

**Final (Version 3)  
Terms of Reference**

**Joint Assessment of  
Local Governance and Community Development Programme**

**1.0 Introduction and Executive Summary**

The Ministry of Local Development of the Government of Nepal has presented a National Programme for “Local Governance and Community Development” (LGCDP) to international development partners. Initial reactions to the proposed Program Document, dated 14<sup>th</sup> March 2008, have been positive. A large group of partners (DFID, NORAD, UN-system, ADB, CIDA, DANIDA, SDC, GTZ, and the World Bank) have indicated a wish to support the program and preliminary pledges in terms of financial support have been made by most<sup>1</sup>. MLD has presented an improved, updated version of the Document, dated 17<sup>th</sup> April, in a meeting held on 18<sup>th</sup> April.

The MLD has welcomed the idea, presented by Danida, of a joint government-donor assessment, which may lead to further improvements of the program document. The timetable of MLD<sup>2</sup> stipulates a formal endorsement of the final program document by GON and donors around 31<sup>st</sup> May 2008 to enable the program to be launched on 16<sup>th</sup> July 2008.

This Terms of Reference (Version 3 – Final) for the Joint Assessment has been prepared based on comments received to the first two versions, dated 8<sup>th</sup> and 18<sup>th</sup> April respectively. It is proposed that a Team of Experts as specified in point 6.0 below undertakes the assessment, reporting to a Reference Group that includes representatives of the government, civil society and development agencies. Annex 1 includes a list of Members of the Reference Group nominated by various stakeholders.

**2.0 Background**

**2.1. Decentralisation and Local Governance Development in Nepal**

In 1990 a People’s Movement culminated with the King dissolving the prevailing partyless system of Panchayat government accepting a new constitution based on a constitutional monarchy and parliamentary democracy. Multi-party elections were held in May 1991, but subsequent governments have been short-lived with the Nepali Congress Party (NC), Nepal’s communist party (Unified Marxist-Leninist, CPN/UML), or various coalition governments in power.

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<sup>1</sup> The World Bank has participated actively– and itself organised some – of the consultations and workshops, which led up to the presentation of the National Program. The Bank is considering how best to support the Government in this regard. It has indicated a wish to study an updated, improved version of the Program Document before committing support.

<sup>2</sup> Timetable presented by MLD in the Consultation held on 2<sup>nd</sup> April 2008 (slide 11: The Way Forward)

Decentralisation was a guiding principle in the 1991 Constitution. Towards that end, three separate Acts in 1992 established the Village Development Committee, the Municipality and the District Development Committee as democratically elected local government bodies with defined organizational structures, responsibilities and functions. The vision of democratic local government with greater responsibility for development and service provision was further developed in the Local Self-Governance Act (LSGA) of 1999 and a series of accompanying regulations. This legal framework has increased the authority and responsibilities of the local bodies and increased the devolution of administrative, judicial and fiscal powers to the local elected bodies.

From 1996 to 2006 Nepal went through a violent conflict between the Maoist movement, the monarchy and traditional political parties, which claimed more than 13,000 lives. In November 2001 Nepal was declared in a state of emergency after the Maoists withdrew from peace talks and returned to armed conflict. This was superseded by the suspension of the lower House of Representatives, the further postponement of national elections and a cabinet appointed by the King to govern the country. In June 2002 the Local Bodies (LBs) latest five-year period of office came to an end. Although there were no local elections held, the mandate of the existing LBs was not extended. In the meantime, in the absence of elected VDCs and DDCs, local government has passed into the hands of the administrative departments. At district level this is organised under the chair of the Local Development Officer (LDO) and at the VDC level by the VDC Secretary.

After a long struggle and the historic second People's Movement in April 2006 a peace process was initiated, which led to the signing of a comprehensive peace agreement (CPA) in November 2006 and a new Interim Constitution was promulgated in January 2007. The process has been marred by lack of progress due to mistrust and lack of cooperation between the parties. In addition, new forces have emerged in the lowlands (Madhes) and among ethnic minorities, claiming a share in power, often using violent means. The political situation still remains volatile. A 23-point agreement concluded between the seven political parties, including the Maoists, over Christmas 2007, has paved the way for election to a Constituent Assembly, which was held on 10th April 2008.

There is agreement between the main political parties to turn Nepal into a Republic and a Federal State. The details will have to be worked out by the Constituent Assembly. The aim would be to bring an end to discrimination based on class, caste, language, sex, culture, religion and region. The organisational structure, its forms and geographical area as well as the formation process of the local self-governance bodies shall be provided for in the new Constitution and the associated legal and institutional framework.

This political context has served to focus attention of Nepal's development partners on the need for both short-term and long-term strategies. The importance of re-establishing

national governance through well-functioning democratic local government bodies, in line with current government policy, cannot be overestimated. Support to the decentralisation process is an integral part of conflict resolution and the subsequent reconciliation process. It is also a necessary condition for the Nepal's poverty reduction strategy to succeed in its aim of reducing the inequities and inequalities experienced by large sections of the population.

## **2.2. International Support for Decentralisation and Local Governance Development in Nepal.**

In early 90's just after the restoration of democracy, Decentralisation Support Programme (DSP) of UNDP in cooperation with National Planning Commission (NPC) introduced capacity building of selected DDCs on experimental basis, which led to the introduction of Participatory District Development Programme (PDDP) and the Local Governance Programme (LGP). PDDP was initiated in 1995 to promote decentralised local development in 30 districts. LGP was implemented in 1996 to replicate PDDP activities in additional 30 districts. PDDP/LGP aimed to empower people to participate in decision-making that affects their lives and to enhance their capacity to mobilise and channel resources for poverty alleviation.

Decentralised Local Governance Support Programme (DLGSP) funded by UNDP and Norway succeeded PDDP and LGP. It focuses on capacity building of local bodies and effective service delivery at the grassroots level with strong emphasis on improving livelihood and empowering ultra poor, ethnic minorities and women.

Decentralised Financing and Development Programme (DFDP) initiated in 1999, was supported by UNCDF and DFID, and its objectives were to reduce poverty through the implementation of small-scale infrastructure projects and to support the local governments to provide services in accordance with the Local Self-Governance Act (LSGA) in an efficient, accountable and transparent manner.

The DALAN-programme (Danish Support to Local Authorities in Nepal), which ran from 1993 to 1998, supported the High Level Decentralisation Coordination Committee (HLDCC) to prepare Nepal's decentralisation policy, which became the basis for LSGA. The DASU programme (1999-2005) supported the establishment of local government associations, capacity building of local bodies and the Local Bodies Fiscal Commission.

SNV has supported the Mechi Hill Development Programme (MHDP) since 1987 which focussed on strengthening district level institutional capabilities in planning and implementation of local initiatives. The objectives were to strengthen district-based NGOs to assist village groups to analyse problems and potentials to take initiatives to address them; and to enhance the capacity of DDCs and VDCs to plan, monitor, coordinate and support development in which local initiatives are integrated. SNV has supported similar programme in the Karnali Region as well.

The Swiss Agency for Development and Cooperation (SDC) has supported decentralisation through the “Local Self-Governance and Decentralisation Programme” in partnership with the Nepal Law Society (NLS) since 1992. SDC support to “Strengthening DDC Kavre district in Local Governance through Training and Support of Village Technicians” began in 1998. SDC has contributed to the formulation of the key development policies and has fostered decentralisation at district and local level, focusing on democratic development and participation.

The World Bank and the Asian Development Bank have been more oriented towards improving the climate for business, financial management, public enterprise efficiency, civil service reforms, rural infrastructure development, environment and resource management and women and development in general than focussing on local government. Both Banks have identified reforms in financial and fiscal development, public sector management, poverty alleviation, promotion of predictability and the rule of law, investment in infrastructure, and the protection of the freedom of press and human rights.

The German Cooperation (GTZ/KfW) is supporting Governance and Community Development through the programmes Urban Development through Local Efforts (UDLE) and Poverty Alleviation in selected Rural Areas of Nepal (PASRA). The main purpose of UDLE is to increase the capacity of municipalities to plan and manage urban development. It also contributed to Town Development Fund, supported the MLD and the Ministry of Physical Planning and works to prepare municipality act. PASRA contributes to the improvement of local service delivery through support to local Government, community organisations and private service providers. Present funding of both Programmes is until the end of 2010.

The Embassy of Finland has created a local fund for "Democracy, Good Governance and Human Rights" and many other International Agencies, including INGOs and various UN-agencies, have worked in the field of decentralisation and local governance. A pertinent example is the “Decentralized Action for Children and Women (DACAW) implemented with support from UNICEF and NORAD. The objective of DACAW is to build the capacity of families, communities, local bodies and duty-bearers to plan, implement and monitor to realise rights of children and women. MLD is the main government implementing partner of DACAW.

### **3.0 Objectives**

The “Joint Assessment” will review the proposed “Local Governance and Community Development Programme (LGCDP) (version, dated 17<sup>th</sup> April 2008) presented by Ministry of Local Development, and make recommendations with regard to

- ✓ Further improvements of the Program Document (see details in 4.0 below)
- ✓ How best the international partners can support the LGCDP

- ✓ Institutional arrangements for program management, including the strengthening required of MLD and sub-national levels of Government to start-up and implement the program.
- ✓ The Way Forward in terms of Priority Actions during the Approach Period (15<sup>th</sup> May to 15<sup>th</sup> July) and during the Inception Period, which is proposed to be the first six months after the launching of the Program.
- ✓ How best the proposed program will yield results for children, young people, women and disadvantaged in terms of fulfilment of their rights.

#### **4.0 Scope of Work**

The Expert Team will analyse the policy context of the LGCDP, in particular the way LGCDP relates to current political movements towards federalism and state restructuring and the contribution LGCDP can make to the promotion of gender equality (GE), social inclusion (SI) and consolidation of the peace process. In addition the Expert Team will focus on the following seven key areas:

- Flow of Funds, the Block Grant Strategy and Fiduciary Risks
- The capacity of MLD at national and district level to manage the Program, and in the context promote GE/SI – Is an institutional appraisal required, if yes: how and when?
- The downward accountability strategy and the proposed mechanism for enhancing civil society engagement in governance advocacy and monitoring as well as in service delivery
- Demand side strengthening, including social mobilisation, participation in decision making, allocation of resources and outsourcing mechanisms
- The operational architecture of the Program and strategies to ensure transparency, accountability and buy-in to the program from line ministries, political parties as well as NGOs/INGOs.
- Joint Funding Arrangements to support the program and requirements in terms of technical assistance.
- The Log-frame, including GE/SI responsive results and proposed indicators. In-build learning and joint monitoring and reporting mechanisms and procedures for program adjustments.

#### **5.0 Outputs and timing of the Joint Assessment**

The Joint Assessment will be undertaken from 21<sup>st</sup> of April to 9<sup>th</sup> May 2008. The Team Leader will arrive on 16<sup>th</sup> April to have initial briefings and to do mission planning. On 18<sup>th</sup> April MLD organised a meeting to present the updated version of the Program Document and to discuss the Terms of Reference of the Joint Assessment. The minutes of the meeting (draft, dated 18<sup>th</sup> April 2008) is included as Annex 2 to the TOR.

The Team of Experts will prepare a “Joint Assessment Report”. Concurrently the MLD Task Force will work on updating of the Program Document. The main findings, conclusions and recommendations of the assessment will be presented to the Reference

Group and, if appropriate, endorsed by the Group in a meeting scheduled for Thursday the 8<sup>th</sup> of May at 10.30 am. The Draft Assessment Report will be circulated for written comments on 15<sup>th</sup> May and the final version, for which the Team Leader will be responsible, will be submitted before 25<sup>th</sup> of May, allowing MLD to amend the Program Document as appropriate, before the end of May.

## 6.0 Team Composition

A Team of Experts, supported by a Reference Group will conduct the Joint Assessment. The **Expert Team** will include the following eight members:

- Jesper Steffensen, (Team Leader) who is a political scientist and public finance management expert, specialized in fiscal decentralization, revenue generation, systems and procedures in relation to flow of funds
- Hans B. Olsen, (Team Member) who is a political scientist and local governance expert, specialized in capacity development of local authorities and strengthening of civil society to monitor and advocate for better local governance
- Jaya Sharma, (Team Member) who is a gender and social equality expert with substantial experience in community based development, social mobilization of marginalized groups and women's political participation
- Ramji Neupane (Team Member) who is a rural development and conflict transformation expert with substantial experience with regard to reconciliation and peace building as well as programming in a conflict environment
- Mike Winter, (Team Member) who is a capacity development expert who brings substantial regional experience to the team with regard to the design, management and monitoring of local governance development programs in many Asian countries
- Laxman Rajbhandari, who is a municipal development expert with many years of experience in supporting not only VDCs and DDCs but also municipalities in Nepal
- Surya Acharya, (Team Member) Under-Secretary, Ministry of Local Development, who is an expert on community development, governance, decentralisation and social mobilisation.
- Purna Chandra Bhattarai (Team Member), Under-Secretary MLD/LBFC, who is an expert on fiscal decentralisation, governance and participatory planning.

Hikmat Bista and Alexandra Walcher will serve as resource persons to the Expert Team. In addition a **Reference Group** has been established, jointly chaired by Joint Secretary MLD (Som Lal Subedi) and Programme Coordinator of DanidaHUGOU (Lars P. Christensen), to follow and support the work of the Expert Team. The MLD Task Force, updating the Program Document, will be co-ordinated by Mr. Kapil Dev. Ghimire. The Reference Group have representatives of GON, including MLD, NPC and Ministry of Finance as members, as well as members representing ADB, the World Bank (to be confirmed), DFID, the Embassies of Norway and Denmark, GTZ, CIDA, SDC, various UN-agencies and programs, and representatives from ADDCN, NAVIN and MUAN. Annex 1 includes a list of members of the Reference Group with their

institutional affiliation indicated. The Reference Group will meet 3 times during the course of the Joint Assessment to (a) discuss the Inception Report of the Expert Team and voice priorities and concerns of various stake-holders; (b) to discuss key issues, presented to the Reference Group by the Expert Team, and (c) comment on the final presentation by the Team of findings, conclusions and recommendations.

## **7.0 Background Documents**

- Assessment of the context for decentralisation and local governance in Nepal; Report commissioned by UNCDF and UNDP, April 2006
- Overview study of IGA: Kapilvastu and Ramechhap Preliminary findings, (presentation) by Mary Hobley and Bimala Rai Paudyal, 28 February 2008
- Local Governance & Community Development Programme (LGCDDP), Draft Programme Document, GoN, 2008
- DASU Programme Completion Report 2005
- Interim 3 year Plan of Nepal, 2008
- Interim Constitution of Nepal, 2063 (2007)
- Report from a Reconnaissance Visit to Madhesh/Terai, DanidaHUGOU, April 2008
- CIDA's consolidated lessons learnt document
- "UNICEF and Decentralization in Nepal" by Jagdish Pokharel
- "Mobilizing for Children in Nepal – Decentralized Action for Children and Women in Nepal" a DACAW-review, commissioned by the Royal Norwegian Embassy in Kathmandu, December 2006.

**Version 3, 23rd April 2008**

Annex 1 to Terms of Reference

**Members of Reference Group for the Joint Assessment of LGCDP**

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<sup>3</sup> To be confirmed