee comprising the National Programme Director (Joint Secretary, MLD), and Programme Manager. UNCDF and Programme Managers from PDDP/LGP are also represented.

Day-to-day management is provided by a UNCDF-funded Programme Management Unit led by the Programme Manager, M&E Specialist, accountant and administrative support. With co-



funding from DFID, this Team has been supplemented by a Planning Specialist and Infrastructure Specialist to accommodate expansion to the new districts. A Field Unit has been opened in Nepalgunj in September 2003.

Implementation of the project is undertaken through the local government structures – principally the Local Development Officer and District Planning Officer at DDC level. The project provides 6% of the Development Fund to provide for additional support to districts to implement the programme. Using this, DDCs have employed a Field Officer to oversee the programme implementation. The programme also relies on the activities of the PDDP/LGP social mobilisers at grassroots level and the District Development Adviser.

#### **4. Purpose of the Evaluation**

The evaluation is intended to improve the effectiveness of the programme by providing a report with findings and recommendations for the use of HMGN, UNCDF, DFID and the programme management. The specific purposes of the evaluation are defined in the ToRs to:

- Assess the results achieved today compared with the intended results as stated in the project document and in the annual work plans,
- Identify strengths and weaknesses of the programme implementation related to its stated objectives:
- Assess the potential programme impact on target beneficiaries,
- Assess the potential role of the DFDP in assisting in the implementation of the national decentralization policy through the delivery of lessons learnt.

#### **5. Findings of the Evaluation Mission**

The DFDP has reached the mid-point of its 5-year programme and has established effective programme management and implementation procedures. It has achieved a high level of ownership amongst both central and local government stakeholders, and within the communities where it has been working. It is perceived to have been effective by external stakeholders such as DFID which committed in June 2003 to co-fund the project, allowing a scaling-up to more than double its original size.

The Evaluation finds that good progress has been made to establish the institutional and procedural framework for the project to proceed. The project has put in place systems to transfer funds to DDCs and user committees and it has developed the means to encourage transparent reporting to beneficiaries, the DDC and project management. It has also worked within existing institutional structures to enable the provision of small-scale infrastructure projects by and for local people. The administrative cost of this is relatively low and, by linking the demonstration of field-based effectiveness with policy support to HMGN to develop further fiscal decentralisation, the prospect for institutional sustainability is good. Continued technical support from UNCDF is essential and this should be linked to demonstration of piloting lessons from the DFDP field practice. This will provide a basis for financial sustainability by leveraging HMGN budgetary allocation and donor funding for further block grant funding.

Project expenditure is running at approximately 70% of the annually budgeted figure. Just over half (53%) of the total original capital fund (\$3.05m) has been disbursed within the 8 districts. Inception Workshops have been held to commence the programme in the 12 new districts.

Progress towards achievement of the Immediate Objective is assessed by consideration of progress against each Output and the indicators specified in the logical framework, as follows:

In terms of *Output 1* (transparency in project selection), there is still considerable work for the project to do to introduce project selection criteria and the tools to use them at all levels of the planning process. Also, formal systems for communicating district-level decisions to VDCs and communities are not evident.

Progress on funding mechanisms, management and reporting (Output 2) has been good with the exception of the establishment of performance-based funding using performance criteria and *ex post* approval of block grant allocations, and the establishment of a VDC block grant.

Management capabilities of DDCs/VDCs for implementation and maintenance of infrastructure has been enhanced (Output 3) through the implementation of over 500 projects. Concern remains over the capacity of DDCs to adequately design and oversee project implementation. Few projects appear to have formal arrangements for maintenance.

The monitoring and evaluation systems of DDCs and VDCs have been strengthened (Output 4) to the extent that DFDP reporting systems have been established, and the PMU is supporting development of a District MIS for the MLD. More emphasis is required from the project to strengthen the internal monitoring capacities of DDCs and VDCs.

Progress towards achievement of the Immediate Objective is qualified. The sustainability of fiscal transfers is currently threatened by the conflict situation (diversion of funds and absence of locally-elected bodies) although the project is providing valuable policy support to enable further fiscal decentralisation. Integration of planning and funding at district level is still far from a reality with little evident collaboration from line agencies nor convergence of planning processes. Institutionalisation of LSGA procedures will require much greater integration of DDC, line agency and DFDP funding and planning processes. The project is however providing DDCs, VDCs and communities with operational procedures and tools to promote greater responsiveness and accountability.

In addition to this assessment of progress, key issues are:

Funding: The need for further technical assistance to improve financial management at DDC and UC levels to avoid delay, irregularity and conflict of interest, and to improve mobilisation of resources; and to improve links to national planning and budgeting and integration with sectoral programmes.

Planning: The importance to the local planning process of social mobilisation. This is found to improve participation and empowerment, and to reduce capture of the process by local elites. However, even with social mobilisation, there remains a need to ensure greater transparency, inclusion and targeting within the planning and implementation processes to achieve more effective gender and poverty impact

Specific reviews of the levels of community contribution, the impact of voluntary labour and the nature and impact of focused projects are needed to assist analysis of current gender and poverty impact.

Investment: The quality of micro-project investment can be improved. This may be assisted by further support to DDCs and coordination with line agencies and sector programmes to enable improved design, costing and supervision of project implementation; and by adoption of technology and construction modalities appropriate to types of project and levels of implementation. Improved definitions of 'district' and 'village' projects which are closer to respective service responsibilities will assist definition and piloting of functional and fiscal decentralisation.

Capacity-building: Capacity-building efforts within the project have been unsystematic. There is a need for a strategy to prioritise training needs, supply core competencies, and develop better learning within the project through peer review and exchange, documentation of lessons learned and best practice, and promote policy dialogue through dissemination.

Implications of conflict: The conflict situation is causing disruption to project activities particularly the availability of DDC and VDC funds, the field supervision and monitoring by DDC staff, the involvement of the VDCs, and the holding of community meetings. The situation is unstable and affects districts, and parts of districts, differently. This will require flexibility on the part of the project management and the development of alternative

procedures to allow continuation of project operation whilst ensuring adherence to key project objectives.

Programme Coordination: There is a lack of coordination between PDDP/LGP and DFDP especially at national level between UNDP and UNCDF presenting a risk that assumed links between social mobilisation, participatory planning and district planning and funding are not being made and the potential synergy of the two programmes is not obtained.

## **6. Assessment of the Project Design**

The design assumed that support to the local planning process, provided by UNDP's PDDP and LGP programmes through social mobilisation and support to district planning would be available wherever DFDP would operate. This ignored both the desirability of DFDP operating on a district-wide basis (to build capacity for district planning), the possibility (now reality) of the expansion of DFDP to other districts where PDDP/LGP were not operating, and the risk of a withdrawal of the technical support provided by PDDP/LGP.

The original logical framework has been revised to more realistically match activities and outputs/results to what may be achievable by the project. Neither the original or revised project designs have included in the logical frameworks the policy development support currently provided through the project.

## **7. Policy Implications and Lessons Learned**

The Evaluation concludes that the DFDP project is well-placed to support HMGN in efforts to institutionalise the LSGA, 1999 and to promote further fiscal decentralisation. It has the project management infrastructure and field experience to develop, pilot and scale-up mechanisms to promote decentralised financing and development.

Key lessons learned however are:

- The importance of continued social mobilisation to ensure participation by the community and avoidance of capture by elite groups
- The need for continued technical support to promote integration of district level planning and budgeting
- Current approaches to social mobilisation and quota-funding do not ensure gender or poverty impact. There is a need for continuous monitoring and refinement of tools to achieve effective targeting.
- DFDP and PDDP/LGP are interdependent and coordination is essential to obtain synergy and to achieve objectives
- The project is effectively implemented through DDC resources. However, there is insufficient DDC and local level capacity for design, costing and supervision of micro-project implementation.

## **8. Recommendations of the Mission**

In the light of the findings of the evaluation, a series of detailed recommendations has been made. These may be summarised as follows:

- Improve DFDP funding arrangements to:
  - Enhance transparency and financial management performance at DDC and UC levels
  - Integrate with HMGN budgetary cycle and seasons for micro-project implementation
  - Provide technical support to develop closer integration with sectoral planning and budgeting
  - Develop performance-based funding
  - Link funding to service delivery responsibilities

- Develop VDC block grant mechanism (for future implementation)
- Enhance the planning process by providing tools to improve
  - transparency of project selection and decision-making
  - inclusion of women and the poorest
  - gender and poverty targeting
- Improve gender impact of project benefits through
  - gender assessment of programme impacts and implementation modalities
- Improve quality of capital investment through
  - Adoption of standard design and construction guidelines
  - Training of DDC staff on feasibility design and costing
  - Training of local people for supervision and procurement
  - Formal arrangements for operation and maintenance
- Enhance effectiveness of DFDP capacity building through
  - development of a Capacity-building Strategy to:
    - prioritise and address training needs
    - develop sustainable learning approaches
- Improve programme effectiveness through a stakeholder discussion of UNDP and UNCDF strategic approaches to local development, of PDDP/LGP and DFDP objectives and definition of more effective working relationships between DFDP and PDDP/LGPDevelop a classification of security situations and corresponding operational conditions to guide project implementation during the conflict situation.

## **9. Members of the Evaluation Team**

The Mid-Term Evaluation Mission took place during 22 days from 7<sup>th</sup> October to 29<sup>th</sup> October 2003.

The Mission Team members were Janet Gardener, Team Leader, Dr Neela Mukherjee (Community Development Expert), Mohan Das Manandhar (Finance Specialist), Madhuban Maskay (Infrastructure Specialist), and Ananda Dhakal (Under-Secretary, MLD).

## Annex 2: Evaluation Follow-Up Matrix

RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
<b>Finance</b>				
1. Remedial work to fully operationalise the DDC accounts management package would be of great benefit to improved financial management.	2	Q1 04	Review practice W'shop or On-the-job training	PM, Accountant
2. Streamlining of the DDC format for records and report on funds flows is required and should be addressed by Project office.	2	Q1 04	Review practice W'shop or On-the-job training	PM, Accountant
3. User committees need more training to maintain the project account ledger and preparation of financial statement.	2	Q1 04	Training	DDC, F/O
4. The programme should consider the provision of technical assistance to support DDCs and VDCs to mobilise local resources.	3	Q2 04	Workshop	Local consultant
5. The possible negative impact of high community contributions should be reviewed	1	Q1 04	Study	Local consultant
6. After approval of the projects by the DDC council, the PFM should be finalised before October to allow time for detailed design, costing, and deposit of DDC and VDC contribution, so that the first instalment of DFDP Fund can be made before January.	2	Q2 04	Review & design	PM
7. Once performance criteria and appraisal system have been agreed, the project may adopt an ex post approval of grant funding.	2	Q2 04	Consultancy	International consultant
8. DDCs need further technical support and encouragement to integrate the DFDP and other line agency programme planning and funding approaches.	1	Q1 04	Review & design	PM, PDDP/LGP, International consultant

RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
9. In particular, it is recommended that all projects funded by DFDP should undergo screening by Ilaka, sectoral committees and IPFC.	2	Q4 04	Review of Operational Guidelines	PM and ARC
10. It is recommended that DFDP should review the funding arrangement and use of the Red Book as used by the DACAW programme.	3	Q1 05	Review & design	PM
11. When possible, the VDC Block Grant should be contemplated with a view to enhancing local level planning and accountability, improving poverty targeting, and enhancing definition of functional responsibilities for service delivery and O&M.	3	Q1 05	Consultancy	International consultant
<b>Planning</b>				
1. There is need to refine the social mobilisation process to ensure inclusion of women and the poorest in COs or to assist formation of COs amongst them.	1	Q1 04	Review & design	Planning Specialist, PDDP/LGP
2. Additional training is required for social mobilisers, Field Officers and overseers to improve the quality of the participatory planning process.	1	Q1 04	Review & design	Planning Specialist, PDDP/LGP
3. It is recommended that the project should develop a scoring matrix with simple criteria which is a requirement for use by DDCs (and VDCs) in project prioritisation and selection. This should be linked to the objectives of the Districts' periodic plan.	1	Q1 04	Review & design	Planning Specialist, PDDP/LGP
4. More information is required to made available at VDC, Ward and CO level concerning procedures for project identification and selection to avoid capture of the process by more informed groups. DFDP may pilot the proposal of projects for DFDP funding by local citizens (through Ward meetings) as well as by COs	1	Q1 04	Review & design	Planning Specialist, PDDP/LGP, F/O
5. VDC, Ward members and major CO's should be informed of the outcome of DDC planning meetings for greater transparency and compatibility.	1	Q1 04	Review & design	Planning Specialist, PDDP/LGP, F/O

RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
6. For social audit, project sign-boards should also show the utilization of funds. Use of local radio announcements for sharing expenditure data with user-groups has helped those who are illiterate and should be used more widely.	1	Q1 04	Review & design	Planning Specialist, PDDP/LGP, F/O
7. Project planning should be limited to 2 or 3 per VDC to avoid raising expectations, wasted effort, and to match with funds likely to be available.	2	Q2 04	Review & design	Planning Specialist, PDDP/LGP, F/O
8. Poverty and gender sensitisation is needed amongst staff of VDC/DDCs in order to change mind-sets.	1	Q2 04	Workshop & ToT	Local consultant, Planning Specialist,
9. A review of the nature and impact of focused projects is necessary to ensure that benefits are reaching women and disadvantaged groups and that these projects are meeting their priority needs.	1	Q2 04	Review	Local consultant, Planning Specialist,
10. The current target-based approach (20% for focused projects) needs to be backed by performance-based funding if it is to be effective and reach beyond the 20% minimum funding target. This may be included in the development of performance criteria.	2	Q2 04	Consultancy	International consultant
11. In the meantime, and especially in the current circumstances of conflict and a shortage of investment funds, it is recommended that the minimum proportion of fund allocation for focused projects is increased to 50% including 25% for projects benefiting women, and 25% for projects benefiting disadvantaged (dalit) groups.	1	Q2 04	Review	PM, Planning Specialist,
12. The impact of the requirement for voluntary labour should be reviewed.	2	Q2 04	Review	Local consultant, Planning Specialist,
13. It is recommended that the DFDP and PDDP/LGP project managements consider a gender assessment of PDDP/LGP and DFDP to review project impact, scope and implementation modalities, and to identify any necessary changes to ensure that the programmes benefit women.	2	Q3 04	Consultancy	PM

RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
14. Coordinated support to district and VDC planning by PDDP/LGP and DFDP is required with clear responsibilities and areas of cooperation defined to ensure achievement of both programmes' objectives and to obtain the added value of collaboration between the two.	1	Q1 04	Discussion & programming	PM, Planning Specialist, PDDP/LGP
<b>Implementation</b>				
1. A workshop for DTO officials, DDC officials and Field Officers to discuss design standards and supervision would be a useful beginning to ensure quality of investment.	2	Q1 04	Review, report & workshop	Local consultant, Infrastructure Specialist
2. DFDP can coordinate use of the technical guidelines produced by sector programmes e.g. for water and sanitation, irrigation and roads.	2	Q1 04	Review, report & workshop	Local consultant, Infrastructure Specialist
3. More intensive training on project feasibility, design, implementation and maintenance and procurement should be provided to the technical team at all levels i.e. engineers, overseers and supervisor.	2	Q1 04	Review, report & workshop	Local consultant, Infrastructure Specialist
4. Project proposals should be subject to simple technical and financial feasibility study and DFDP should prepare some basic guidelines.	2	Q1 04	Review, report, workshop, guidelines	Local consultant, Infrastructure Specialist
5. Design and costs estimates should be formalised into an agreement between the concerned office (DDC/VDC) and the UC. It should contain details of costs, project implementation period and operation and maintenance after completion of the project. The agreement should also specify the works to be done jointly by the DDC/VDC and the UC. It should also specify that the UC should be responsible for the maintenance of the completed projects.	2	Q2 04	Review, report, workshop, guidelines	Local consultant, Infrastructure Specialist
6. Costing of DFDP projects should include engineering feasibility, design and supervision costs; any direct recurrent costs for inputs by 'service providers' to operation	2	Q2 04	Review, report, workshop,	Local consultant, Infrastructure



RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
and maintenance; and any costs of training User Committees in O&M.			guidelines	Specialist
7. Formal arrangements for O&M of projects should be required as part of the project proposal.	1	Q1 04	Review, report, workshop, guidelines	Local consultant, Infrastructure Specialist
8. Construction of rural roads should follow the approach set out in the DoLIDAR Manual 1998.	1	Q1 04	Review, report & workshop	Local consultant, Infrastructure Specialist
9. DFDP should pilot the development of additional supervisory resources at VDC level either through the creation of a pool of skilled labour or through the VDC Supervision and Monitoring Committees as required in the LSGA 1999.	1	Q1 04	Review & design, training	Local consultant, Infrastructure Specialist
10. User committees need simple standard procurement procedures.	2	Q1 04	Review, report, workshop, guidelines	Local consultant, Infrastructure Specialist
11. DFDP should develop guidelines on the appropriate construction modality of different infrastructure projects. This should also include guidelines on the use of sub-contractors.	2	Q3 04	Review, report, workshop, guidelines	Local consultant, Infrastructure Specialist
12. A technical audit is required as part of the Social (physical and financial) Audit	2	Q3 04	Review, workshop & design	Local consultant, Infrastructure Specialist
13. A review of the type of DDC-level projects being implemented may help to indicate how these projects are being distinguished and the extent to which they are compatible with assigned DDC and VDC service delivery functions.	2	Q2 04	Consultancy study	Local consultant, Infrastructure Specialist
<b>Capacity Building</b>				

RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
1. It is recommended that a Capacity-Building Strategy is formulated as a matter of urgency to:	1	Q1 04	Consultancy	International consultant, PM
- Prioritise learning needs and target groups				
- Consider needs and approaches in non-PDDP/LGP districts and VDCs				
- Devise a variety of means of learning including e.g. training, practical on-the-job learning, exposure to good practice, peer review and discussion, learning, mutual support networks				
- Develop means of monitoring and evaluating capacity-building and ensuring follow-up and reinforcement of learning events				
- Consider sustainability of learning through use of local providers such as public, private and NGO training organisations and institutes.				
- Define the resources necessary to implement the strategy.				
The Strategy should:				
- Review the use of the TA Fund and the extent to which demand-led training is effective				
- Consider combining demand-led training with a focused supply-led and targeted training programme with core components and target beneficiaries				
- Define wider approaches to capacity-building.				
2. The sensitisation of staff at VDC/DDC towards affirmative action is considerably low and needs to be built upon to include workshops to address gender and poverty analysis and targeting.	1	Q1 04	Training	Local consultant
3. A local resource (VDC Supervision Committee and/or local pool of skilled technicians) should be trained to oversee and monitor community-based infrastructure design and	1	Q1 04	Review & design, training	Local consultant, Infrastructure

RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
construction.				Specialist
4. Additional training is required for DDCs/VDCs and UCs in financial management.	2	Q2 04	Training	PM, Accountant, DDCs
5. LDOs, DPOs need training/refresher training on principles and methods of district planning and budgeting	1	Q2 04	Training	Planning Specialist, PDDP/LGP
<b>Policy Support</b>				
1. Piloting and field experience at district and sub-district levels should remain a clear and explicit objective of the project (as opposed to meeting targets of expenditure).	1	Ongoing	Monitoring	PM, UNCDF PO
2. Policy support should maintain a clear link to field practice as well as building local expertise	1	Ongoing	Monitoring	PM, UNCDF PO, International consultants
3. Deepening the policy impact of DFDP would benefit from a review of related policies and sector programmes and development of networks for the exchange of information.	2	Q2 04	Consultancy	Local consultant, PM
4. Further technical support to district planning and budgeting is essential to continue the process of sectoral integration and decentralisation, and to further clarify and develop links between VDC and DDC planning, finance and implementation. UNCDF should consider funding technical support to village and district planning in the event of a withdrawal by PDDP/LGP.	Ongoing			
5. The project logical framework should be reviewed to include an additional output such as 'policy and procedures supporting the LSGA Act and Regulations for decentralised finance, planning and development are strengthened'.	1	Q1 04	Review and proposal to ARC	PM, NPD and PO
<b>Programme Management</b>				
1. A further review of the log-frame should be undertaken in order to:	1	Q1 04	Review and	PM, NPD and PO

RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
<ul style="list-style-type: none"> <li>frame clear outputs and activities for the policy support given to the MLD and LBFC, and</li> <li>review outputs and activities associated with the expansion to 20 districts, the possible changes to PDDP/LGP and, the forthcoming capacity-building strategy.</li> </ul>			proposal to ARC	
2. An external consultant may be needed to design such a participatory M&E system which can run provide qualitative data on key project processes and which operates alongside the existing M&E system.	1	Q2 04	Consultancy	International consultant, M&E Specialist
3. In the interim, it is suggested that the PMU should develop its own checklist for its own field visits to provide a sample check on some key qualitative process indicators.	1	Q1 04	Design & operate	PMU, M&E Specialist
4. The M&E system should disaggregate focused projects into DAG and women-focused projects (all reports currently total focused projects as DAG projects with womens projects reported as zero).	1	Q1 04	Implement	M&E Specialist
5. More work is required to exchange experience, draw and document lessons, demonstrate success, identify weaknesses and build capacity.	1	ongoing	Implement	M&E specialist, PM
6. Development of the District MIS should be ensuring the integration of the DFDP (UNCDF) MIS and reporting systems with HMGN systems.	3	04	Implement	M&E Specialist
7. Improved coordination between UNDP and UNCDF programme management is essential if synergy anticipated in project design is to be obtained.	1	Q1 04, ongoing	Implement	PM, UNCDF PO
8. UNDP, UNCDF, PDDP/LGP and DFDP project managers and NPDs should meet as a matter of urgency to review objectives and strategy (log-frames and work-plans), define points of synergy/dependence for monitoring, define improved working relationships (e.g. joint management meetings, joint reporting, joint reviews); and that this review becomes the basis of an MoU between the programmes to define joint working at all levels.	1	Q1 04	Workshop	PO & ARR

RECOMMENDATION / TASK	PRIORITY 1=HIGH, 3=LOW	START-DATE	METHOD	RESPONSIBLE
9. In the event of a situation where DFDP is working in districts where PDDP/LGP support does not exist, or no longer exists, DFDP should consider alternative resourcing for support to district-level planning and the local participatory planning process.	2	Q1 04	Review	PM, PO and UNCDF
10. Achievement of DFDP's outputs rely to a large extent on the effectiveness of the decentralised planning process and it is therefore recommended that technical assistance for district and village planning is maintained.	1	Q1 04, ongoing	Implement	UNCDF PO
11.. In case PDDP/LGP is withdrawn from certain areas efforts should be made by UNDP to maintain PDDP/LGP in those areas where DFDP is operating.	1	Q1 04, ongoing	Implement	UNCDF PO
12. It is recommended that the project team discuss and prepare an exit strategy.	3	Q3 04	Implement	PM, PMU
<b>Implications of Conflict</b>				
1. It is suggested that a focused discussion should take place with a sample of LDOs, DDAs and Field Officers in both 'new' and 'old' districts to seriously consider operational difficulties, security criteria and classification and DFDP operational options. This discussion may be assisted by an external facilitator and the UNDP Conflict Adviser.	1	Q1 04	Workshop, guidelines	PM, local/international consultant
2. In any event close systems of monitoring and frequent communication with all districts is essential in order to ensure flexibility of the programme.	1	Q1 04, ongoing	Implement	PM, UNCDF PO

### **Annex 3: Evaluation Terms of Reference**

## Annex 4: Financial Data

Total Fund						In US\$		
Year	Total Project Fund	Com. Contri.	Other Org. Contri.	Total Cash Cost	DFDP Funding	DDC Matching	VDC Matching	
2001	1266992.00	424527.45	36320.68	806143.63	652266.03	70439.01	83438.59	
2002	1537856.00	428617.68	36935.79	1072302.15	890109.49	97812.43	84380.23	
<b>Total:</b>	<b>2804848.00</b>	<b>853145.13</b>	<b>73256.47</b>	<b>1878445.78</b>	<b>1542375.52</b>	<b>168251.44</b>	<b>167818.82</b>	
<i>% of Total</i>		<b>30.42</b>	<b>2.61</b>	<b>66.97</b>	<b>54.99</b>	<b>6.00</b>	<b>5.98</b>	
<i>% of Cash</i>					<b>82.11</b>	<b>8.96</b>	<b>8.93</b>	
TA Fund released					<b>93169.52</b>			
Total DFDP Funding					<b>1635545.04</b>			
Actual DFDP Released					<b>1616917.00</b>			
<b>District Level Projects</b>								
2001	349347.79	105547.26	6042.00	237758.44	201998.41	21374.68	14385.35	
2002	501333.56	104037.38	21160.19	376135.99	323344.84	39497.50	13293.65	
<b>Total:</b>	<b>850681.35</b>	<b>209584.64</b>	<b>27202.19</b>	<b>613894.43</b>	<b>525343.25</b>	<b>60872.18</b>	<b>27679.00</b>	
<i>% of total DFDP Fund</i>					<b>34.06</b>			
<b>VDC Level Projects</b>								
2001	917643.96	318980.19	30278.59	568385.19	450267.62	49064.33	69053.24	
2002	1036522.06	324580.30	15775.60	696166.17	566764.65	58314.94	71086.58	
<b>Total:</b>	<b>1954166.02</b>	<b>643560.49</b>	<b>46054.19</b>	<b>1264551.36</b>	<b>1017032.27</b>	<b>107379.27</b>	<b>140139.82</b>	
<i>% of total DFDP Fund</i>					<b>65.94</b>			
<b>DAG Projects</b>								
2001	233155.06	8190.32	183.10	151081.64	122215.14	12945.59	15920.91	
2002	397097.72	143102.34	11362.88	242632.50	194873.02	25713.50	22045.98	
<b>Total:</b>	<b>630252.78</b>	<b>151292.66</b>	<b>11545.98</b>	<b>393714.14</b>	<b>317088.16</b>	<b>38659.09</b>	<b>37966.89</b>	
<i>% of total DFDP Fund</i>					<b>20.56</b>			

Note: 1 US\$ = 73.65 for 2001 and 77.05 for 2002

## Annex 5: Pre-Project Comparison & Beneficiary Participation

Districts/VDC	Project	Pre-Project Situation	Current Situation	Level of Beneficiary Participation
RUPANDEHI				
Makrahar VDC	Irrigation pump	Lands are lying fallow because of lack of irrigation facility.	Construction is yet to be completed –this is expected to help in growing 3 crops including one vegetable crop.	The beneficiaries as community groups of Women's Development Services (WDS) have participated right from the beginning through their CO in proposing the project, planning and forming UC, selecting office bearers and implementing the project.
Patdsari VDC	Gravel road	The road was narrow and it was very troublesome to use the road during rain and water logging	The road was gravelled but due to conflict amongst the user-group the road could not be completed as per the plan and hence the quality of work is low and the road is not properly maintained.	The beneficiaries committed to contribute labour, cash, tractor services and land free of cost. However, the local CO, a youth club was not representative of the beneficiaries and was unable to bring them together. The members of the youth club, few in number, contributed voluntary labour while others, especially the better off refused to provide land near the road side and tractor services as planned earlier due to emerging conflict within the beneficiaries.
Chilia VDC	Community building	No community building was there to start with. The community, especially women are looking for office space for their COs.	The building is incomplete due to lack of funds	The WDS CO was proactive in bringing about community contributions from their group members. But the design of the community building was much ambitious than what the DFDP fund and VDC/DDC contribution could provide.
KASKI				
Nirmal Pokhari VDC	Community hall	There was no community hall for conducting training or meetings.	Now that a community hall has been constructed few trainings have been conducted and more will be done at a user-charge.	There was beneficiary participation through PDDP/LGP groups in construction of the community hall and the maintenance of the building is still under consideration.
Dhikur Pokhari VDC	Gravel road	The village road was narrow with patches of paddy fields on both sides and no vehicle could	The village road has broadened considerably with land contributed by the local farmers and now connects many wards. Vehicles can ply across the	There was no CO and the expected beneficiaries were called at a meeting to decide on the gravel road. The ex-DDC chair lives in the VDC and is



Districts/VDC	Project	Pre-Project Situation	Current Situation	Level of Beneficiary Participation
		pass with ease.	wards connected with the road though the quality of gravel road is not that good with little or no plan for maintenance	personally interested in this road. It is his leadership, which brought people together for construction of the road and the beneficiaries provided their services in expectation of future benefit.
Sarangkot VDC	Community library	No library was in existence in that locality	Though the library building is complete the furniture and books are yet to come.	Beneficiaries from PDDP/LGP groups participated in the construction of the community library. Many other groups such as mother's group and forest group made liberal donation for the library. The local youth club is now planning for furniture and books.
DHANUSA				
Laxmipur VDC	Sub-health post	The earlier sub-health post was being run in a crowded place in a room on rent and the patients visiting the centre had problems in getting good services.	In the new building there is enough space for patients to sit and be examined by health care workers and the registration formalities is more systematic, manageable and less crowded.	The beneficiary groups of the local NGO participated to make this project successful, especially the local women.
Kachauri VDC	Technology park	The PDDP group members do not have any space in their homes to run machines for craft and bangle making	The technology park will allow them to have the machines located inside the park where the craftsmen and women can sit and do their work. It will also help them to exhibit their products in two rooms of the park.	Beneficiary groups formed by PDDP/LGP/MEDEP contributed towards the construction of the park. The land was provided by the local temple. Due to the low-lying land for the building the cost estimates for the building is up by 20 %, which the beneficiary groups are aware of.
Nagarain VDC	Irrigation pump	Farming is a problem due to lack of irrigation	The irrigation pump has yet to be implemented fully and issues regarding distribution of water and maintenance of pump need to be sorted out.	The beneficiary groups have contributed both through labour and cash as facilitated by the local youth club. However, they will have to make more contributions later for completing the project. Since this covers a big area it is natural to expect conflict situations mainly related to distribution of water and individual costs to be borne by the group members.
KAVRE				
Kavre Niya VDC	Toilet	There was no toilet and people were going to open areas.	Life has become more convenient for women and children with the use of toilet especially during the	The asset created is at the household level and contributions through voluntary labour have been well taken and the toilets are looked after by

Districts/VDC	Project	Pre-Project Situation	Current Situation	Level of Beneficiary Participation
			night.	households concerned.
Kavre Nitya VDC	School	The school was dilapidated and old and there were not enough rooms.	Now the school has more rooms and more children attend schools.	The beneficiary groups have contributed in cash and kind for construction of the school rooms.
Methinkot VDC	Primary Health Centre	There was no primary health centre in the VDC.	The primary health centre building is complete but does not have a doctor, gadgets or laboratory for tests. Very few people come to the centre. Others find the sub-health post and/or the community hospital in Dhoolikhel, Kavre more useful.	Though the health centre was built the contributions were more from the ward in which it was built and the members of UC are also from the same ward. Local people have yet to find this health centre useful enough in absence of basic medical services and a doctor.

Source: Field Notes of Neela Mukherjee

## Annex 6: Quality and Effectiveness of Project Design, Supervision, Construction and Management

District/ VDC	Project	Quality of design, cost estimates, procurement, and construction	Designing to cost limit rather than to technical specification	Degree and quality of supervision	Relative capacities of districts and differences between them, roles of FO and DDC	Cost effectiveness- areas of inefficiency and implementation modalities-UC, community labour, contract	Compliance with or use of procedures, norms or guidelines, O & M – responsibilities, user charges, and agreements	Ownership
<b>DHANUSHA district</b>					Qualified and experience technician, active role of FO in DFDP projects			
Bharatpur VDC,  Ward 6.	Drinking water well	Follows standard norms	Both of these norms followed	Less frequent supervision, okay	Satisfactory because they have more experience from the similar works in the district.	It is cost effective and UC partly subcontracted work voluntary community labour	Yes, UC, pay monthly fees, agreement- yes	Yes, The DAG members have strong ownership feelings
Dhalkebar, VDC	Drinking water well	Follows standard norms	Lack of capacity to locate source. It costed more than estimated cost in one drinking water project.	Less frequent supervision, okay	Poor because there is need of coordination between FO & DDC. They also need exposure to action research conducted by others.	It is cost ineffective because water is available only for ten months, UC partly subcontracted work, community labour	Yes, UC, pay monthly fees, agreement- yes	Less ownership feeling due to 2 months a year water deficit.
Kachauri thera VDC	Technology park building	Satisfactory	Design within the budget limit	Less frequent supervision, quality of supervision is okay.	The roles of FO and DDC seem satisfactory in terms of the superstructure so far completed.	It is too early to assess the cost effectiveness. The construction is carried out by UC.	Yes, UC, there is an agreement between the UC and the DDC.	Committed, because this building will be used in the entrepreneurship development activities.

District/ VDC	Project	Quality of design, cost estimates, procurement, and construction	Designing to cost limit rather than to technical specification	Degree and quality of supervision	Relative capacities of districts and differences between them, roles of FO and DDC	Cost effectiveness-areas of inefficiency and implementation modalities-UC, community labour, contract	Compliance with or use of procedures, norms or guidelines, O & M – responsibilities, user charges, and agreements	Ownership
Laxmipur VDC focused for women	Sub health post	Follows simple design and norms.	Design within the budget limit.	Less frequent, however, quality of supervision is okay.	The role of FO is instrumental..	It is cost effective because it is functioning.	The construction is as per the norms. The patients are charged NRs. 3 per visit.	The users have ownership feeling because they need the services (15 visitors per day).
Sinhurjoda VDC	RCC Slab culvert	Follows standard norms	As per technical specification	Adequate and seems good	The role of FO is technically good.	It is cost effective, implemented through UC	Yes, UC, no need of membership charge	Yes, UC supported by youth club
<b>KASKI district</b>								
Bharatpokhari VDC	rural road	Does not follow standard norms and approach in design and construction	Design to cost limit	Less frequent, quality of supervision seems poor	Okay.	Ineffective because road is prone to erosion. Constructed by UC.	No, O & M by UC, No fund raised	Questionable
Dhikurpokhari VDC	Deuralipani to Paudhur maidan rural	Does not follow standard norms and approach in design and construction	Design to cost limit	Less frequent, poor quality of supervision	Okay.	Road prone to erosion, implemented by UC	No, O & M by UC	Questionable
Nirmal Pokhari VDC	Community Building	Follows standard norms	Design to cost limit	Less frequent, quality of supervision good	Okay.	It is cost effective and constructed by UC.	Yes, UC, O & M by UC	Yes

District/ VDC	Project	Quality of design, cost estimates, procurement, and construction	Designing to cost limit rather than to technical specification	Degree and quality of supervision	Relative capacities of districts and differences between them, roles of FO and DDC	Cost effectiveness-areas of inefficiency and implementation modalities-UC, community labour, contract	Compliance with or use of procedures, norms or guidelines, O & M – responsibilities, user charges, and agreements	Ownership
Nirmal Pokhari VDC	Sri Jan Chetan Secondary School	Follows standard norms	As per specification	Less frequent, quality of supervision good	Okay.	It is cost effective and constructed by UC.	Yes, O & M by school,	Strong ownership among the people.
Puranchour VDC	Rekher Mardi Milanchowk Road	Design was not prepared.	Not followed	Poor	Lack of manpower for survey and design.	Not effective because the road is incomplete.	Not applicable.	Have ownership feeling.
Puranchour VDC ward 7	Drinking water project, RCC tank	Well maintained	The design was based on technical specification and actual cost	Regularly supervised and provided good technical input.	The DDC role in design and supervision played vital role in maintaining quality	Approximately 30 percent less than the contract system	Followed standard norms and users pay NRs. 60.00 per year per household	yes
Puranchour, VDC	HMG water supply	Okay.	As per the budget.	Less frequent.	The role of DDC is okay.	Less cost effective as it required additional tank	Users pay monthly fees.	Yes.
Sarangkot VDC	Sri Sidhi Pustakalaya (library building)	Follows standard norms.	Design to cost limit.	Less frequent, quality of supervision good.	Okay.	Not in use because there is no furniture. It was executed by UC.	Yes, O & M by UC, No user charge to be paid.	Yes, it is a gathering place for community members.
Sarangkot VDC Ward 1 & 3	Foot track	Well maintained	Based on design	Regular and good	Satisfactory	Effective	Fund is from donations.	Yes
<b>Kavrepalanchowk district</b>								

District/ VDC	Project	Quality of design, cost estimates, procurement, and construction	Designing to cost limit rather than to technical specification	Degree and quality of supervision	Relative capacities of districts and differences between them, roles of FO and DDC	Cost effectiveness-areas of inefficiency and implementation modalities-UC, community labour, contract	Compliance with or use of procedures, norms or guidelines, O & M – responsibilities, user charges, and agreements	Ownership
Birta Deurali VDC	Sulabh latrine	Good.	Designed within the cost limit.	Frequent and Good.	Satisfactory	Since the latrines are well functional, they are cost effective.	Follows norms. The owners take the O and M responsibilities themselves.	Strong ownership because the users are the owners.
Deubhumi Baluwa VDC	Community building	Satisfactory.	Designed within the cost limit.	Less frequent and satisfactory.	Satisfactory.	Cost effective because the users are using the building for income generation and venue for meetings..	Follows norms. The UC charges rent for the storage of locally produced potato. Users pay NRs. 5 per month per household.	The women have good ownership feeling.
Deubhumi Baluwa, VDC	Fish pond	The quality of construction is okay but the design does not meet the requirement.	Due to imperfect design, more money was required for the construction.	Fair supervision as per the design.	The role played by the technical team was not adequate to maintain the desired standard.	It is not cost effective,	Experts of fishery were not consulted.	The users have good ownership feeling because fish is available for them.
Kavre VDC	Lower secondary school	The budget approved was not sufficient to meet the original design. Quality of construction is however okay.	Design to cost limit because it was redesigned according to the available budget.	Less frequent, quality of supervision seems okay	Satisfactory.	No heat and sound insulation due to lack of false ceiling, It was constructed by UC.	Yes, UC, the school collects money from students.	There is ownership feeling among the parents of the students.
Methinkot VDC	Primary Health Centre	Follows standard norms.	As per specification	Less frequent, quality of supervision seems okay	Satisfactory.	The center is not much used because of lack of a doctor. The UC constructed the building.	Yes, O&M by primary health centre, treatment fee is nominal.	Questionable.

District/ VDC	Project	Quality of design, cost estimates, procurement, and construction	Designing to cost limit rather than to technical specification	Degree and quality of supervision	Relative capacities of districts and differences between them, roles of FO and DDC	Cost effectiveness-areas of inefficiency and implementation modalities-UC, community labour, contract	Compliance with or use of procedures, norms or guidelines, O & M – responsibilities, user charges, and agreements	Ownership
Nala VDC	Rural road	Yes.	As per specification.	Regular and good.	Okay.	It is cost effective because the road is well functioning.	Follows HMG rules and regulation. No user charges. The DDC and LRCC have appointed a length person to regularly repair and maintain the road.	Questionable.
Ryale VDC	Slab culvert	Follows standard norms.	As per budget.	Satisfactory.	Okay.	It is cost effective because it is functioning and the traffic of people is 1600 per day.	Follows rules. No user charge. Maintenance is questionable.	Questionable.
Sathighar, VDC	Sulabh latrine	Follows standard norms.	As per the budget.	Good.	Okay.	It is cost effective.	Yes.	Strong.
<b>Rupandehi District</b>								
Chilia VDC	Nava Durga Women Development Multipurpose Cooperative	Does not follow standard quality ..	Design to cost limit	Less frequent, quality of supervision poor	Okay.	Incomplete building, executed by UC, community labour was used	No compliance, no capacity for O&M	Questionable

District/ VDC	Project	Quality of design, cost estimates, procurement, and construction	Designing to cost limit rather than to technical specification	Degree and quality of supervision	Relative capacities of districts and differences between them, roles of FO and DDC	Cost effectiveness-areas of inefficiency and implementation modalities-UC, community labour, contract	Compliance with or use of procedures, norms or guidelines, O & M – responsibilities, user charges, and agreements	Ownership
Dudhrakch VDC	RCC slab culvert bridge	Followed standard norms and procedures.	Constructed as per cost.	Supervised by UC members and DDC tech staff. Quality is satisfactory.	Yes	Effective, the formwork was subcontracted	Adopted, no funds is raised.	UC has ownership feeling
Dudhrakch VDC Ward 3 & 6	Rural road project	Design was not prepared. The construction was implemented only based on cost estimate.	Design within cost limit.	Poor.	Okay.	Ineffective because the road could not be widened with the same budget. The UC constructed the road.	Not followed, the funds are not raised.	Questionable
Makra VDC	Latrine construction	Follows standard norms.	Design to cost limit.	Less frequent, quality of supervision good.	Yes.	Cost effective and individual through UC assistance.	Yes, O & M by individual owners.	Yes
Makra VDC	Bore irrigation	Follows standard norms.	Design to cost limit.	Less frequent and quality of supervision is good.	Yes.	It is less cost effective because there are not sufficient pumps for all the tube wells.	Yes. O and M by UC, the UC raises charge for use of well.	Yes.
Patsari VDC	Parsari rural road improvement (graveling and culvert).	The quality of design and construction is poor.	Design to cost limit.	Less frequent, quality of supervision poor.	Okay.	Ineffective, executed by UC, community labour was used.	No compliance with rules. O & M doubtful, however, VDC secretary says it is his responsibility.	Questionable.



District/ VDC	Project	Quality of design, cost estimates, procurement, and construction	Designing to cost limit rather than to technical specification	Degree and quality of supervision	Relative capacities of districts and differences between them, roles of FO and DDC	Cost effectiveness-areas of inefficiency and implementation modalities-UC, community labour, contract	Compliance with or use of procedures, norms or guidelines, O & M – responsibilities, user charges, and agreements	Ownership
Parroha VDC Ward 4	Market shed	Follows standard norms and procedures.	Constructed as per cost.	Well maintained.	Yes.	Effective.	Adopted and VDC raises fund from the contractor.	The existence of management committee shows ownership feeling
Parroha VDC Ward 4	Agriculture Produce Collection Centre	Follows standard norms and procedures.	Constructed as per cost.	Well maintained.	Yes.	Effective.	Adopted.	The existence of UC shows ownership feeling.
Parroha VDC	RUUP market shed	Follows standard norms.	As per budget.	Well maintained.	Yes.	It is ineffective because the building is incomplete.	Comply with the rules but no user charges. O and M not defined.	Questionable.
Semlar VDC	Market shed	Follows standard norms and procedures.	Constructed as per cost.	Supervised by UC members and DDC tech staff. Quality is satisfactory.	Yes.	Effective and built by UC.	Adopted.	Functional and has ownership feeling.
Semlar VDC	River bank protection work	Follows standard norms and procedures.	Constructed as per cost.	Supervised by DDC tech staff. Quality is satisfactory.	Yes.	Effective.	Adopted, no funds raised.	UC has ownership feeling



## Annex 7: Sustainability of Projects

District/V DC	Project	Social Sustainability	Technical Sustainability	Financial Sustainability	Ecological Sustainability
<b>DHANUSA</b>					
Bharatpur VDC level	Drinking water well	It is well functioning. Less possibility of conflict because well is located at fairly equal distance and the users have good understanding. The users have realized the importance of group activity in the construction of the well.	This is a replication of the similar work of the area.	The UC collect money from the users and has a fund.	There is no sanitation problem. However, the area needs to be protected through plantation of suitable species.
Dhalkebar VDC, ward 2 & 3	Drinking water well	Socially sustainable because people participate in meetings.	Site selection was overlooked. Water filthy in ward 3 and there is shortage of water for 2 months.	Poor.	The surrounding of well is not cleaned resulting unsanitary environment. Geologically not suited for well construction. There is shortage for water for two months.
Kachaurithera VDC	Technology park	PDDP/MEDEP have facilitated local groups for income generating activities. The locals/ temple has donated the land for the park. It is highly accepted by the poor.	The building is still under construction. The quality of the building design and construction seems good.	It is too early to assess since the building is yet to be used.	The plinth level seems high enough to protect the building from rainwater/floods.
Laxmipur VDC	Sub-health post building	The people have realized that their participation in the construction of health post is most essential. Therefore, the project is sustainable.	The structure is suitable and the building is technically sustainable.	The health post is financially sustainable because part of the money for repair is raised from the charges from the visiting patients.	The building has good sanitation and its surrounding area is environment friendly.

District/V DC	Project	Social Sustainability	Technical Sustainability	Financial Sustainability	Ecological Sustainability
Sinurjoda VDC	RCC slab culvert	Less participatory	The design is standard and well built.	There is no maintenance fund	The greenery part for stream bank stabilisation is missing.
<b>KASKI</b>					
Bharatpok hari VDC level	Village road	Users voluntarily participate for O&M during road blockage / landslide.	Not adequate	Road toll tax is raised from vehicles, but is not sufficient for O&M.	No preventive bioengineering measures adopted, Road passes through dense forestland. Poor water management works.
Dhikur Pokhari VDC	Village road	The road is socially sustainable since there are many users of the road who will directly benefit from it; people have offered free land for building the road and they have a active user-committee to look after the road	Technically poor.	The road needs more funds for the completion.	Ecologically, the construction is poor because the road requires water management. There is no bioengineering works.
Nirmal Pokhari VDC level	Community hall	Socially sustainable because the user-group is using the hall for training. VDC is supportive	Technically the hall is well constructed However, the building needs an apron and a retaining wall to safeguard it.	The UC plans to raise funds by providing the hall for training.	The building is located on the hilltop and the problem of effect of rain is less. There is more chance for ecological sustainability.
Nirmalpok hari, VDC	Secondary school	The school is sustainable because it is the only one high school in the area built	The building is of typical design and well built.	The school has its own source of income for its operation and maintenance.	The school is located in an environmentally sound area. However, the area needs to be landscaped with various types of multipurpose trees and shrubs.

District/V DC	Project	Social Sustainability	Technical Sustainability	Financial Sustainability	Ecological Sustainability
Puranchour VDC, ward 8 PDDP non-focused	Rekhar Mardi Milanchowk rural road	The project is accepted by the people.	Road is poorly built.	Insufficient funds to improve and complete the road.	Lack of water management works and plantation works along road slopes have attributed to erosion, landslides and deep rills on road surface.
Puranchour VDC, ward 7 PDDP	Drinking water project, PDDP	maximum participation and is functioning	Followed standard design produced by district water supply office	Raising funds from users	The tank and the intake source are located in forestland, which is environment sound area. No danger to erosion or hazards.
Puranchour VDC, ward 7 District	Drinking water supply	It was functioning since 2052 BS with shortage of water due to less capacity of water tank reservoir.	Followed standard design produced by district water supply office	Funds are raised from users.	The tank and the intake source are located in forestland, which is environment sound area. No danger to erosion or hazards.
Sarangkot VDC	Community library	The library building has been widely accepted by youths.	Technically the library building construction is OK,	There is no fund to run the library.	It is located in environment sound area T
Sarangkot VDC	Foot track	The track is functioning well and the flow of tourist along the track is good.	Follows simple and satisfactory design.	For fund raising there is a donation box and there are many tourist hotels around the track	The track could be more well protected and made environment sound with plantation of trees, shrubs and grass along both sides of track.
<b>KAVRE</b>					

District/V DC	Project	Social Sustainability	Technical Sustainability	Financial Sustainability	Ecological Sustainability
Birta Deurali, VDC	Sulabh latrine	The latrines are functional and it is well accepted by the users.	Replication of similar design and structure.	The owner takes the responsibility to repair the latrine.	The surrounding is clean.
Deubhumi Baluwa, VDC level	Community building	The women group is active and they have good rapport about the importance of the building at the community level.	The technical quality of the building is satisfactory.	The group plans to conduct training to raise fund and currently, one of the rooms of the building has been used as storage for locally produced potato.	The building is less ecologically sustainable because the landscaping and plantation is still to be done.
Deubhumi Baluwa, VDC	Fish pond	The pond is constructed as per the need of the community. The community takes much interest on its management.	The fishpond required earth wall but stone masonry wall was constructed. The fish gets hurt when they bump on the wall. As a result the production of fish is less because of their accidental death.	The production of the fish has not increased and the group finds it difficult to maintain it.	Because of the stone masonry at sidewall, the pond is not naturally suited to the fish (grass carp and common carp)..
Kavre VDC	School	The school has approx. 300 students and is highly appreciated by parents.	The room height is low and no false ceiling provided under the corrugated sheet	The school raises its fund through tuition fee and other charges from parents of the students.	It is located in such area where there is less chance for flood damage
Methinkot VDC level	Primary Health Centre	The project is socially accepted because it was built with full participation.	Technically it appears OK.,	Funded by government plus a nominal fee from the patients.	It is located in an even upland surface therefore, less chance of effects from rain water
Nala VDC non DFDP (DRSP)	Rural road	This is not a fully participatory approach, therefore, social sustainability is questionable.	It is technically sound.	The DDC is responsible to regularly maintain the road.	There is no conservation plantation around the roadsides.

District/V DC	Project	Social Sustainability	Technical Sustainability	Financial Sustainability	Ecological Sustainability
Ryale VDC level	RCC Slab culvert	There was less participation of local people because the formwork was sub-contracted.	The culvert seems technically well structured following the standard.	The UC has committed to repair and maintain the slab culvert.	There is no riverbank protection measures adopted to protect the culvert from floods.
Sathighar VDC	Sulabh latrine	The owner of the latrine regularly uses it properly.	It is a replication of standard design and structure.	The user takes the responsibility for the repair and maintenance of the latrine.	The environment around the latrine is kept clean.
<b>RUPANDEHI</b>					
Chilla VDC	Community building	There is ownership feeling of the building amongst the user –groups.	The building is incomplete. There is no technical manpower in the UC to further plan and complete the building.	More funds required to complete the project and availability of such funds is uncertain.	The building is located within the forest land, therefore, there is more chances for ecological sustainability
Dudhrakch VDC level project	RCC slab culvert bridge	The UC is functional and working well, therefore, socially sustainable	The quality of design and construction is good.	Maintenance is questionable because there is no fund.	River bank protection works using bioengineering techniques have not been carried out
Dudhrakch VDC DDC level project	Rural road project	People refused to give land as committed making the project less sustainable	Road is technically poor as it was not upgraded as agreed upon.	Project needs further budget for upgrading	No drainage and plantation works conducted
Makrahar VDC	Irrigation pump	The women COs are strong and dominant.	Technically not very sustainable because the droplets have to be protected through stone paving or concrete.	UC raises fund from the users.	This is considered as shallow tube well and the tube well is located very near to the HHs. As nos. of houses increases more chances for less ecological sustainability. There are very few trees/shrubs planted in surroundings may attribute to less chances for sustainability

District/V DC	Project	Social Sustainability	Technical Sustainability	Financial Sustainability	Ecological Sustainability
Patdsari VDC	Gravel road	Prospect of social sustainability is poor.	Technically the project is incomplete.	More money is required to build drainage and proper graveling of the road.	No water management on road surface, very little revegetation for erosion control
Parroha VDC non-PDDP focused	Market shed (Haat bazaar),	It is functional. During market operation day more than 3000 people visit the market bazaar. The demand is thrice a week from once a week.	Quality looks good and well maintained following standard design. It is constructed with 50 years guarantee period.	The VDC raises funds from businessmen 97,000.00 per year as per tender awarded.	There is no sanitary, water supply and drainage facilities. Needs further improvement as per the master plan.
Parroha VDC non-DFDP and non-	Agriculture Produce Collection Centre	The building is in use for purchase and sell of goods.	The quality of design and construction is satisfactory.	The UC raises funds that can be used for maintenance of building.	There is no sanitary, water supply facilities. Needs further improvement as per the master plan.
Parroha VDC	Market shed (RUPP)	The local participation is okay.	The project is technically sustainable because it has standard design and structure up to the plinth level.	The project is financially unsustainable because there is no fund to complete the project.	The project is ecologically less sustainable because it has poor sanitation, no drainage system. Furthermore, the plantation of suitable trees and shrubs and ornamental flowers have not been done.
Semlar VDC	River bank protection	The project is functional.	The structure is capable to protect the riverbank and agriculture land.	The beneficiaries are able to generate income from their farm crops.	The farmers through their initiation has planted trees and khar grass, which helped the banks to be protected from cutting.
Semlar VDC	Market shed house	The project is functional and socially sustainable.	Replication of other standard projects.	Fund is raised through contractors.	Poor sanitation.



## REFERENCES

- CBGF (1998): Community Based Gravity Flow Rural Water Supply Schemes (12 volumes), HMG/N, Ministry of Housing and Physical Planning, Department of Water Supply & Sewerage/UNICEF, Kathmandu.
- DFDP (1999): Local Development Fund, Project Design Document, Ministry of Local Government, His Majesty's Government of Nepal, United Nations Development Programme (UNDP), United Nations Capital Development (UNCDF), Kathmandu.
- DFDP (2001, 2002): Annual Progress Report, Decentralised Financing and Developing Programme (NEP/99/CO1), HMG/N Ministry of Local development and UNCDF, Kathmandu.
- DFDP (2002): Decentralized Financing and Development Programme, NEP/99/CO1, Addendum to the Programme Document, Project of the Government of Nepal, United Nations Capital Development Fund, Kathmandu.
- DoLIDAR Manual (1999): Approach for the Development of Agriculture and Rural Roads, His Majesty's Government, Ministry of Local Development, Department of Local Infrastructure Development and Agriculture Roads, DoLIDAR, Kathmandu.
- DoLIDAR Work Norms (2000): Work Norms for Labour-based Construction Work of Agriculture and Rural Roads, His Majesty's Government, Ministry of Local Development, Department of Local Infrastructure Development and Agriculture Roads, DoLIDAR, Kathmandu.
- EPR (1996): Environmental Protection Regulation (EPR), First Amendment (2055), His Majesty's Government, Kathmandu, Nepal.
- FAB & FWPA (2003): Financial Administration Byelaws (2056) and Financial work Procedure Act (2055), Makalu Books and Stationers, Kathmandu.
- FAR (2003): Financial Administrative Regulation, 2056 (1999), and Financial Procedure Act, 2055 (1998), Makalu Books and Stationers, Kathmandu, Nepal.
- Gravity Flow Water Supply System (1998): Operation and Maintenance Manuals for Community based Gravity Flow Water Supply System, His Majesty's Government of Nepal, Ministry of Housing and Physical Planning, Department of Water Supply and Sanitation, Kathmandu, Nepal.
- GTZ, SDC (1999) Best Practices Report: Green Roads in Nepal, German Technical Cooperation (GTZ) and Swiss Agency for Development Cooperation (SDC), Kathmandu, Nepal.
- Irrigation Policy (2003): Irrigation Policy, His Majesty's Government of Nepal, Ministry of Water Resources, Department of Irrigation, Lalitpur, Nepal.
- LGP (2002): People Centered Development, Annual Report, Local Governance Programme (LGP), MLD/NPC/NEP/95/021, Kathmandu.
- LGPR (2003): Local Governance for Poverty Reduction, Empowering the Poor, UNCDF/LGU, Concept Paper on Poverty, United Nations Capital Development Fund, Local Governance Unit, New York.
- LSGA (1999): Local Self-Governance Act, His Majesty's Government, Ministry of Law, Justice and Parliamentary Affairs, Law Books Management Board.
- MLD/UNCDF, studies and evaluation report no. 006 (2003): A Report on Review of Government Rules and Regulation for the Implementation of Micro-infrastructure Projects in Nepal, Decentralised Financing and Development Programme (NEP/99/CO1), MLD, UNCDF, Kathmandu.
- NPC (2001): National Planning Commission, Basic Principles of 10 the Five Year Plan (2002-2007), Kathmandu.

- NEX (2001): National Execution Guidelines, His Majesty's Government of Nepal, Ministry of Finance and United Nations Development Programme, Kathmandu, Updated Version, July 2001.
- NPRRM (1998): National Plan for Rural Road Maintenance 2056, Department of Local Infrastructure Development and Agriculture Roads, Ministry of Local Development, His Majesty's Government of Nepal, Kathmandu.
- NSRID (1997): National Strategy for Rural Infrastructure Development, His Majesty's Government, Ministry of Local Development, Department of Local Infrastructure Development and Agriculture Roads, DoLIDAR, G.P.O. Box No 8975, EPC 797, Kathmandu, Nepal.
- PDDP (2002): Participatory District Development Programme, PDDP - Putting the People First, NPC/MLD/UNDP/NORAD, NEP/95/008, Kathmandu.
- POD (2003): Program Operation Directives, Decentralized Financing and Development Programme, Ministry of Local Development/United Nations Capital Development Fund, NEP/99/CO1, Third Edition-August 2003.
- RRMNP (2000): Rural Road Maintenance National Plan, 2056, HMGN, Department of Local Infrastructure Development and Agriculture Roads, Ministry of Local Development, Kathmandu, Nepal.
- UNCDF (1995): Taking Risks, United Nations Capital Development Fund, Two UN Plaza, New York.
- UNCDF (1999): Project Design Document, Local Development Fund, United Nations Capital Development Fund United Nations Development Program His Majesty's Government of Nepal, Ministry of Local Development, Kathmandu, Nepal, NEP/99/CO1.
- UNCDF (2002a): Back-to-Office Mission Report, Roger Shotton, February 2002
- UNCDF: (2002b) Redefining Project Strategy, Mike Winter's Mission Report, June 2002
- UNCDF (2002c) Affirmative Action for dalits and Women, Lessons Learned from DFDP, August 2002
- UNCDF (2002d) Developing an Allocation Formula for DFDP and Implications for the Design of a System for Intergovernmental Relations in Nepal, Jamie Boex, Georgia State University, October 2002
- UNCDF (2003a) Outline of Possible Support to LBFC and MLD, June 2003
- UNCDF (2003b) UNCDF Strategy in the Absence of Local Elected Bodies, September 2003
- UNCDF (2003c) Support to Elaboration of ToR for Expenditure Assignment Study and Preparation of DFDP pilot initiative: Minimum Conditions for Fund Access and Performance-based Budget Allocation (draft report), Jesper Steffensen (Nordic Consulting), Yadab Chapagain (HURDEC) and K.K. Bista (Finance and Allied Consultations Pvt., (October 2003)