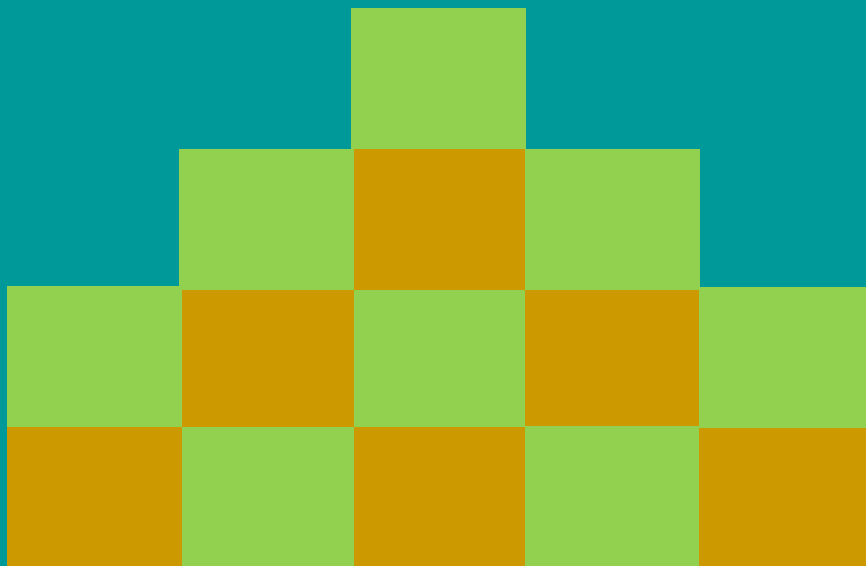




Capacity Development Strategy for the Local Governance and Community Development Programme II

Prepared for the Ministry of Federal Affairs and Local
Development (MoFALD), Government of Nepal, with
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Executive Summary

The Local Governance and Community Development Programme (LGCDP II, 2013-17), a successor of LGCDP I (2008-13) is a multi-donor (14) supported programme. It is administered by the Government of Nepal (GoN) through its Ministry of Federal Affairs and Local Development (MoFALD). The overarching goal of LGCDP is to contribute towards poverty reduction through better local governance and community development. The Output 5 of the program focuses on capacity development (CD).

The Focused Evaluation of LGCDP I (2012), acknowledged the programs' major contribution in strengthening the service delivery capacity of the ministry at national and local levels without having capacity development (CD) as strong feature of the programme. During this phase, the CD meant supply of numerous ad-hoc training without overall coherence and coordination among outputs, outcomes and major stakeholders. Evaluation also highlighted that CD was not fully institutionalized within MoFALD structures.

The purpose and rationale for the assignment to develop CD strategy was to propose a comprehensive strategy of how to achieve the output 5 as proposed in the project document of LGCDP II.1 A team of two national experts and two international experts (intermittent) were assigned to undertake the tasks of preparing the CD strategy.

The objective of the study was to assess the present context and propose ways for "Harmonization of existing CD mechanisms within the nine outputs of the LGCDP; ensuring quality, complementarity and comprehensiveness from national, LBs and community vis-a-vis supply and demand sides".

LGCDP I had placed a heavy emphasis on a limited definition of CD or ad-hoc training delivery. This practice resulted into difficulties to objectively take stock, harmonize and consolidate - CD gains - achieved over the past years.

Documents, database, review reports etc. were extensively consulted including one-to-one interviews, focus group discussion, group interviews and workshops. Field visits were also carried out by the two national experts. Many field realities surfaced including heavy pit-falls in the process to institutionalize CD practices in real sense. There were also overwhelming suggestions to make it more pragmatic and result-oriented. At the sub-national levels many (but not all) understood CD as the LGCDP grant to develop and implement CD Plan in DDCs and Municipalities which turned out to be misused for refurbishment related expenses too (we do not wish to generalize this statement). Nevertheless, CD Plan were not prepared professionally (even cut-paste incidences were seen). We found that consultants were hired and DDCs and Municipalities were not well aware of what to expect and how should the process be facilitated. The initiation itself, in the name of CD Plan, had gone wrong.

This strategy takes capacity as a change process as has been stressed in the LGCDP II. This strategy stresses on three key elements of CD for analysis and recommendations such as (1) Individual

¹ There are seven indicative activities under this outcome. In this regard the TOR mentioned to look into the five areas as well; (i) PPSF and its replacement by PRF of MoFALD (ii) MCPM (iii) implementation of TA (iv) involvement and roles of Local Bodies' Association (LBAs) and (v) reorganization of LDTA.

Human Resource Development (HRD), (2) Organizational Development, and (3) Systems and Network Development. These are the major areas for any CD strategy and are inter-related.

Harmonizing and consolidating CD initiatives on the ground, requires a robust strategic framework, a common understanding of CD and its ownership. This CD strategy therefore aims at bridging capacity gaps identified while infusing ownership of the strategy at all levels of governance, as well as among the galaxy of stakeholders with divergent interests, focuses and priorities.

Everything cannot be achieved within a given timeframe. Hence, a decision was made to identify five major entry points as the means to achieve expected CD results within the life time of the program - LGCDP II (2014-17). It was agreed (also in the workshop of 63 MoFALD officials including the Secretary) that intensive support to these five entry points can bring about tangible and good results by the end of the project. They are i) Ministry of Federal Affairs and Local Development (MoFALD) including DoLIDAR, LBFC and RCUs, ii) Local Development Training Academy (LTDA)/Rural Development Training Centres (RDTC), iii) Local Bodies' Associations (LBAs)/ Local Bodies (LBs), iv) Social Mobilisers (as an entity), and v) Service Providers (SPs) - national Service Providers and Local Service Providers (NSP/LSP). These entry points are strategically critical and their empowerment is essential for sustainability of CD support, empowerment, accountability and ultimately quality service delivery to the people.

This strategy also emphasizes on consolidating and building further on the lessons learnt and good practices recorded in the past. Unwanted transfer of civil servants is a reality which hinders smooth transition of institutional practices (good) and memory in right perspectives. Pre-entry orientation, overlapping period of one month and archiving are some of the remedial measures which could be made a performance standards for any in-coming and out-going staffs.

The Outcome Coordinators and Output Managers (OCs/OMs) are required to perform two sets of functions - ministry specific and LGCDP related (with heavy loads). Similarly, the PCU experts are faced with challenges of overlapping responsibilities i.e. thematic and administrative. It affects their performance and delivery and not disregarding possible effect on their level of motivation. CD strategy recommends rectifying this context by placing PCU experts to the related divisions as opposed to their tight-affiliation with the PCU. This will develop and empower the divisions and also facilitate better in coordination/harmonization on CD areas and also reduce the burden of responsibilities of the OC/OM.

LDTA needs revamping on its structure. Transformation of LDTA into a Knowledge Centre is a must for providing quality assurance and training related services that are inevitable for a robust governance system. Besides, there are many service providers in the open market providing similar services under a competitive price. LDTA/RDTCs were also not found capable to compete in open market. Nevertheless, it still needs a good support from LGCDP for its transformation process (transition).

MCPM's relevance is evident and on the rise. Yet, it is also becoming important to factor MCPM in other provisions - good governance tools, social accountability, citizen's cards, and performance of LB sections and staffs. Some of these provisions are already being executed by the LGCDP through various outputs. Additional activities in the area of result based management, assessment of LB's

organizational structures, restructuring of taxation systems etc. are planned within the life time of the project. Therefore, it is recommended that additional indicators are also included in the MCPM. However, to address the challenges associated, a joint preparatory plan is designed by all outputs for coordination and smooth transition.

As a matter of high priority, ensure that VDCs have accountants and technical person to support in infrastructure planning and development. Explore three options in this regard following differential priorities. Firstly option, capacitate the available staff of the VDC by providing intensive training. Secondly, explore the possibility of linking the VDCs with the private sector /technical institutes in receiving such services on periodic basis to meet the standards and requirement of the government. Some VDCs as cluster have begun to hire engineering firms to get support in technical matters. Review such practices and if found appropriate encourage this practice with appropriate monitoring mechanism. The third option (very vital) is to allocate at least three staffs in each VDC i.e. one full-time accountant, one full time office assistant and one part-time technical staff.

Develop a cadre of specialized local trainers/resource persons in each district who can be mobilized by the RDTC/RCU/LBAs on fast track basis for rendering CD support to the LBs particularly the VDCs. Such resource persons can be drawn from the academic institutions, private sector (such as the engineering firms/public accounting companies or associations etc.) and civil societies engaged in local development. Additionally, the present and/or upcoming roster of local resource persons can help.

Support each DDC and municipality to develop its intra-institutional CD plan as a basis for all CD interventions. Ensure that such plans factor the three elements: system and network, organization and individual for focused initiatives and activities.

Reactivate HRDC at the DDC level and make it a responsible arrangement for CD planning and management. Allocate a feasible amount of DDC fund to the HRDC account for co-funding the CD activities. Do the same at municipalities as well.

Finally, Knowledge Management (KM) has been found a crux for understanding the essences of LGCDP II and the expected achievements in the form of transcribed good governance practices in the country. KM practices need to be expanded at national, regional and district levels vertically and horizontally. Even the WCFs and CACs need to share their experiences with a view to institutionalize the sharing, supporting, planning and implementation mechanism for the common cause. VDC for them could be a best platform. Besides, RCU must be mandated to coordinate all KM related activities in their respective region. Similarly, lead must rest in the hands of the PCU team and ultimately MoFALD.

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Glossary of terms

CA	Constituent Assembly
CAC	Citizens' Awareness Centre
CCU	Cluster Coordination Unit
CD	Capacity Development
CSO	Civil Society Organization
DDC	District Development Committee
DDF	District Development Fund
DDP	District Development Plan
DIMC	Decentralization Implementation and Monitoring Committee
DoLIDAR	Department of Local Infrastructure Development and Agricultural Roads
DP	Development Partner
DSMC	District Social Mobilisation Committee
DTO	District Technical Office
GON	Government of Nepal
GIZ	German Society for Technical Cooperation
HRD	Human Resource Development
HRDC	Human Resource Development Committee
NGO	Non-Governmental Organization
LA	Line Agency
LB	Local Body (Refers To All Levels of Local Government)
LBA	Local Body Association
LBFC	Local Bodies Fiscal Commission
LDTA	Local Development Training Academy
LG	Local Government
LGAF	Local Governance Accountability Facility
LGCDP	Local Governance and Community Development Programme
LSGA	Local Self Governance Act 2056 (1999)
LSP	Local Service Provider
M&E	Monitoring and Evaluation
MCPM	Minimum Conditions and Performance Measures
MDF	Municipal Development Fund
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development
MOGA	Ministry of General Administration
NGO	Non-Governmental Organization
PCU	Programme Coordination Unit
PFM	Public Financial Management
PPSF	Policy and Programme Support Facility
PRF	Programme Recruitment Facility
RCU	Regional Coordination Unit
RDTTC	Rural Development Training Centre

RTC	Regional Training Centre
SIP	Strategic Implementation Plan
SM	Social Mobilisation
SMs	Social Mobiliser
TOR	Terms of Reference
UNDP	United Nations Development Programme
VDC	Village Development Committee
WCF	Ward Citizen Forum

CD Strategy

I. Introduction

This document aims at framing a Capacity Development (CD) strategy for the LGCDP II with coherent and harmonized CD strategic objectives to facilitate effective service delivery, local development and citizen empowerment (purpose of the project, as stated in the programme document).

The proposed CD strategy is based on rapid capacity assessments conducted by a team of two national experts and one international expert. The recommendations and identified priorities are grounded in capacity gaps found by them during field visits and at stakeholders meetings held at national and local levels. Overall, the strategy has captured the main challenges and opportunities for formulating and executing capacity development support to stakeholders -national institutions, Local Bodies (LBs) and of the communities, without, however, clustering them separately from the demand and supply sides since they all are, to a large extent, recipients of CD support. Consequently, this strategy should be used as a strategic framework to guide the preparation of detailed CD operational programmes. In essence, it is a working document that needs regular review, update and revision. First and foremost, it provides strategic directions to 'where', 'how' and 'what' CD should focus on in the years ahead, taking into consideration the emerging trends in local governance and decentralization in Nepal.

Slightly elaborative is a chapter under "implementation arrangements" that spells out the indicative plan of operation (activities). They are indicative in the sense that further detailing is necessary at the time of annual planning exercises.

To-date, LGCDP has placed heavy emphasis on a narrow definition of CD or ad-hoc training delivery. This practice has resulted into difficulties to objectively take stock, harmonize and consolidate - CD gains - achieved over the past years. Hence, LGCDP II has recognized the need to frame a holistic CD strategy to rectify existing limitations. The proposed CD strategy therefore will facilitate LGCDP II to make a shift in conceptualization and implementation of CD activities (since the short time span is given i.e. 2017). The proposed shifts by this CD strategy are:

- Identification of five Key entry points or the key stakeholders, namely, i) Ministry of Federal Affairs and Local Development (MoFALD), ii) Local Development Training Academy (LTDA)/Rural Development Training Centres (RDTC), iii) Local Bodies' Associations (LBAs)/ Local Bodies (LBs), iv) Social Mobilizers (as an entity), and v) Service Providers (SPs)-national Service Providers and Local Service Providers (NSP/LSP). These entry points are strategically critical and their empowerment is essential for sustainability of the CD support and service delivery.
- Strategic focus particularly on the systems, networks and organizational levels of CD, rather than individual centered CD initiatives
- Emphasis on consolidating and building further on the lessons learnt and good practices recorded,
- Advocacy for a sequenced capacity development approach, best adapted to diverse expectations and needs of stakeholders at all levels, and
- Furthermore, it recognizes that a great deal of CD investments and efforts have been made, and hence also attempts to leverage on lessons-learnt from them.

Harmonizing and consolidating CD initiatives on the ground, requires a robust and overarching strategic framework, a common understanding of CD and its ownership. This CD strategy therefore aims at bridging capacity gaps identified, and enters into the process by calling for the main entry points to clarify their roles, functions and expectations in relation to CD, while infusing ownership of the strategy at all levels of governance, as well as among the galaxy of stakeholders with divergent interests, focuses and priorities. Ownership is definitely a collective mission of the GoN especially MoFALD, Line Ministries, DDCs, Municipalities, VDCs, and so forth. Role of the DPs in this context even becomes greater from results and impact perspectives.

Promoting inclusive democratic local governance and participatory local development in Nepal is complex and challenging due to high plurality of actors - government, LBs, international partners and civil societies - engaged in this process without having a common vision, collectively accepted CD framework and objectives thereby. Hence, in order to streamline the fragmented CD initiatives for consistency, coordination, focus, mutual accountability, measurable gains, results and impacts, a holistic CD approach is imperative, and this is what the proposed CD strategy has aimed for. Most importantly, this strategy expects the whole-of government to own², steer and lead the process of CD by fully engaging the key stakeholders and by gradually gaining their trust and confidence. Hence, a shared understanding of CD among all CD stakeholders is a key building block.

The core recommendations (in the form of what to do next) and proposed in this CD strategy, are formulated in the CD matrix (framework). Major recommendations are further elaborated in the Indicative Plan of Operations of the CD Strategy (chapter VII). The matrix is the main part of the CD strategy as it presents the detailed strategic CD framework which should guide the project and CD stakeholders in order to formulate their own priorities as well as to harmonize future CD operational programmes. Evidently, the proposed CD strategy is not an exhaustive list of the whole gamut of CD tools applied in the case of local governance and local development, but rather, it is a focused framework for CD actions to be coordinated, articulated and harmonized for achieving intended objectives and outcomes.

The underlying principles behind this proposed strategy are based on the LGCDP “Theory of Change”, with one exception: CD is not viewed as a stand-alone output, but as a cross-cutting horizontal theme. CD is understood as a pre-requisite for meeting the LGCDP II outcomes; accountable governance, responsive local bodies, efficient and effective public service delivery, and conducive policy and institutional frameworks. Apparently, these outcomes can be achieved collectively only with a common and robust CD framework.

Finally, the strategy outlines and recommends implementation and coordination arrangements, aiming to reinforce leadership, steering and ownership of the CD strategy at all levels of sub-national governance and above all, to infuse a culture of change within and across the stakeholders. It is thus expected to mitigate the complexities and confusions inherited by the previous phase of LGCDP, and concurrently contribute towards coordinated and harmonized provision of CD services with minimum duplications and overlaps. The expected results of the proposed institutional

² For example, the parallel roles of the municipalities and Municipal Development Committee on urban planning and development, similarly, issue of coordination between the District Technical Office (DTO) and office of the Roads or the local women groups/networks promoted by the Women Development Office etc.

arrangements are to ensure efficient and results-oriented management, monitoring, oversight, and reporting of the LGCDP CD plan.

Study Process: The purpose of the assignment to develop CD strategy was to elaborate for Ministry of Federal Affairs and Local Development (MoFALD)/LGCDP II management, a comprehensive strategy of how to achieve the LGCDP output 5 proposed indicative activities.³ A team of two national experts and two international experts (intermittent) were assigned to undertake the assignment of preparing the CD strategy.

As per the TOR the study process consisted of:

(i) Literature reviews (LGCDP/govt. policies, legislative and regulatory frameworks, various reviews and studies from experts/international partners) for guidance for developing the strategy.

(ii) Consultation process:

- Inception report prepared and submitted to government and donor partners (DP) for input and feedback (this has been the main guide for implementing study processes)
- Consultations with national institutions : with the key officials of government stakeholders (MoFALD/, Local Bodies' Fiscal Commission (LBFC), LGCDP leadership and experts, Director and staff of Directorate of Local Infrastructure and Agricultural Roads (DOLIDAR), Fiscal and Financial Comptroller General's Office (FCGO), Auditor General's Office (AGO), National Planning Commission (NPC), Local Development Training Academy (LDTA), CTEVT run Technical School etc.
- LBAs (Local Bodies Associations): Association of District Development Committees of Nepal (ADDC/N), National Association of Village Development Committees of Nepal (NAVIN) and Municipalities Association of Nepal (MUAN)
- Consultations with Regional Coordination Units (RCUs), RDTA (Rural Development Training Centres) and U/DGE (Urban/District Governance Experts); RCUs (6) professionals, RDTA (6) and CTEVT
- Field visit: The team covered all regions - DDCs (11); Municipalities (8), VDCs (12); WCF (26 approx. 320 members); CAC (24 approx. 160 members); Social Mobilizers – over 90; VDC Secretaries (11 groups and over 150 individuals). Consultations at the DDCs (District Development Committees) and municipalities were either organized separately with staff only and /or together with the Local Development Officer (LDO) and Executive Officer (EO) depending upon the situation. Similarly, at the municipality level separate meetings were organized with the Ward Secretaries. At the VDCs also, wherever possible, separate consultations were organized with the WCF/CAC (Community Awareness Centre) and joint consultations with the VDC staff.
- Individual and focused group discussions: they were done based on a set of checklist prepared for specific target group/s (queries on - mandates, functions, management/OD/HR, CD Plan, MCPM, PFM, planning and accountability...). In most of the cases guided questions were raised from positive note – what positive change have you experienced?

³ There are seven indicative activities under this outcome. In this regard the TOR mentioned to look into the five areas as well; (i) PPSF and its replacement by PRF of MoFALD (ii) MCPM (iii) implementation of TA (iv) involvement and roles of Local Bodies' Association (LBAs) and (v) reorganization of LDTA.

(iii) Sharing of the Findings:

- Events organized to share the findings and CD matrix with the MOFALD/LBAs and related stakeholders
- MoFALD workshop at Everest Hotel (63 officials including the Secretary) - presented major findings and received inputs
- Draft report circulation for scrutiny and inputs: government, donor partners and related stakeholders
- Presentation of the findings at the DP meeting separately for feedback and
- Update and consolidation of the report.

(iv) Limitations of the Study: The study has following limitations:

- It does not address the issues relating to federalism and state restructuring implications: as these developments are in the process and vast uncertainty prevails,
- It focuses sharply on output 5, however, links the associated recommendations with other outputs as well considering that CD is an overarching element,
- Could not provide separate costing for the CD strategy and its implementation, rather links the activities with various LGCDP outputs for funding, since it is a huge task in itself – database is not enough to say what kind of system/organizational/individual development for whom and how much would it cost, and
- Only identifies options that may be considered for policy decisions relating to the PPFs and PRF.

II. Understanding of CD within the scope of this strategy - Principles and fundamentals

Capacity development is defined, across this strategy, as “the processes whereby people, organizations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time (OECD/DAC)”. It is “about transformations that empower individuals, leaders, organizations and societies” and “focuses on empowering and strengthening endogenous capabilities” (UNDP). It is, in essence, a process of change, requiring long-term investments, but is not an exact science. Consequently, sustaining capacity development efforts require a genuine mix of CD tools to be unleashed, in order to empower stakeholders, transfer skills and knowhow, and to maximize learning outcomes.

This CD strategy pre-supposes a number of conditions for effective implementation:

- Periodic review and refinement of the strategy, as and when needed;
- Local Bodies’ service act to be enacted;
- National policies on gender, child friendly, environment friendly and inclusive local governance are integrated and applied within the CD strategy;
- Stakeholders’ consultations and inclusion in all stages of the strategy;
- Ongoing political momentum to local governance reforms including well-articulated provisions on LBs in constitution making and state re-structuring processes
- Ownership of the CD by the stakeholders, and,
- Continuous support from development partners.

First and foremost, this strategy assumes that local elections will take place restoring the (currently missing) legitimacy and leadership of the elected representatives in local governance architecture. This will make important shifts in the management of the LBs, particularly in areas of accountability and service delivery to citizens. Similarly, with elections, the elected representatives will also become accountable to the CD process as they have the mandate to articulate and execute CD interventions at system/network, organization and individual levels within the LBs and other good governance mechanism and actors involved in it. Hence this strategy is forward looking and tries to address the changes that will come even after the elections. Hence, it is a generic foundation for forward-looking capacity development strategy on local good governance.

Capacity development is promoting and nurturing a culture of change. It requires long-term investments together with deliberate and gradual consolidation of CD gains for making system, organizations and individuals ready for the change processes. Any, CD strategy should also be futuristic or transcend beyond the project framework. Although, this CD strategy is aligned with the life of LGCDP II, yet in many cases it goes beyond. It recognizes the achievements of LGCDP I and builds on them to inject coherence, consistency and harmony in approach for CD. Thus the long-term outlook has been based on key building blocks such as:

- Comprehensive and cohesive approach to CD that takes into account organizational dynamics and enabling conditions;
- Leadership ensuring individuals and institutions assuming greater accountability in the attainment of agreed development goals;
- Systems and networks that allow individuals and institutions to deliver on their responsibilities and mandates;
- Inclusive participation of stakeholders at all stages of the strategy; and
- Gradual improvements in public sector performance and in delivering services to the people.

This CD strategy embeds all these fundamental pillars, and is articulated as per three key complementary and inter-connected dimensions:

Individual level CD	Organizational level CD	Systems & networks level CD
<p>Promoting individual learning capability, self-reflection, and discussion of values, abilities and skills (skills development).</p> <p>-----</p> <p>Purpose: Providing training courses, coaching, workshops, seminars, and individual-led capacity development events, in order to develop attitudes, motivation, action strategies, abilities and skills in key competency areas, including functional and technical topics.</p>	<p>Supporting organizational learning, reviewing structure, managing change and support to improve performance, results and flexibility of organizations.</p> <p>-----</p> <p>Purpose: To support change management, via: agreement on vision and system boundaries, processes and procedures streamlining, planning and steering, optimal resource management and staff structures, internal rules and routines, knowledge management.</p>	<p>Improving cooperation and communication in networks and system level in order to build appropriate legal, political, policy, and socioeconomic frameworks.</p> <p>-----</p> <p>Purpose: To develop and to strengthen cooperation between organizations and networks for knowledge exchange and policy coordination. Establishment, development and steering of cooperation arrangements and networks on the basis of comparative advantages and strategic positioning to raise performance capability.</p>
<p>Neglecting the interactions between the three key dimensions of CD will lead to imbalances and weakens the change process. Individual HRD measures that pay too little attention to people’s situation in the workplace are an ineffective approach. Besides, organizational development that fails to take into account opportunities for cooperation with other organizations will build competing, overlapping, poorly responsive and non-sustainable structures. Therefore, interactions and exchange, as well as mutual synergies among the three CD dimensions, are pivotal for the success of the CD strategy. Clear and precise definition of roles and responsibilities in the three CD dimensions is another imperative for a successful strategy.</p>		

Table 1: Definition of CD dimensions

Besides, looking at CD with 3 different lenses, embedded in the above 3 dimensions of CD, a robust capacity development strategy should have entry points, at least what should be achieved within the given timeframe of the programme. Based upon the initial stakeholder analysis, and in line with the critical capacity gaps identified, the selected entry points are:

- i) MoFALD, including Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR), Local Bodies’ Fiscal Commission (LBFC), and Regional Coordination Units (RCUs)
- ii) Local Development Training Academy (LDTA)/Rural Development Training Centres (RDTCs)
- iii) LBAs/LBs (Local Bodies’ Associations/Local Bodies)

- iv) Social Mobilizers (as an entity)
- v) Service Providers (SPs) including National Service Provider (NSPs) and Local Service Provider (LSPs).

These five entry points have been identified - because of the belief that institutions and existing structures matter. Moreover, CD is about sustaining systemic changes in such institutions and structures. Best-practices from different countries demonstrate that the ownership of change is absolutely crucial and is best embedded within the existing systems, networks and organizations. Consequently, this CD strategy assumes that ownership is best integrated within and among institutions and existing structures, rather than by reliance on individuals or parallel mechanisms whose legitimacy and sustainability is highly questionable. As previously noted in the introduction, LGCDP II interacts with, and attempts to empower a very large number of stakeholders, although without much consistency and coherence, let alone a shared and collective ownership on the expected results of the CD interventions. To this end, this strategy attempts to overcome this major pitfall, and proposes to focus primarily on the 5 above entry points as catalyst for changes.

Furthermore, this CD strategy advocates a staged approach to CD, grounded in the sequencing of the following 3 steps:

- Develop;
- Empower; and
- Consolidate.

The first step consists of building capacity of the individuals and organizations for which the level and type of CD support very much depend on the current capacity of these stakeholders.

The second step requires a certain level of CD support and presupposes core functional and technical skills and competences to be acquired first. Evidences have proved that empowering mechanisms and initiatives are not efficient or sustainable without developing and/or consolidating existing capacities first.

The third step assumes that empowered stakeholders are able to mutually share lessons learnt and promote knowledge transfer among themselves. This sequence of CD can be promoted in parallel with the above two steps; however to assume that poorly capacitated stakeholders would embrace this concept is somehow uncertain. Consolidation means, in this CD context, horizontal learning, joint programming and more importantly, pulling joint resources (financial, organizational and human) together as well as nourishing best-practices, in order to improve efficiency of CD measures and to institutionalize CD efforts. It pre-supposes collaborative and participative working methods as well as a culture of change. Developing and empowering are the means to reach to consolidation stage for which pragmatic understanding is necessary by all parties.

Furthermore, this strategy aims to focus on the CD initiatives, particularly at the LBs level. To do so, it advocates for focusing on 'least' and the 'most' advanced LBs, with a particular attention on the new municipalities as they will be in the process of transition. The reasons behind this are twofold. Firstly, least advanced/and transitioning LBs strongly need to be capacitated in order to bridge their capacity gaps in management and delivery of services. Secondly, most advanced LBs are expected to create demonstration leverages and multiplier effects on the other LBs, hence they can support in

transferring and consolidating the learning outcomes of CD activities and maximize on their potentials.

CD is a dynamic change process, and consolidating CD gains is one of the main challenges of most CD projects. There is no one-size-fits-all solution, and this CD strategy does not intend to provide detailed action plans. It nonetheless aims to deliver a comprehensive CD framework and to empower agents of changes (five entry points). In addition, it suggests a linear transformation of CD stakeholders towards 'enablers,' instead of merely 'recipients' of CD activities.

Gender inclusion and CD

Gender mainstreaming is an integral part of this strategy and is in line with the constitutional provisions on inclusive democracy and widely shared commitment to ensure gender equality in all processes, procedures and delivery of services. The gender program strategy intends notably to promote gender mainstreaming in LBs, for examples, by aligning a minimum of 10% resources allocation of the LBs programmes, and increasing their representation.

Firstly, this CD strategy aims to invest on gender mainstreaming and empower women as CD champions, to promote their collective initiative and bargaining leverages (i.e. CAC), while supporting platforms and mechanisms to increase their economic self-reliance through income generating activities. Secondly, the strategy intends to promote their leadership and organizational skills and competence, in view of shaping more gender responsive local governance systems and models. Targeted gender specific activities might also be devised in the operational programmes, based on the actual needs of this target group, and as such, ensuring inclusion of women in all steps and institutional mechanisms of LBs governance.

III. Situational Analysis for Capacity Development

a. LGCDP and CD

Local self-governance and service delivery have greatly suffered from over a decade-long conflict; they have been also undermined by the absence of locally elected representatives and dysfunctional institutions and governance system. This created growing discrepancies as well as institutional and governance vacuum, between demand for public services on one hand, and (capacity of) provision of services on the other hand.

The national program LGCDP aimed at bridging this gap and to contribute towards “poverty reduction through better local governance and community development”. The first phase of the project covered 2009-2013 and the second phase, LGCDP II, is ongoing and is expected to last until 2017.

One of the main pillars of LGCDP II is capacity development, and an output (number 5) refers to CD as strengthening institutional and human resource capacities of LBs and central level agencies involved in local governance, although one could easily argue that the entire project is capacity development. Also, it is about empowering stakeholders to provide better public services delivery at the regional, local and community levels as well as about facilitating the communities to come together, get organized, take initiative and influence the process of local development by holding the LBs and other service providing institutions responsive and accountable. LGCDP has supported active social mobilization as an enabling and catalytic tool in this regard.

Output 5 focuses on capacity development and on two major elements (1) demand-side: support for political and social awareness among the politically excluded so that women and disadvantaged people among other citizens raise their voice and demand quality services from the local political bodies, and (2) supply-side: capacitate and prepare service providing officials and organizations such as DDCs, municipalities and VDCs for providing credible and quality goods and services as legitimately demanded by the people. Meanwhile, it is also identified that CD indicators and the CD targets outlined by the project document are not very strong.

Both the mid-term review and focused evaluations of LGCDP I indicated that a coherent approach to capacity development was missing and that the demand-side capacity development support lagged behind. It must be noted that the project document distinguishes demand and supply side stakeholders and their functions although this classification in terms of capacity development raises concerns given that all stakeholders are, in essence recipients of capacity development. Besides, the demand and supply ‘clustering’ is primarily relevant for service delivery, but such a clustering could be misleading while devising a comprehensive capacity development strategy focused on LG system and related stakeholders as a whole.

Furthermore, the focused evaluation of September 2012 reveals that CD has never been a strong feature of LGCDP. It points-out several key reasons such as (1) lack of coherence, (2) not enough CD focus/attention on VDC and municipal staffs, and (3) ineffectiveness of “demand-driven” CD programs. It also noted that individual-level capacity development activities were provided to almost 88,000 recipients by September 2012. This is certainly impressive in quantitative terms

but lacks intended focus and follow-up. The findings emphasized on the urgent need to build a coherent and consistent CD strategy in view of achieving the intended outcomes of the project.

In order to enhance informed participation of communities, especially women, children and disadvantaged groups in local governance and development, LGCDP I (year 2) introduced social mobilization schemes and hired social mobilizers in more than 95% of the VDCs. As a result, Citizen Awareness Centres (CACs) and Ward Citizen Forums (WCFs) were created and have provided some features and mechanisms for upward and social accountability. The WCF and CAC were thus empowered, via the SM, but there is today a capacity gap between VDCs, DDCs and municipalities in order to respond to the needs and priorities set by the WCF and CAC. SM is nonetheless regarded as a good concept by evaluators to be further strengthened and replicated. During the field visit this was confirmed by the experts. Some insights in this regard are presented in the box below:

- Capacity of the WCF/CAC to demand and receive responses varies significantly from LBs to LBs/districts/regions. In some LBs they have already become an important part of the local governance planning and service delivery systems, while in some their engagement is either intentionally ignored or recognized in cosmetic sense only. The latter case is the result of two factors, firstly the VDC/municipality taking WCF/CAC as arrangements outside regulatory framework and hence a threat, and secondly it is a product of weak linkage and coordination between the SMs and VDC/municipality establishment.
- Among the WCF/CACs understanding of their composition, roles and responsibilities and relationships with the LBs also significantly varies. While some demonstrate good understanding, others are not in a position to explain why they exist. To a large extent, this situation is the product of the deeds of the SMs.
- Partisan influence in the WCF composition appears muted on the surface, but in essence partisan representation is the basis of WCF formation.
- WCF and CAC feel proud of their contributions and accomplishments to address issues of the gender, children, immunization, maternal and child health, domestic violence, sanitation, vital statistics registration, social security benefits, citizen certificate etc. These elements are bringing them even closer. However, they feel their roles are minimal and/or left out in the areas of infrastructure projects, representation in User Committees and sectoral programs.
- All WCF/CAC understand VDC as the VDC Secretary, and have no idea on the LSGA provisions on LBs.
- WCF/CAC officials want payment for their services and legitimacy in the LB system as representatives of the communities.
- CD for many CAC members is training and more so in the traditional trades such as tailoring, candle making etc. These need to be addressed progressively.

In conclusion, LGCDP phase-I remained short to address the 3 levels of CD, namely individual, organizational and systems and networks levels. There has been an over reliance in individual CD level, assuming that the leverage impact would be somehow automatically achieved throughout the other levels of CD. One of the identified major flaws was in advising DDCs and municipalities to develop and implement CD plan supported by CD grants, without leadership, shared understanding and ownership. CD grants have been mostly used inappropriately and the rationale for providing CD, i.e. improving service delivery, was overlooked. LGCDP-II is currently missing appropriate entry points for implementing a successful CD strategy, which this CD

strategy is aiming to provide. Additionally, prioritized CD support to municipalities and VDCs is suffering from very limited understanding of CD by them. They are yet to understand CD as tools to improve service delivery and promotion of good governance. For them CD implies as financial inflows to conduct trainings, study tours and provide opportunity to selected few, without much follow-up, and without consistency in the approach.

b. Specific challenges towards results oriented CD

For over a decade, the LBs have been managed without elected representatives. Hence the current LBs are led by MoFALD civil servants: Local Development Officer (LDO), Executive Officers (EO), and Secretaries, respectively at the DDC, municipality and VDC levels. These officials perform political, administrative, management and fiduciary/fiscal functions. They are heads of the LBs executive and legislative bodies (executive committees and councils), and in practice, coordinate and cooperate with political actors in LB decision making processes, but such processes are informal and fall outside the regulatory framework. Additionally, they are responsible for the CD related areas, in *de facto* and *de jure* terms.

The critical challenges relating to results oriented CD at the LBs level are:

- Clarity on the needs of system and organizational development for efficiency.
- Deliberate and active engagement of LBs in CD program designing process as opposed to the existing centrally driven practice.
- Predictability on generic and specialized training (management, resource and revenue mobilization, technical skills, monitoring and reporting or in the areas of core competencies) in time bound manner with clear information who provides such trainings
- Coordination among the training/CD support suppliers including the LDTA/Line agencies/LBAs and CSO for developing joint programs to avoid duplications and overlaps.
- Development and leading to implement a clear CD plan at the LB levels.

Additional challenges affecting the capacity development of the LBs include:

- Unavailability, absence or fast turnover in the current management leadership of the LBs
- Weak accountability and reporting frameworks
- Weak organizational and HR management culture (absence of result based management, performance evaluation of sections and staff, ineffective internal control and oversights, career development opportunities and skill based recruitment systems, and,
- Particularly the capacity of the VDCs to cope with and manage the wide responsibilities in terms of six fold increase of resources (staff, leadership, skill finance/accounts/ technical design and reporting).

Broadly speaking, LBs understand CD as individual level training activities, as opposed to a process for change and delivery of results. They are more willing to provide directives, rather than taking self-initiatives and responding to the growing needs of the communities. Put bluntly, CD is regarded by many LBs as (additional) financial inflows and there is no shared vision of CD among them within organization. As a result, required reforms in terms of organizational development lag behind and there is no transfer nor leverage effect from the individual level CD gains to the

organization level, let alone the systems and networks level from CD which are equally important, if not more critical at this stage.

On a positive note, the overall recognition to MCPM value from LBs has been a significant achievement of the LGCDP, and would require to be further accentuated within this CD strategy. However, followings are also the challenges:

- Narrowing gaps between the LBs that are performing differently in MCPM – low and high,
- Ensuring that the LBs (DDC/municipalities) are able to retain their success on regular basis irrespective of change of key staff and leadership – retention of institutional memory and continuation of good-practiced activities,
- Maintaining the significance of MC/PM as an valid instrument for measuring LBs performance as opposed to it becoming a ceremonial requirement that can be met with ingenious manipulation of information and documents - this is emerging as a threat, and,
- Rolling out of the MC/PM at the VDCs together with the CD support. However, in this regard, equipping VDCs with a qualified accountant and trained skilled staff on civil construction is a mitigating measure.

MC/PM, notwithstanding of its merits, must be taken as only one of the tools for promoting fiscal and fiduciary discipline/accountability in the LBs. However, other system related instruments such as good governance requirements, internal and external audits, procurement systems, revenue/resource mobilizations and management, reports, PFM and accountability arrangements must be stressed equally. This is where various outcomes and outputs of LGCDP must have programmatic convergence. Additionally it should also factor in the followings:

Role of the leadership: The availability, continuity and commitment of the LB leaderships were found critical in relation to the MCPM and overall performances. DDCs with high turnover or low presence in the management were found weaker in MCPM. Similarly, the performances of the sections and staff in MCPM were found corresponding with the quality and availability of the management leadership. This situation also corresponds with the realities in some Terai and Mountain districts where management leadership has high turnover. Another factor affecting the MCPM performance of the LBs is insufficient orientation to the designated civil servants in LBs' key position on local governance (EOs/Planning Officers and VDC secretaries etc.).

Organizational Environment: Senior staffs in DDC/municipality are required to follow their TOR. They acknowledge that such provisions are in place, however, not applied, nor are they made compelled to deliver results. Hence, they say that they have been doing things as usual and cannot specifically articulate what their CD needs are. Nor evidences were found about the CD-database that could show what training and how these trainings were relevant and applied in the job. Similarly, many (but not all) LB staffs were found unaware of new guidelines and directives - simple justification was - we have not been informed.

Reward and Punishment Systems: LB management leadership convincingly presents the challenges they face in management and decision makings (political, administrative, financial, good governance and accountability) due to the absence of elected representatives and presence of the partisan. However, they are equally vocal on not receiving recognition/reward from the ministry for good performance. Similarly, the local staff expresses disillusionment at work due to absence of career development opportunities. Yet, practices of financial incentives to staff for doing the work they are required to do are in practice that has received critical appraisal of the Auditor General's Office as well. These practices compromise good governance.

Knowledge on LGCDP: With some exceptions, many (but not all) of the LB staffs contacted had only little information on LGCDP and its activities. Most of them stated LGCDP provides fund.

During the field visits undertaken within the scope of designing this CD strategy, the experts found out that there is not a clear communication mechanism and no common or shared understanding of

what CD is all about, what does it entail, and what are the decision mechanisms in regards to CD initiatives within the LBs and the related stakeholders. Same were observed between the LBs and the RCUs. The linkages between the LBs and the RDTCs were found dismally weak. Similarly, gaps on coordination between the LBs and LSPs and between the SMs and VDCs/municipalities were evident⁴. Vertical communication between the RCU and PCU was also poor particularly among the experts, which raised concerns on the efficiency and sustainability of the CD activities undertaken by the project. It also demonstrates that roles and responsibilities among stakeholders are not well defined, or at least not clearly understood, resulting in weak ownership.

Last but not the least, the Outcome Coordinators (OC) and Output Managers (OM), together with PCU, are responsible for the delivery of program's results, therefore (and theoretically) ensuring leadership and ownership of CD. It was nonetheless found out, via interviews and meetings, that such leadership and ownership functions are not completely fulfilled and that such capacity need to be strengthened and possibly delegated. In short, Outcome/Output Managers of LGCDP missed so far the opportunity to become innovative, performance driven, responsive and accountable towards LBs in relation to CD as defined in LGCDP II programme document. The reason is that they have dual functions, heavy day-to-day ministerial tasks plus the program.

Overall, the overlapping mandates of the Ministry and of the LGCDP responsibilities are affecting horizontal harmonization on CD aspects. This is a challenge that has been overlooked in terms of CD and a credible entry point for this CD strategy because ultimately, CD should be steered and harmonized by the OC, OM and PCU all together, under the political and senior administrative leadership of the Ministry, in order to create multiplier effects and be trickled down efficiently to the sub-national levels.

At the community level, WCF/CAC are, thanks partially to the SM, gradually grasping and exercising their roles and responsibilities vis-a-vis acquiring the capacity to participate, negotiate and articulate their needs in terms of responsive service provision.

Finally, LDTA relevance and legitimacy as main national service provider, has been increasingly questioned, for which much efforts and investments will be required - particularly at the RDTc level. It is apparent that LTDA and RDTCs alike must be revamped further for implementing all CD related activities and as such, are a critical entry point for the implementation of this CD strategy. Pilot initiatives such as the SCDLB implemented by the GIZ may need to be rolled-out to additional RDTCs, and further attention to 'enablers' behind their achievements should be given more attention in order to feed-in lessons-learnt into the capacity building cycle of the RDTCs. Role of LDTA/RDTc must be remodelled in the presence of qualified private sector institutions for providing similar services. It is a matter of priority and cost benefits.

⁴ Interestingly, there appears a common consensus that the relationships between the SM and LBs have significantly improved since the former began receiving salary through the DDCs. There were also cases where VDCs provided cash incentives (RS. 1500-4000) to SM per month for their work especially in areas of community mobilization, planning and support to VDCs in addressing the community raised issues.

IV. Stakeholders analysis and preliminary findings regarding their current capacity, challenges and opportunities

This section aims to present an overview of the main CD stakeholders and of their specific CD responsibilities. It is however not an exhaustive list of all CD stakeholders and it may overlook certain stakeholders. In this regard, it highlights key attributes and characteristics of selected stakeholders, which are regarded important for ensuring sustainable CD at the systems, networks, and organizational levels, and they were identified as the 5 entry points of this CD strategy.

The five entry points were selected in order to improve impact of the CD efforts and to better contribute to supporting LGCDP II in achieving its intended outcomes, while consolidating CD gains from the previous phase of LGCDP.

This chapter is thus structured under the 5 CD entry points. Under each entry point, main functions and responsibilities in relation to CD are first outlined. Major opportunities and challenges are subsequently presented, as well as preliminary recommendations.

The first entry point is the MoFALD, with its ‘subdivisions’ of i) DoLIDAR, ii) LBFC, and iii) RCUs.

a. MoFALD

At the central level, MoFALD is the main Ministry in charge of decentralization and local governance. Its functional areas cover (i) local governance, (ii) promotion of local development and (iii) inclusion and equality. Its main CD responsibilities and delivery mechanisms include:

- Owning, steering and providing leadership to the CD strategy;
- Liaising and coordinating CD efforts and approach with other stakeholders
- Formulating policies and legislations related to local development and governance;
- Providing secretaries and technical staff to all LBs;
- Providing grants to LBs;
- Ensuring M&E of LBs performance and activities;
- Staffing and administration of the DIMC Secretariat;
- Coordinating with DPs.

In principle, MoFALD is the main ministry responsible to/for LBs and local development. It works as link between the LBs and other ministries of the government. It represents the LBs interests at other ministries. Its main strengths and challenges are outlined below:

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Broad mandate on LBs’ CD: policy, legislation, coordination, etc. ➤ Responsible institution for coordinating CD with related ministries and institutions of the govt. ➤ Key focal point for coordination with DPs ➤ Act as secretariat for the DIMC (the highest level of policy coordination mechanism on decentralization and local governance) ➤ Legitimate entity to ensure institutionalization of systems and approaches for local good governance 	<ul style="list-style-type: none"> ➤ Other LMs question its - mandate as there are competing - sectorial Ministerial - services and overlapping responsibilities ➤ Overlapping functions with the LBs due to its common practice of executing local development activities directly (especially DoLIDAR/ District Technical Office (DTO) esp. centrally selected projects at district levels) ➤ Overlapping responsibilities with the Ministry of Urban Development in areas of municipal development ➤ Limited number of staff with expertise in local governance and local development, because most of its

Strengths	Challenges
practices in the country	staff come from general administration background ➤ Limited competences in providing CD support and guidance, rooted in narrow understanding of CD ➤ No specific CD unit/division within the MoFALD organizational structure, hence poor coordination of CD

(I) DoLIDAR

DOLIDAR is a strong department-level unit of the MoFALD primarily responsible for the infrastructure development in the rural areas, and is linked with all DDCs through the District Technical Office (DTO), providing technical and engineering support to DCC and VDCs. It is responsible for planning, monitoring, setting standards/quality and execution of rural infrastructures programs and for providing technical support to LBs in building and maintaining infrastructures.

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Generally-speaking, staffed with technically skilled professionals in rural infrastructure design and monitoring at the national level ➤ Representation at the DDC level: DTO but parallel to LDO ➤ Mandated to develop policy, norms, standards and supervise and monitor all rural infrastructure related activities in the districts ➤ Responsible institution to provide technical/CD support and backstopping to DDCs, VDCs and user committees in rural infrastructure development 	<ul style="list-style-type: none"> ➤ Reporting line and chain of command, particularly at the DDC level, conflict and poor coordination with LDO ➤ Inadequate technical staffing at the DDC level to support VDC/community in infrastructure design, execution and monitoring ➤ Inadequate lab and equipments at DDCs ➤ Practices of executing projects that are not included in the DDC planning: centrally selected projects ➤ Political interference in local project selection ➤ Overlapping of authority with other technical offices of the government at the district: Drinking Water and Sanitation (DWS), roads and bridges. ➤ Weak accountability and coordination with the communities and User Committees ➤ Other agencies implementing local infrastructures independently

(ii) Local Bodies Fiscal Commission (LBFC):

The LBFC is an - autonomous body responsible for research/ study on LB taxation, revenue, resource allocation, revenue sharing and finance. It also provides recommendations/ policy inputs on fiscal decentralization including fiscal transfer to LBs as well as prepares criteria for grant allocations to the LBs. MC/PM is one of the examples in which the LBFC plays a very strategic and vital role.

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Legal base as a key policy-making body on fiscal decentralization ➤ Representation of the LBAs ➤ Lead role in MCPM process which contributes to strengthening fiscal/financial accountability of the LBs ➤ Increasing awareness among people on 'good' financial management practices, hence increasing LBs accountability 	<ul style="list-style-type: none"> ➤ Understaffed ➤ Limited CD support provided to-date ➤ Lacks professional staff ➤ Uncertain future with the future state restructuring process

(iii) PCU and RCUs

PCU is responsible for LGCDP execution by providing program management and thematic expertise. It consists of Programme Manager, support staff and ten experts with specializations in governance, gender, result based monitoring to fiscal decentralization. The experts are responsible for the substantive contributions in their respective areas of expertise. They are the core of the PPRF.

RCUs are support-arms of the LGCDP (with three experts and technical staff) in the six regions. They link between the PCU and the LBs engaged in implementing LGCDP activities including monitoring, capacity development, governance and social mobilization. Their programmatic linkages and monitoring activities reach to the communities as well WCF/CAC and also they serve as link with the LSPs. Urban/District Governance Experts (U/DGE) are direct link of the RCU at the DDCs and municipalities, who are responsible to advise and coordinate with the respective LBs and LSPs on program planning, execution and reporting. Additionally, RCUs are also responsible for documenting the best practices from the ground, report and disseminate them. Regarding CD, they are to support in development of LB CD as per LGCDP CD strategy, identify CD priorities, programs for LBs and monitor their performances. In this regard each DDC/municipality is expected to develop its own CD plan with support from the RCU. The U/DGE support RCU in these undertakings.

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Pool of experts available in specialized areas with high potential to design and roll out technical assistance including CD to LBs and communities on fast track basis ➤ Urban and district governance experts placed respectively at DDCs/municipalities = direct programmatic linkages and support to LBs ➤ Focal points for undertaking M&E functions: technical competence 	<ul style="list-style-type: none"> ➤ Diverse skill sets of the PCU/RCUs experts , yet to be fully utilized in a consolidated manner ➤ RCU: restricted regional level consultations with the DDC/municipalities, and with VDC (too many to cover) ➤ Overload of responsibilities: programme, technical, and administrative (RCU) ➤ Managing priorities: between own technical assignments and administrative responsibilities additionally required by the ministry, hence risk of less time for CD support to the LBs (RCU) ➤ Sustainability and institutionalization of PCU/RCU (organization and staff) ➤ Unclear and ambiguous linkages and relations with RDTCs ➤ Further sharpening of the skills of RCU experts ➤ Not regular and direct communication between the PCU- RCU experts for knowledge/skill advancement of the team as a whole: consolidate knowledge to leverage.

The above features of the Ministry and preliminary findings call for further defining and specifying the CD objectives and focus of the Ministry more precisely. Additionally, the RCUs play a pivotal role in terms of CD but they seem to be overburdened and consequently less effective to deliver their CD responsibilities and portfolio. RCUs should be further empowered to fulfill support and M&E functions of CD. Their pivotal role is also critical in ensuring ownership of the CD strategy at the different sub-national levels, and in capacitating SM and VDC Secretaries.

b. LDТА and RDTС

The main objective of LDТА is to organize and plan training for LBs through its network and the six RDTСs (including one in Pokhara on urban development). While LDТА is responsible for developing the training materials, the RDTСs deliver training locally as per their regional distributions. However, RDTСs may deliver trainings on their own in coordination with the LBs, yet very limited numbers of initiatives are taken in this regard. Presently, due to lack of trained staff, RDTСs are not in a position to design and deliver trainings fully if they are entrusted with the task.

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Government established institution for conducting research, developing training packages and providing trainings to LBs ➤ Assured source of funding from the government for administration and personnel including the training experts ➤ Extensive infrastructure/assets and training facilities spread in 6 regions ➤ Provision for expert trainers as core of the HR, spread at the LDТА and RDTСs ➤ Provision of career development path for the training staff ➤ Provisions for generating own income through partnership with the stakeholders ➤ Representation of key stakeholders (line ministries and the LBAs) in the management committee, which is an important asset ➤ Strategic networking to rollout the trainings nationally 	<ul style="list-style-type: none"> ➤ Political and partisan influence in selection of the LDТА management leadership- professional competence and result delivery overlooked ➤ Centralized bureaucratic management lacking capacity to capitalize on opportunities and market demands ➤ Low priority of the govt. in its reorganization and activation ➤ Lack of innovation and willingness of the leadership to reach out for business: partially due to the assured provision of fund from the government ➤ Under used ICT training equipment in most RDTСs ➤ Inadequate training experts available, as most have retired and new not recruited ➤ Poor thematic expertise to meet national and local training needs ➤ Weak coordination with LBAs and LBs ➤ LBs increasingly questioning LDТА/RDTС' services quality and its technical competences ➤ Under-utilized or even misappropriated resources (human and physical)

Today, the LDТА and RDTСs are in a very sensitive and critical stage of development as their current performance and training monopoly is seriously challenged by other providers. Their role should evolve towards knowledge Centres rather than sole training providers in the future. Their future responsibilities and focus should change and adapt to the market realities, while developing new skills set and competence, favoring networking between LBs. LGCDP proposal to develop LDТА as the National Service Provider (NSP). However, there is a question mark. However, given this institutions' present condition, it should move with caution and fully consider the challenges mentioned above for taking serious decisions. The recently completed Institutional Development Plan of the LDТА is a step towards its revamping.

c. LBAs/LBs:

(I) LBAs

Association of District Development Committees of Nepal (ADDC/N), Municipalities Association of Nepal (MUA/N) and National Association of VDC (NAVIN) are three separate LB Associations (LBAs) in Nepal. They are created by respective constituent members (DDCs/municipalities and VDCs). Each LBA has its own vision, mission and organization structure. Collectively, they work together for promoting the cause of decentralized local governance, represent the interest of LBs politically and at the government structure, lobby and advocacy for better resource etc. for the LBs, represent their

members in inter-governmental negotiation and dialogue and establish network with likeminded organizations nationally and internally. Individually, each LBA represents the cause specific to its constituency or members. LBAs also conduct research on local governance issues as well as provide CD support to their members. They are important instruments for promoting horizontal learning vis a vis promoting good practices and innovation in the LBs. Currently they active in promoting the cause of local governance and decentralization in constitution making and state restructuring process.

The table below points out strengths and key challenges they face:

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Membership based organizations: LBs as institutional members hence strong constituency and network ➤ Access to - and influence on political parties and the government ➤ Representation in DIMC/LBFC, LDTA, LGCDP and many important commissions/committees of the government ➤ Organized advocacy of the LBs interest and priorities at the national level ➤ Network with CSOs/DPs ➤ Competency in mobilizing resource persons in conducting research on policy and regulatory framework ➤ Capacity to mobilize organizations to deliver CD support to LBs on fast-track basis ➤ Members contributing to programmes ➤ Good flow of communication and exchanges between members 	<ul style="list-style-type: none"> ➤ No local election, hence LBAs are run by formerly elected LB officials ➤ Limited financial resources ➤ Retention of professional staff: own CD. ➤ Capacity to develop sustained CD programs for LBs and deliver them ➤ Competition between LDTA/LTDC and LBAs on training ➤ Gaining trust and confidence of the government for partnership-building as the former takes the LBAs as trade union ➤ Current LB leadership, led by civil servants, not open to LBAs ➤ Partisan influence in LBAs leadership ➤ Training implementation in varied thematic areas (related and unrelated i.e. DRR/climate change...) ➤ Difficulties in gaining trust and confidence from members: no elected LBs

(ii) LBs

LBs are sub-national units of governance, established by the Local Self-governance Act (LSGA) with the purpose of optimally engaging the citizens in governance and hence enjoy the benefits of democracy. LB has legislative and executive organs. Currently LBs in Nepal consist of 75 DDCs, 130 Municipalities and 3633 Village Development Committees.

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Units of governance in a defined territory ➤ Autonomous management and legislative structure : accountable to the citizens and the government ➤ Popular mandate ➤ Own source of revenue and taxation authority: municipalities more self-reliant financially to finance development and services, while some DDCs and VDCs have potential to mobilize more resources as well ➤ Own staff: administrative, financial and technical ➤ Some financial resources available to allocate for CD support ➤ Assigned functions by law as basis of delivery of services ➤ Access to citizens and communities through LB structures and elected representatives ➤ Supervision and coordination authority over the agencies engaged in development and service delivery ➤ Strategically positioned to mobilize citizens' engagement in local development and delivery of services 	<ul style="list-style-type: none"> ➤ Uncertainty over the status of LBs in the on-going constitution making and state restructuring process ➤ No election over 1.5 decade, thus devoid of popular mandate and elected leadership ➤ Weak capacity and accountability: governance, management, finance and delivery of services ➤ High dependency on govt. grant and subsidy (DDCs and VDCs) ➤ Parallel, overlapping and conflicting development and service delivery mandates with the agencies of govt. ➤ Reluctance or lack of ability to mobilize own resources for self-reliance and CD of sections/staff ➤ Over or understaffed in general and lacking professionally competent staff as most the LB staff are appointed on patronage or political basis ➤ Non execution of TOR resulting into weak HR management practices and weak delivery of results ➤ Stark gap in intra-sections coordination in DDCs and municipalities ➤ Managing growing rifts between the govt. staff and the

Strengths	Challenges
	LB local staff (DDC/municipality) <u>VDC LEVEL:</u> <ul style="list-style-type: none"> ➤ Heavy burden of tasks, increased resources but lack of capacity in management and delivery of services ➤ Inadequate provision for skilled staff/support in financial management and technical areas ➤ Absence or unavailability of Secretary in many VDCs ➤ Lacking career development opportunities for staff ➤ Most VDCs lacking own resource base to support CD initiatives

The analysis on the LBs made in the table above indicates their needs as:

- Providing standard (basic induction training) to related officials/staff to enhance their understanding in (organizational/HR management, PFM, revenue and resource mobilization, planning and accountability). This should be on regular basis (supply and demand) so that all LBs reach a minimum threshold of CD.
- Ensure that newly deployed staff receives pre-job training.
- Provide specialized training to targeted groups based on their functional assignment such as PFM/revenue management/ engineering etc.) on periodic basis to sharpen their skills as well and measure the application of these skills at the work and delivery of services (individual level)
- Provide CD supports to address the needs of LBs with different levels of capacity (differential approach) so that the LBs with weakest CD meet standard threshold on fast track basis, while in the meantime the average and advanced ones can improve further and set examples for others to follow (three sets of training)
- Encourage the DDC/municipality sections and staff for preparing individual level CD learning plan and provision for web-based training materials in this process, so that each section and staff are required to go through learning process relevant for the job.
- Encourage peer-to- peer or horizontal learning as part of the strategic and policy priority by engaging the LBAs in management of such practices, and enable them to execute system of appreciation and recognition to those who set best examples in the process
- Link RCU/LDTA/LBAs in the processes to emphasize CD as a matter of LGCDP priority, and,

d. WCF/CAC and SMs

(I) WCF and CAC

WCF and CAC are project instruments, created to promote inclusion and participation of citizens in local governance. Their legitimacy is however questioned and the WCF is most particularly criticized for overlapping with the VDCs mandate.

WCF and CAC consist of 25-30 members, with officials chosen by the members on a rotating basis. There are 1 WCF per ward and 1 CAC per VDC.

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Useful instrument for linking LBs with citizens and service providers (in the absence of elections) ➤ Facilitating in articulation of needs of communities 	<ul style="list-style-type: none"> ➤ Membership only on volunteer basis ➤ Organic legitimacy in the LBs framework ➤ Tendency to emerge as local elite - capture

<p>in terms of service delivery from the LBs/agencies</p> <ul style="list-style-type: none"> ➤ Growing confidence and involvement of the members in planning process ➤ Active role in areas such as public health, vital statistics registration and domestic violence/gender equality/ conflict resolution and representation of deprived communities ➤ Organized forum for citizens to articulate and bring upward their concerns and development needs ➤ Reinforcing group cohesion and educating people in good local governance principles 	<p>mechanism</p> <ul style="list-style-type: none"> ➤ Becoming politicized ➤ Low recognition from LBs bureaucracy at the VDC/municipality levels ➤ Meeting expectations of the WCF/CAC
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(ii) SMs

SMs provide support to WCF/CAC and are becoming gradually very influential in the local governance system. Their extensive network is also of great value that could be leveraged to empower LBs and the CD gains across the communities.

Strengths	Challenges
<ul style="list-style-type: none"> ➤ Potential resources network for the LBs, ensuring links with communities; ➤ Age group (youths) of SM - opportunity for CD investment ➤ Growing recognition by LBs (since the DDCs began to manage the linkages between the VDC sect and SM) ➤ A good number of SM are highly qualified, and could therefore become change agents/resources focal points for CD 	<ul style="list-style-type: none"> ➤ Mixed background and skill sets ➤ Coordination and team building with VDC sect. ➤ Poor cohesion and collaboration between SMs ➤ Retention of motivated and qualified SM ➤ Low capacity of the LBs to meet the community expectation or danger of SMs raising high demand side causing conflict and instability. ➤ Potential political use of SM ➤ Parallel SM approaches by sector LMs and MoFALD with lack of information sharing ➤ Unionization options which would politicize SMs

WCF and CAC have gradually become prominent in the sub-national governance but their relationship with LBs needs to be strengthened by clarifying respective roles, responsibilities and expectations. LGCDP could start further collaboration with the LBAs to document and disseminate the success stories of the WCF/CAC/SM in local governance, local development and community led initiatives at the local/national forums to demonstrate how they have been useful in promoting the inclusive, participatory and accountable practices. The network of the SM and their growing recognition should also be leveraged and CD initiatives should not solely focus on individual capacity of SM but also on building foundations for networked CD at the community level. Overtime, it would also be appropriate to take policy decisions to induct SMs into the VDC and municipal organizational structures.

e. Service Providers (SP): NSPs/LSPs

Service providers are organizations providing public services, CD support including training, in the different levels of governance. However, as per LGCDP programmatic thrusts, two sets of service providers are provisioned: National and Local. NSPs play a crucial role in setting standards and developing curricula for CD provision at the different sub-national levels. The recent course

materials developed by LTDA under GIZ project, demonstrates this crucial role of NSPs to improve the quality and harmonize training courses, methodology and content. Additionally, NSP is expected to contribute significantly in research and knowledge building.

The LSPs comprise a set of locally registered institutions selected through competition by the RCU/DDC and that are contracted for providing social mobilization supports to the communities through the SMs or the LSP staff. The Social Mobilization Guideline (2071) has fixed the number of VDC each LSP can cover in a district (mountain, hill and Terai). As per the guideline the LSPs are responsible for delivering social mobilization tasks through the SMs with ensured quality.

Strengths	Challenges
<ul style="list-style-type: none"> ➤ NSP: National institution: professional credence ➤ LSP: locally established institution with good professional credence and competence ➤ HR at hand to mobilize for SMs ➤ Management simplicity and efficiency in job ➤ Knowledge of the locality and link ➤ Fixed number of VDCs to each LSP ➤ Proactive in coordination and linkage development with other stakeholders ➤ Coordination potential with the LBs and SM 	<ul style="list-style-type: none"> ➤ Weak coordination and team work with the LBs (all LBs complain in this aspect) ➤ Improving accountability to LBs and communities ➤ Poor understanding within the sectoral agencies and LBs on LSP/SMs roles, responsibilities, functions in terms of CD and service delivery ➤ Ensuring qualified SM recruitment ➤ Regular monitoring of the SM and reporting ➤ LSP own agenda mixed with the SM activities ➤ Differing level of SMs individual competencies leading to difficulty in harmonization of CD approaches in the working area

SPs, at both national and local levels, are under growing pressures, on one hand, to deliver quality services, and on the other hand, to coordinate their activities and to better match public services. One of the main challenges of executing this CD strategy is that every stakeholder is at the same time a service provider and recipient of CD, and that CD is in, most cases, regarded in its restrictive definition of trainings, and in some limited cases only, viewed as a set of tools aiming to empower the organizations and to promote good local governance and development. Given this confusion, the CD strategy should focus on coordinating and harmonizing all stakeholders and their CD approaches.

V. Recommended priorities from the 3-level CD perspectives

The CD strategy is articulated among 3 levels namely i) systems and networks, ii) organizational, and iii) individual, with a focus on the first two, in view of improving institutionalization, sustainability and consolidating as well as transferring capacity gains from the individual level to the other levels.

a. Systems and networks level

The main priorities of the CD strategy at this level concentrate on vertical, horizontal and social accountability mechanisms and instruments, while promoting ownership of the strategy within the main entry points.

The first priority; improve downward/vertical accountability mechanisms, aims at building a culture of mutual accountability between the national and sub-national governance structures. It consists mostly of facilitating inter-ministerial agreements and of strengthening coordination at national level and formalizing the same among sub-national CD stakeholders (sectoral agencies and the LBs). It involves harmonizing CD strategy/approaches at national level first and cascading them programmatically to all sub-national and community levels.

The second priority focuses on horizontal accountability and therefore, on the coordination between stakeholders from the same level in all steps (i.e. national, regional, district, municipalities and VDCs) and processes. It recognizes, among others, designing joint/complementary programs, codes of conducts to improve CD quality standards and promoting knowledge-transfer and exchange among the sub national and national CD stakeholders.

The third priority emphasizes on the SM and on community level /social accountability. It acknowledges substantial success of the previous CD initiatives at this level of sub national governance and advocates for cooperation and networks of the LBs and service providing agencies to be reinforced with CSOs and NGOs. And in this regard, also leverage on the strengths and niche of the LBAs on policy lobbying, networking and advocacy.

The last priority is equally critical because it aims to generate ownership of the CD strategy. One of the fundamental pillars of this component is to build a shared understanding of the main objectives of CD, which assume that the leadership role of the MoFALD should be enhanced in terms of providing strategic policies and CD directions. In this process it builds effective coordination mechanisms and partnerships with the related stakeholders so that the CD becomes a joint undertaking. Ownership of the expected CD results should also be embedded at the knowledge of different national and sub-national actors in line with this CD overall framework.

Mutual accountability and ownership are key principles to be reinforced at the systems and networks level of the CD strategy. It requires all stakeholders to clarify their roles, responsibilities and expectations towards CD, and above all, to play an active role in the implementation and monitoring of this CD strategy. Furthermore, mutual accountability presupposes an adequate check and balance governance system, as well as stakeholders being empowered to enable changes.

b. Organizational level

The recommendations under this CD level are structured under 2 main categories. Firstly, common priorities and requirements for the 5 entry points, and secondly, specific capacity needs for each five entry point.

The cross priorities among the five entry points are:

1. Develop operational plans of the CD strategy within each of the five entry-points;
2. Institutionalize annual review system of the implementation of CD strategy and of the CD operational plans; and
3. Support in introducing and maintaining a performance based HR management system.

These common features aim primarily to articulate coherent CD operational programmes, under the overarching framework of this CD strategy. It also calls for a culture of change, of performance-based management, and of mutual accountability to be enhanced within the five entry points. The first two are immediate objectives to be put into practice, although the last one requires longer term efforts and commitments.

Specific entry-points recommendations include:

1. Gradually transform LDTA and RDTC into knowledge Centres;
2. Enhance and consolidate thematic expertise and M&E capacity of the RCUs;
3. Harmonize and coordinate CD initiatives from SPs (NSP and LSP), while ensuring robust coordination mechanisms to deliver CD actions;
4. Capacitate LBs in assessing, planning and implementing CD programs, and support LBAs for strengthening and promoting good local governance principles and practices;
5. Streamline internal procedures and enhance organizational development of MoFALD, DoLIDAR, LBs and RCUs in internalizing the CD strategy, and generate consensus on the CD strategy, goals and approach among the sub-national levels,
6. Institutionalize SM schemes, maximize networking potentials of SM, and promote platforms for one-stop-shop provision of public services and CD initiatives, and
7. Explore options for replacement of the PPSF by PRF in the MoFALD/or Local Bodies Service Act (such options can be execution of the provisions relating to 6 experts in the DIMC and placement of the RCU staff as core experts who could be attached with RDTCS).

These recommendations are perhaps ambitious, but they envision and integrate future dynamics, challenges, and constraints of the five entry-points entities in relation to CD. Highlighted activities are listed under the CD matrix, and they should make use of the range of CD tools available: training, coaching, seminars, networks and research support, policy support, system development, ICT, technical assistance on technical areas, institutional restructuring, code of conduct etc.

c. Individual level

This CD level aims to identify and promote CD champions and to capacitate individuals within the five entry-points entities.

The CD strategy therefore proposes to prioritize the following:

1. Enhance skills and competences of selected individuals within the 5 entry-point organizations;
2. Enhance efficiency and knowledge base of major actors on good governance, program management & leadership, institutionalization and performance-based management in view of creating mutual accountability and collaborative working methods;
3. Provide career development opportunities at all levels; and

4. Identify and capacitate CD champions and change agents and mobilize them further.

Alike the organizational level CD priority actions, the main stakeholders should make use of a wide range of CD tools available, in view of meeting these objectives. Ideally, individual capacity gains should also be transferred to the organizational level, thanks to the proposed CD measures and mechanisms at the upper levels. There is, once more, no magical formula to ensure sustainable and results-oriented CD, and all suggested activities might not be implemented at once, depending on the budget available, and on the urging priority needs identified by the LBs and communities.

CD Strategy

VI. The CD matrix

#	Capacity Needs	Highlighted Activities	Selected CD Tools	Main Result(s) expected	Responsible Agency
Systems and networks level					
1	Improve downward accountability mechanisms	<ul style="list-style-type: none"> Review mandates of the 5 entry-point organizations (and their sub-entities) to clarify roles and responsibilities in relation to CD Facilitate inter-institutional agreements or MoUs for CD implementation (between Line Ministries) Enhance coordination between national and sub-national levels CD stakeholders, via articulating vertical accountability mechanisms and addressing overlapping roles and responsibilities Standardize and harmonize existing CD policies, guidelines, manuals and frameworks 	<ul style="list-style-type: none"> Workshops, trainings, coaching and mentoring Issue-based networking events Online exchange platforms (on the model of CoP) Technical assistance Extensive review and agreements of roles, responsibilities and mandates of CD stakeholders Policy advices 	<ul style="list-style-type: none"> Culture of vertical mutual accountability 	MoFALD (CD Division)
2	Strengthen horizontal accountability	<ul style="list-style-type: none"> Reinforce SM (WCF, CAC) by encouraging a culture of collaborative working, of accountability and of service delivery performance oversight Design Code(s) of Conduct in order to improve CD quality standards Strengthen collaborative working methods between CD stakeholders (including CSOs and academia) and promote knowledge-transfer and knowledge exchange Document and advocate good-practices in terms of CD, especially regarding SM initiatives 	<ul style="list-style-type: none"> Workshops, trainings, coaching and mentoring Networking events Technical assistance Knowledge exchanges platforms Knowledge products Advocacy support Exposure visits Peer to peer learning Partnership building initiatives 	<ul style="list-style-type: none"> Culture of horizontal mutual accountability 	PCU and RCU experts (supported by DA/MA)
3	Further reinforce social accountability instruments and platforms	<ul style="list-style-type: none"> Reinforce and institutionalize SM schemes and mechanisms Promote and disseminate CD good-practices at the community level Empower Social Mobilisers and community organizations (including NGOs/CSOs) as change agents with CD facilitation roles Capacitate Social Mobilizers to empower WCFs/CACs 	<ul style="list-style-type: none"> Workshops, trainings, ToT, coaching and mentoring Technical assistance Inventory of good CD practices Annual "Open House" of WCF/CAC Partnership building initiatives 	<ul style="list-style-type: none"> Align demand with supply sides of CD and of service delivery 	RCU
4	Build ownership over the CD strategy and support implementation of a consistent CD approach in line with the Strategy	<ul style="list-style-type: none"> Promote a culture of change within the 5 entry-point organizations Identify change agents and CD champions at all levels Harmonize and coordinate CD activities being supported by DPs under the leadership of MoFALD Strengthen leadership role of MoFALD including role of the designated Outcome/Output managers 	<ul style="list-style-type: none"> Workshops, trainings, coaching and mentoring CD Champions scheme Technical assistance Coordination and dissemination mechanisms Leadership support 	<ul style="list-style-type: none"> Ownership of CD, and articulation of specific CD needs at all levels 	MoFALD (CD Division)
Organizational level					
1	Develop operational	<ul style="list-style-type: none"> Conduct detailed organizational assessments including thorough CD 	<ul style="list-style-type: none"> Organizational assessment and 	<ul style="list-style-type: none"> Implement consistent and 	PM-LGCDP-II

#	Capacity Needs	Highlighted Activities	Selected CD Tools	Main Result(s) expected	Responsible Agency
	plans of the CD strategy within each of the 5 entry-point organizations	capacity assessments <ul style="list-style-type: none"> • Provide technical expertise to facilitate developing pragmatic operational CD Plans • Prioritize CD actions and share common CD vision across all CD stakeholders • Provide ToT, coaching and training to change agents and create an expert pool for CD support 	development framework <ul style="list-style-type: none"> • CD/TNA assessment and progress reports • Technical assistance • Coordination and dissemination mechanisms • Workshops, trainings, coaching and mentoring 	tailored CD programs	
2	Institutionalize periodic review system of the implementation of CD strategy and of the CD operational plans	<ul style="list-style-type: none"> • Reinvigorate CD Committees at DDCs and Municipalities level • Facilitate provision of separate fund at the DDC and municipalities to support CD funding • Create a feedback and reporting mechanism for the DIMC to review and take strategic (corrective) decisions as regards to CD for inter-ministerial coordination and joint programming 	<ul style="list-style-type: none"> • Networking events • Technical assistance • Workshops, trainings, coaching and mentoring • Institutional development 	<ul style="list-style-type: none"> • Monitor progress of the CD operational plans 	MoFALD (supported by PM-LGCDP-II)
3	Support in introducing and maintaining a performance based HR management system	<ul style="list-style-type: none"> • Harmonize HR practices and management among different levels of sub-national governance • Promulgate LB Service Act (for local staffs) • Design HR manual(s) and document good HR practices and procedures • Systematize performance reviews • Offer career counseling and career enhancement options 	<ul style="list-style-type: none"> • Local Body Service Act • Scholarships • Document HR good-practices • Pilot test exchange programs • Technical assistance • Database/platform of HR procedures and career enhancement options 	<ul style="list-style-type: none"> • Culture of change and performance based HR management among key stakeholders 	PM-LGCDP-II
4	Gradually transform LDTA and RDTC into knowledge Centres	<ul style="list-style-type: none"> • Build and maintain a knowledge bank of training resources and materials • Expand current pilot-test of the 3 RDTC to other RDTCs • Build a common ICT-based database of trainers • Design training curricula and set training quality standards (LTDA) • Mobilize trainers and monitor their performances • Develop CD facilitation skills and functions of the RDTCs 	<ul style="list-style-type: none"> • Knowledge database and platform(s) • Workshops, trainings, coaching and mentoring • Curricula development • Technical assistance • Quality standards and procedures 	<ul style="list-style-type: none"> • Prepare LDTA and RTCD for anticipated policy and market shift 	PM-LGCDP-II supported by PCU and RCU experts
5	Enhance and consolidate the M&E capacity of the RCUs	<ul style="list-style-type: none"> • Set up a common M&E framework for CD program and the system with a set of common indicators • Set up a reporting mechanisms to monitor CD activities • Empower RCU to act as monitoring agent of the CD strategy 	<ul style="list-style-type: none"> • M&E framework and supporting guidelines • M&E Reporting Checklist • Workshops, trainings, coaching and mentoring 	<ul style="list-style-type: none"> • Robust M&E capacity of the RCUs (to be gradually institutionalized to prepare handover of LGCDP II) post 2017 	RCU (supported by DA/MA)
6	Harmonize and coordinate CD initiatives from SPs (NSP and LSP), while ensuring	<ul style="list-style-type: none"> • Ensure that SPs delivery performance is monitored • Empower SM as change agents and focal points between SPs, LBs and the RCU • Promote Charter(s) of good service delivery in the different sub-national 	<ul style="list-style-type: none"> • LSP Charter and manuals • Knowledge exchanges platform(s) • Technical assistance • Coordination mechanisms 	<ul style="list-style-type: none"> • Gradually build one-stop-shop platforms for SPs and enhance quality 	PM-LGCDP-II

#	Capacity Needs	Highlighted Activities	Selected CD Tools	Main Result(s) expected	Responsible Agency
	robust coordination to deliver CD actions	levels		standards of CD and of service delivery	
7	Capacitate LBAs in assessing, planning and implementing CD programs, and support LBAs for strengthening and promoting good local governance principles and practices	<ul style="list-style-type: none"> Support LBAs to strengthen its networking and advocacy function Support LBAs to develop and execute programs for promoting good governance practices among its members Enhance the capacity of LBAs to conduct research and to publish policy white papers contributing to exchanges and information sharing between LBAs Conduct pilot TNAs of 'most advanced' and 'least advanced' LBAs, in view of developing tailored capacity development programs Initiate peer-to-peer exchange programs between LBAs in a collaborative framework among the MoFALD/LBA Promote career development and good HR management practices 	<ul style="list-style-type: none"> Workshops, trainings, coaching and mentoring Technical assistance Networking events Partnership building with CSOs and academia TNAs and subsequent tailored CD programs Peer-to-peer exchanges programs Advocacy support Good-practices exchange platform(s) 	<ul style="list-style-type: none"> LBAs further capacitated to be (partially) self-financed LBAs service delivery better aligned to needs and priorities emerging from the sub-national levels 	LBAs (supported by PM-LGCDP-II)
8	Streamline internal procedures and enhance organizational development of MoFALD, DoLIDAR and RCUs in internalizing the CD strategy, and generate consensus on the CD strategy, goals and approach among the sub-national levels	<ul style="list-style-type: none"> Support RCU to focus on its technical and programmatic areas Improve relationships between RCUs, LBAs, SMs and SPs, by developing a culture of mutual accountability Facilitate cooperation among VDCs to hire technical experts, based on the pool of technical experts provided by the LTDA Further clarify roles and responsibilities within the MoFALD and between LMs in regards to CD of sub-national stakeholders 	<ul style="list-style-type: none"> Mutual accountability procedures and mechanisms Technical assistance Procedures mapping and streamlining Operational CD guideline for DDCs, Municipalities and sectoral agencies Re-orientation training package for RCU experts VDC staff deployment plan 	<ul style="list-style-type: none"> Streamline and clarify roles, functions and responsibilities of main CD stakeholders and build a shared understanding of CD approach and goals at all levels of sub national governance 	MoFALD (supported by PM-LGCDP-II)
9	Institutionalize SM schemes, maximize networking potentials of SM, and promote platforms for one-stop-shop provision of public services and CD initiatives	<ul style="list-style-type: none"> Provide ToT to SM and empower SM to become change agents Further engage VDC Sect in the CD activities targeted to SM to enhance cooperation Create enabling conditions for setting up (in the longer-term) one-stop-shop service delivery providers platforms Institutionalize SM schemes and support recently approved SM Committees to enhance vertical coordination Create networking opportunities between SM stakeholders and document good-practices 	<ul style="list-style-type: none"> Workshops, trainings, ToT, coaching and mentoring Issue-based networking events Online exchange platforms (on the model of CoP) Technical assistance Exposure visits Policy advices Networking events 	<ul style="list-style-type: none"> Promote SMs as critical focal points for CD Institutionalize SM schemes and improve upward accountability mechanisms 	PM-LGCDP (supported by PCU & RCU experts)

Individual level					
1	Enhance skills and competences of selected individuals within the 5 entry-point organizations	<ul style="list-style-type: none"> Design tailored CD packages for each entry point Conduct TNA Organize ToT and Master ToT Organize networking seminars and workshops Set common targets in relation to CD and pilot test HR performance reviews 	<ul style="list-style-type: none"> Workshops, trainings, ToT, coaching and mentoring Technical assistance 	<ul style="list-style-type: none"> Strengthen coherence of the CD strategy implementation 	PM-LGCDP-II (supported by RCU)
2	Apply elaborated CD approaches and tools on good governance, program management & leadership, institutionalization and performance-based management in view of creating mutual accountability and collaborative working methods for all 5 entry point organizations	<p>Organize whole range of CD support to individuals, and focusing on:</p> <ul style="list-style-type: none"> Enhancing leadership skills of MoFALD selected staff and of Outcome Coordinators/Outputs managers Providing technical expertise to DoLIDAR at the DDC level, including supply of equipment and upgrading of facilities Strengthening MCPM monitoring, reporting, and research capacities of LBFC Sensitize and prepare LBs leadership to post election potential governing mechanisms and implications on their work and responsibilities Providing quality standards and curricula development expertise to LTDA staff; Providing CD facilitation, building knowledge resources and program management to RDTCS Supporting LBAs with their advocacy and research roles Improving selected LBs on technical, project management and HR management skills with a differential support focusing on least advanced and lost advanced LBs Enhance capacities of SM as focal resources persons Enhance capacity of SPs to deliver quality public services and knowledge transfer instruments 	<ul style="list-style-type: none"> All gamut of CD tools, based on this CD strategy approach and methodology focusing on a) develop/consolidate, b) empower, and c) mutualize principles, with a focus on 'least' advanced and 'most' advanced LBs (in order to bridge capacity gaps of the least advanced ones and leverage most advanced ones in order to enhance multiplier effects) 	<ul style="list-style-type: none"> Capacitate least advanced LBs and empower most advanced LBs 	PM-LGCDP-II (supported by PCU experts)
3	Provide career development opportunities at all levels	<ul style="list-style-type: none"> Organize exposure and study visits in the country and abroad (especially in the region) Develop web-based learning platforms Provide opportunities for exchange of experiences among peers in good governance practices among LBs (inter and intra levels) Introduce/pilot test incentives and performance based HR management practices 	<ul style="list-style-type: none"> Pilot schemes Peer-to-peer exchanges Dissemination of good-practices Workshops, conferences and seminars Studying schemes and sponsorship opportunities 	<ul style="list-style-type: none"> Enhance staff motivations and professionalism, while decreasing staff turnover 	MoFALD (supported by Pm-LGCDP-II)
4	Identify and capacitate CD champions and change agents	<ul style="list-style-type: none"> Organise a national selection campaign Organize an award scheme Disseminate and record good-practices Promote metallization of initiatives and networking 	<ul style="list-style-type: none"> Award schemes Marketing campaign Good-practices knowledge bank Networking events 	<ul style="list-style-type: none"> Mutualize on CD good-practices 	MoFALD (supported by Pm-LGCDP-II)

VII. Implementation arrangements

a. Overview (in general)

This CD strategy requires institutional mechanisms, and coordination instruments for implementation. Because of lack of coherence of the CD approach in the past, such institutional mechanisms are recommended at both national and sub-national levels.

At the national level, it is suggested to designate a Unit within the MoFALD, coordinated by the HR section, responsible for CD activities. This unit should put in place a CD steering mechanism with representation of key stakeholders including the LBAs and the LDTA and it should be provided representation at the LDTA Council. This unit does not necessarily need to be newly created, and could be setup within the existing HR section of MoFALD. As a result, ToRs of selected personnel from the HR section should be revised accordingly, to factor in their new CD functions and responsibilities. Ideally, 2 to 4 individuals would be dedicated to CD within the HR section. The designated Unit must support to define the operational meaning of Human Resources Planning/Forecasting and Human Resource Development including an overall Human Resource Management Plan for MoFALD and LBs. CD has been expanded further to System and network support, organizational development and individual capacity building. MoFALD must be equipped with the approaches for these with a designated Unit.

At the DDC level, the Human Resource Development Committee (HRDC) is already provisioned by the regulatory framework to perform key CD functions. It is recommended that the same provision be made at the municipal level as well. Nevertheless, the HRDCs have not been performing according to their functions and expectations, and they require serious revamping in all DDCs. In order for CD activities link HRDC with the RDTCs and the RCU.

At the DDC level, this committee is chaired by the DDC president, with representation from the DDC units/staff as well. Besides, it offers opportunity for involving other key stakeholders, from the technical offices of the government.

HRDC should have been theoretically responsible for:

- Framing CD policies;
- Supporting the design of the future CD operational programmes of the DDCs with own resources, or MoFALD grant(s), and/or with external technical assistance;
- Ensuring linkages with CD service providers – including the LTDA/ RCUs/LBAs;
- Providing vertical dissemination and coordination of strategic orientations preconized by the CD technical Committee (established within MoFALD and coordinated by HR Section);
- Monitoring the implementation of the CD strategic framework; and
- Ensuring CD operational plans are aligned with the CD strategy

In line with these provisions, the DDCs have set up funds for HR development. Currently, 65 DDCs have used this provision, comprising of contributions from own DDCs resources, grants assistance from the government and contributions from the partners. Yet, the impact of these funds seems limited and they would deserve a renewed thinking and programming, with adequate M&E and oversight mechanisms in place.

These existing but fairly dormant provisions of HRDCs should in addition be strengthened in line with the strategy, as they provide an effective platform for CD coordination across the different sub national levels. As such, HRDCs should be capacitated and gradually empowered. They must be mandated, at a later stage, with additional functions such as:

- Supporting progress review and M&E of the CD operational programmes;
- Granting budget allocations to the LBs, based on uniformed and transparent criteria;
- Negotiating with the govt. for CD support;
- Joint CD programming and monitoring by HRDC and RCU; and
- Providing technical assistance and backstopping for the RCUs in terms of CD strategy implementation support.

The key to the successful implementation of this strategy thus relies on regular linkages and coordination between RCUs and HRDC to plan and execute CD activities. HRDCs require substantial investments to be made functional. Additionally, DDCs must make one of its officials fully responsible for HRDC and CD planning and its operationalization.

With a view to efficiently implement the CD strategy, some institutions also need thorough remodeling: LTDA is expected, under this strategy, to primarily set quality standards and develop nationwide curricula for training. The role and functions of RDTCs, on the other hand, should be remodeled, in order to coordinate CD activities while creating its eminence as “Knowledge Centre” for documenting and disseminating CD best-practices etc. They should also, via SM, oversee quality of CD implementation, research works, disseminate training curricula and providing materials and training venue.

At the DDC and municipality levels, the U/DGE in coordination with the sections of these bodies are expected to act as focal points and provide technical expertise as well as support to the design and implementation of the CD operational programmes. They are also expected to do the same at the VDCs in collaboration with the SM, who are in many respects, best suited to articulate needs of the communities into the CD operational plans.

b. Indicative Plan of Operation of the CD Strategy

Based on the recommendations made above and in conformity with the strategies proposed in the CD matrix, the table below proposes indicative plan of operation of the CD strategy for LGCDP II. The indicative plan and its activities are to be executed through the five entry points in a time bound manner. Since, the CD activities are spread in different outputs, some of the activities mentioned in the table also relate to different outputs. Therefore the funding should be based on the budget allocation in proportionate manner.

Following matrix is the disaggregated plan of the CD matrix. It is not comprehensive yet and clarity must be made in the annual plan of operation of each remaining year of LGCDP II.

1. (a) Ministry of Federal Affairs and Local Development (MoFALD) (b) Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR) (c) Local Bodies Fiscal Commission (LBFC) (d) Regional Cluster Unit (RCU)			
Focus	Activities	Related Output	Timeline
System & Network	<ul style="list-style-type: none"> i) Institutionalize trimestral reporting mechanism by the Policy Coordination Committee of the LGCDP II to the Minister for political ownership and mobilization of other Line Ministries/National Agencies etc. ii) Standardize and harmonize existing CD policies, guidelines, manuals and frameworks geared towards quality service delivery iii) Coordinate all CD activities for vertical and horizontal harmonization (MoFALD initiated) iv) Support to make Outcome Coordinators and Output managers of MoFALD accountable for their leadership role and implementation of CD strategy v) Promulgate Local Body Service Act vi) Organize sufficient equipment and other logistics for the technical staffs of all DTOs vii) Replace English version of technical templates by Nepali for the ease of communities (i.e. user groups) viii) Strengthen LBFC for the development of Fiscal Decentralization Policy and providing differential support of supervision and guidance to LBs on MCPM/financial management ... ix) Institutionalize annual review/planning event among all DDCs and Municipalities under each region 	<ul style="list-style-type: none"> i) not specific to any output ii) 5 iii) 5 iv) 5 v) 3 vi) 6 vii) 6 viii) 3 ix) all outputs 	<ul style="list-style-type: none"> i) 2014-15 ii) 2014-15 iii) 2014-15 iv) 2014-15 v) 2014-15 vi) 2014-15 vii) 2015 viii) 2014-17 ix) 2014-17
Organization	<ul style="list-style-type: none"> i) Decide on restructuring of LDTA, productive utilization of PCU/RCUs, ii) creation and implementation of intra-institutional CP plan of the DDCs and Municipalities, reactivation of HRDC in the DDCs, iii) Assign PCU experts to specific sections of MoFALD as per their respective expertise iv) Strengthen existing HR Section for full-fledged CD activities and coordination within MoFALD (vertically and among Line Ministries) v) Increase number of technical staffs in TDOs vi) Further clarify and agree roles and responsibilities within the MoFALD and between LMs in regards to CD at sub-national levels (agencies, LBs...) vii) Set up a M&E system and framework with pragmatic common indicators for CD program including reporting mechanisms in all annual plans viii) Empower RCU to act as monitoring agent of the CD strategy 	<ul style="list-style-type: none"> i) 5 ii) 5 iii) no cost iv) 5 v) 6 vi) 5 vii) 5 + other outputs viii) 5 	<ul style="list-style-type: none"> i) 2014-15 ii) 2014-15 iii) 2014 iv) 2014-15 v) 2014-15 vi) 2014-15 vii) 2014-15 viii) 2014-15
Individual	<ul style="list-style-type: none"> i) Enhance leadership and associated skills to all Outcome Coordinators, Output Managers and related staffs ii) Train DTO staffs on appropriate skills for supporting DDCs, VDCs and Communities on technical aspects iii) Strengthen individual expertise for MCPM monitoring, reporting, and research capacities of LBFC iv) Organize exposure and study visits in the country and abroad on CD theme for all concerned officials v) Provide thematic skill upgrading training to all RCU experts vi) Provide ToT to selected RCU experts to be mobilized as resource persons and coordinating all training programs in the cluster areas 	<ul style="list-style-type: none"> i) 5 ii) 6 iii) 3 iv) all outputs v) 5 vi) 5 	<ul style="list-style-type: none"> i) 2014-15 ii) 2014-15 iii) 2014-17 iv) 2014-17 v) 2014-15 vi) 2014-15
2. Local Development Training Academy (LDTA) and Rural Development Training Centre (RDTC)			
System & Network	<ul style="list-style-type: none"> i) Make policy decision and create compatible by-laws for changing the role of LDTA and RDTCs into Knowledge Centres ii) Strengthen collaboration among CD stakeholders (i.e. CSOs, RCUs, academia and LBAs) for promoting knowledge exchange iii) Transform RDTCs for providing CD and training related support (i.e. knowledge centre, training venue and logistics...) iv) Design training curricula and set training quality standards (LDTA) on Local Self Governance 	<ul style="list-style-type: none"> i) 5 ii) 5+others iii) 5/1+others iv) 5+others 	<ul style="list-style-type: none"> i) 2014-15 i) 2014-17 iii) 2014-17 iv) 2014-17 iv) 2014-15
Organization	<ul style="list-style-type: none"> i) Build and maintain a knowledge bank of training resources and materials at LDTA and RDTCs ii) Develop Strategic Plan as the Knowledge Centre iii) Build a common ICT-based database system iv) Manage progressive archive 	<ul style="list-style-type: none"> i) 5 ii) 5+others iii) 5 	<ul style="list-style-type: none"> i) 2014-17 ii) 2014-15 iii) 2015-17

	v) Support LDTA for its transition to become a Knowledge Centre	iv) 5 v) 5+others	iv) 2015-17 v) 2015-17
Individual	i) Promote e-learning practices ii) Provide quality standards and curricula development expertise to LTDA staff; iii) Provide CD facilitation, managing knowledge resources and program management to RDTCS	i) 5 ii) 5+others iii) 5	i) 2015-17 ii) 2014-15 iii) 2015-17
3. Local Bodies (LBs) and Local Body Associations (LBAs)			
System & Network	i) Systematize handing-over/taking over process, induction to newly deployed staffs and archiving of major documents/learning for institutional memory ii) Institutionalize result-based management practices for all sections and related officials (based on individual and organizational plans) iii) Develop and execute Code(s) of Conduct in order to improve CD quality /standards iv) Promote SM mechanisms for supplementing LBs' tasks v) Promote and disseminate CD good-practices at the community level via Social Mobilizers vi) Organize district based annual review/planning event (including joint CD programming, peer learning and learning innovations)	i) 5 ii) 5+other iii) 5+3+others iv) 1 v) 1+other vi) 5+other	i) 2014-17 ii) 2015-17 iii) 2015-17 iv) 2014-17 v) 2014-17 vi) 2014-17
Organization	i) Deploy at least one accountant, one office assistant and one technical staff for effective service delivery, management and reporting system in all VDCs ii) Provide technical expertise to develop intra-institutional level CD Plans of DDCs and Municipalities iii) Institutionalize CD units at DDCs and Municipalities (i.e. HRDC...) iv) Implement HR system as per the spirit of LB Service Act v) Support LBAs to strengthen networking and advocacy function on policy and good governance vi) Identify 'most advanced' and 'least advanced' LBs, design appropriate CD packages and implement using differential priorities vii) Develop appropriate CD packages & implement in all newly created municipalities viii) Strengthen teamwork (i.e. between VDC Secretaries and Social Mobilizers; VDCs, Municipalities and DDCs) ix) Assign U/DGEs to facilitate annual plan preparation of DDCs and Municipalities including CD activities	i) 5 ii) 5 iii) 5 iv) 5 v) 5,1,3,4,8,9 vi) 3,5,4 vii) 1-7 outputs viii) 1,5 ix) 5	i) 2014-15 ii) 2014-15 iii) 2014-15 iv) 2015 v) 2014-17 vi) 2014-15 vii) 2014-17 viii) 2014-17 ix) 2014-17
Individual	i) Promote career development and good HR management practices ii) Provide skill and related CD support for LBAs to initiate research and advocacy works iii) Provide induction training to all newly appointed VDC secretaries iv) Reward best performing LB individuals v) Introduce partial/full scholarship for career development vi) Introduce internship practices (inter LBs and partner agencies)	i) 5 ii) 5,8,7,3,4 iv) 5 v) to be negotiated with LBs vi) to be negotiated	i) 2014-17 ii) 2014-15 iv) 2014-17 v) 2015-17 vi) 2015-17
4. Social Mobilizers (as an entity)			
System & Network	i) Promote uniformity, standardize and institutionalize SM mechanism ii) Mobilize SM for encouraging a culture of collaborative working among WCF/CAC/LBs iii) Orient SM and all officials on the newly promulgated SM Guidelines by RCUs iv) Support SM to create network of WCF at VDC & municipalities v) Introduce Peer-Learning among WCFs and CACs	i) 1 ii) 1 iii) 1+5 iv) 1 v) 5	i) 2014-17 ii) 2014-17 iii) 2014-15 iv) 2015-17 v) 2015-17
Organization	i) Empower SM as change agents and focal points to coordinate activities initiated by SPs, LBs and RCUs ii) Support recently approved SM Committees to enhance vertical coordination as per SM Guidelines iii) Create networking opportunities between SM and document good-practices	i) 1,5 ii) 1 iii) 1,5,3,4,6	i) 2014-17 ii) 2014-15 iii) 2014-17
Individual	i) Capacitate Social Mobilizers to empower WCFs/CACs ii) Provide ToT to SM and empower SM to become change agents iii) Enhance capacities of SM as focal resources persons iv) Reward best performing SM/WCF/CAC annually	i) 1 ii) 1,5 iii) 1,5 iv) 5	i) 2014-17 ii) 2015 iii) 2015 iv) 2015-17
5. Service Providers (SPs) including National Service Providers (NSPs) and Local Service Providers (LSPs)			
System & Network	i) Orient all LSPs for common understanding of LGCDP II ii) Annual consultation at DDC for experience sharing and approach refinement	i) 1,5	i) 2014-15

	<ul style="list-style-type: none"> iii) RCU and RDTC to document and disseminate (validated) good practices on SM, training and other CD activities iv) Develop and follow professional selection system and criteria for hiring any NSP or LSP 	<ul style="list-style-type: none"> ii) 1,5 iii) 1,5 iv) 1 	<ul style="list-style-type: none"> ii) 2014-17 iii) 2014-17 iv) 2014
Organization	<ul style="list-style-type: none"> i) RCUs to facilitate network of LSPs ii) RDTCs to provide logistic support to LSPs to run the programs iii) Support LDTA to assess the quality of training curricula and training delivery mechanism iv) Develop and apply Code of Conduct for providing professional services by all NSPs and LSPs 	<ul style="list-style-type: none"> i) 1, 5 ii) 5 iii) 5 iv) 5 	<ul style="list-style-type: none"> i) 2015-16 ii) 2014-15 iii) 2014-17 iv) 2014-15
Individual	<ul style="list-style-type: none"> i) Support LDTA to facilitate creation of network among academia etc. for Knowledge Management ii) Organize district based annual review/planning event (including joint CD programming, peer learning and innovations) 	<ul style="list-style-type: none"> i) 5 and others ii) 1-7 outputs 	<ul style="list-style-type: none"> i) 2014-17 ii) 2014-17

CD Strategy

VIII. M & E

Besides the recommended implementation arrangements, the strategy should be adequately and regularly monitored, reviewed, updated and revised.

M&E and Results Based Management (RBM) go hand-in-hand and the M&E framework to be developed for the strategy will be reliant on the capacity of the five entry points to understand their current capacity, and as such to collect and assess their current capacity, via the numerous baseline surveys and organizational assessments already conducted. Setting realistic indicators and targets requires a good understanding of the baselines and the future operational programmes should accordingly know where to start from capacitating.

Besides, M&E should be undertaken in an inclusive and participatory approach, which ultimately promote and support cross-learning, while ensuring lessons-learned are fed-back into the learning and programming cycles. M&E therefore serves as an enabler for effective leadership, which is critical for LGCDP II, and also as an oversight mechanism, to guarantee that the implemented CD activities are in line with the strategy.

Additionally, monitoring entails regular data collection and reviews. It is therefore recommended that M&E competences and skills are reinforced within the RCUs and HRDCs.

At this stage, it is not possible to set robust indicators and targets for each priorities of the strategy, nor is it any useful. Specific indicators and targets should be devised as per each priorities of the operational programmes, and the below should, alike the strategy itself, provide the overarching M&E framework. To this end, expected results from the strategy are grouped into 3 critical outcome results:

Cumulated results expected from the CD strategy	Targets	Indicators
Improve mutual accountability of main stakeholders, and notably between and within the five-entry points	<ul style="list-style-type: none"> MoFALD to provide leadership and steering of the CD strategy Main stakeholders to deliver CD initiatives in a harmonized and consistent approach in line with the CD strategy 	<ul style="list-style-type: none"> Number of CD initiatives which are initiates and/or implemented without consultations Number of joint CD initiatives between the main CD stakeholders
Empower the five entry-points and diffuse a culture of performance and change management	Identify and promote at least one change agent within each entry-points	<ul style="list-style-type: none"> Number of individuals supported and empowered as change agents Number CD good-practices disseminated and replicated
Improve CD consistency and delivery at the LBs level	<ul style="list-style-type: none"> Develop and implement 1 CD operational programme per entry-point Pilot-test design of CD operational programmes in selected LBs, and support their implementation and M&E 	Number of LBs able to independently design and ensure M&E of their respective CD operational programmes

IX. Risks and mitigation measures

Given below are obvious and foreseen risks, followed by envisaged mitigations strategies:

- Elections drastically reshaping the sub-national governance system and functions of key stakeholders

This CD strategy has forecasted and integrated major potential changes in the sub national governance architecture. However, it would require to being substantially revised and/or updated post elections as well as potential changes at DDC level in state restructuring.

- Slow take-up of the CD strategy at the national and sub-national levels

The CD strategy presupposes strong ownership and leadership at the national level. The recommended implementation arrangements should also ensure that the CD strategy is cascaded down to all sub national levels, and that LBs CD operational plans are in line with the strategy. Nonetheless, intensive efforts and dedicated CD activities should be devised once the strategy is approved, in order to quickly mobilize resources.

- Reluctance and low capacity to design operational CD programmes at the subnational levels

As always, a process of change is often hindered by reluctance to changes from various organizations and individuals. Nevertheless, this CD strategy is well balanced and it does not put at stake any core functions of the current CD stakeholders. It may challenge some, but it should be acknowledged that such CD strategy largely benefit all stakeholders, provided it is sequenced adequately and assuming the interconnectedness between all levels. LBs have all to gain from rolling out this CD strategy under CD operational programmes, as long as adequate level of support is provided to them.

- Declining budget support from DPs, resulting into delayed and/or partial implementation of the strategy

DPs have been, at large, providing CD support on ad hoc basis, according to their own interests and agendas. This CD strategy nevertheless calls for pooled funding to be directed towards implementation, under leadership of the MoFALD.

- Shifting governments priorities, relaying CD to a secondary momentum

Presently, CD enjoys a strong momentum, and a shared recognition from and among the government institutions that the previous CD approach and initiatives are not proving to be sustainable, or at worst, are not contributing to achieving the intended goals and outcomes of LGCDP. Consequently, this momentum should be sustained and regular progress reviews of the strategy to be conducted.

X. Conclusions and Recommendations:

1) CD as a change process: As opposed to limited understanding of CD as supply and delivery of trainings, this CD approach considers the CD as a change process to be promoted and implemented in harmonized manner among all the outputs of the LGCDP II as well as with effective coordination among the stakeholders in all levels.

Recommendation: Therefore, while providing any CD support to any stakeholders, educate them on its relevance in bringing change in the system they work. Orientation, induction, workshops, refined TOR, developing M&E system are some of the approaches.

2) Differential CD approach: Given the diverse geographic positions, functional assignment, capacity and resource base of the LBs in general, this CD strategy has advocated for differential approach for CD support which also considers the time of emergence of the LBs.

Recommendations:

- As proposed earlier, categorized LBs in three types, least developed, average that meets minimum functioning and management capacity and the advanced ones. Use MCPM as the base to start with for the categorization.
- Category these LBs to define their CD needs every year.
- Develop and provide CD support to least developed category on priority basis (on all basics) so that they are able to fast track and meet the minimum competency requirements.
- Provide support to the advanced ones to set examples for others with a view to mobilize them further for multiplier effect. Leadership transfer (with reward) is an approach.
- Introduce the concept of peer learning to fast track the CD process.
- Harmonize the proposed activities by various outputs of LGCDP (that range from system and regulatory frameworks, organizational and individual improvements including staff, to PFM and FFRAP: outputs: 1, 2,3,4,6,7) to develop and deliver combined program for CD support to the LBs and communities. PCU must lead for this process. This way the program can add value and make impact. In the meantime continue providing targeted basic training as well.
- Importantly of all, ensure that the new municipalities and VDCs meet the minimum capacity requirements to deliver. For this, extra attention must be given i.e. instituting the newly formed 72 municipalities.

3) Three pillars for CD: The proposed strategy is embedded on the three pillars concept of CD; (i) developing and enhancing systems and network (ii) organizational development and (ii) enhancing competence of the individuals. The three pillars should work synergistically and must complement each other for delivering combined results. Imbalance in any of them results into ineffectiveness and non-sustainability of the CD strategy.

Recommendation: Therefore, all CD related activities in LGCDP II (from policy development to trainings) must factor them together (also harmonizing each output based CD initiatives). Additionally, the CD process should go through three evolutionary phases: develop, empower and consolidate (as cited earlier).

4) Key Entry Points: Based on the nature of the roles and responsibilities relating to local governance in Nepal, five key entry points for the three pillars are identified. All these entry points need to be strengthened concurrently for delivering the CD results. In this regard the followings are proposed:

4.1) MoFALD:

4.1.1: Mainstreaming CD focus in the ministry: MoFALD is the principal owner and responsible institution for CD. It takes lead in coordination, harmonization, partnership development and delivery of CD activities. Yet the findings show that within MoFALD organizational architecture, CD is taken as part of the internal administration's HR management component. CD strategy, as proposed is not and cannot be limited to in-house management only. MoFALD (with assistance from LGCDP) must institutionalize the CD at all vertical and horizontal levels. At present, CD related responsibilities are diffused across the divisions/directorates (OC/OM distribution) of the ministry. This makes it difficult to exactly nail down the responsible entity within the ministry for CD which has been necessarily broadened.

Recommendation: Therefore, in order for executing CD programs effectively, there is a need to elevate the status of the CD (HR) section and assign a senior official to manage. This section should have the authority to coordinate all CD related activities spread across the divisions and the OC/OM ideally. Creation of a CD division under a Joint Secretary would be the most desirable provided political and institutional commitment of the ministry is available.

4.1.2: Political ownership and stakeholders' participation: Capacity development of the LBs is not a single agency function. It is a collective responsibility of all, so that specialized ministries/agencies are engaged fully and there is collective ownership of the government as a whole. LGCDP outputs (1, 2,3,4,7 and 8) combined contribute towards making LBs capable for delivering services to citizens in efficient, effective and accountable manners. In this process some of the outputs have already provisioned for inter-ministerial/agency cooperation in designing and providing CD supports to the LBs. Such initiatives need to receive further recognition from the government as a whole and through the process of activation of the established mechanisms such as DIMC (Output 8). This is an issue of political ownership, because this adds value to influence the key stakeholders at the highest level as opposed to the limitations of the technical levels. It is not even clear how it relates with the minister for leadership and ownership.

Recommendation: Therefore, linking the apex management structure of the LGCDP II with the minister and opening up participation of other key stakeholders in PCC even as observers are critical for coordination and harmonization of the CD. In this context, the proposal of activation of DIMC is strategic for across the government coordination on policy development and harmonized CD support. At the DIMC the minister and the ministry will have better political leverage because of its composition and representation of stakeholders.

4.1.3: Overlapping responsibilities: The Outcome Coordinators and Output Managers (OCs/OMs) are required to perform two sets of functions - ministry specific and LGCDP related. Similarly, the PCU experts are faced with challenges of overlapping responsibilities as well i.e. thematic and administrative. It affects their performance and delivery and not disregarding possible effect on their level of motivation.

Recommendation: Rectify this context by placing PCU experts to the related divisions as opposed to their tight-affiliation with the PCU. This will develop and empower the divisions and also facilitate better in coordination/harmonization on CD areas and also reduce the burden of responsibilities of the OC/OM.

4.1.4: Optimization of the delivery of RCU experts: The RCU experts on the one hand have huge geographic coverage, while they are also required to deliver the assignments of the ministry on the other hand on regular basis. This is overlapping of responsibilities and negatively impacts on the substantive delivery from the experts. This situation is product of removal of regional directorates from the region.

Recommendation: Reinstating the regional directorates is out of question. Therefore, as planned, assignment of MoFALD staff as chief of RCU needs to be expedited through PRF. RCU experts' delivery should be based on their individual result delivery plan and such plans need to be developed together with the DDCs/ municipalities and U/DGE of the region so that each actor and stakeholders is informed what to expect from the RCU experts as well as become accountable for delivery.

4.1.5: Link and Connectivity among the PCU/RCU experts and the U/DGE: Link and connectivity between the PCU-RCU experts and RCU/U/DGE is critical for success of the CD. The findings show that direct and regular communication on substantive areas between PCU and RCU experts is weak and even glossed over. This creates a big gap in collective capacity. U/DGEs are new and likely to face high demand from the LBs as well as pressure from the programme for high delivery. Therefore, building regular linkages among these sets of experts and reinforce each other mutually is key to success of the program. Similarly, good coordination with the RDTC is important for these experts to deliver.

Recommendation: The programme should encourage the regular PCU and RCU communication on CD areas. PCU experts provide substantive and backstopping support to the RCU and RCU do the same to the U/DGE. One of the best ways to do it would be bi-weekly net conferencing among the experts for which issues are submitted in advance. Furthermore, it is advised that regional level CD plans are developed in order to cater the special needs of the LBs in the region, and, they should be aggregated CD plans developed by each DDC/municipality at the regional level consultative meeting annually.

4.1.6: LBFC: The LBFC's strategic role in policy making and promoting accountability in financial and fiduciary decentralization areas is critical and growing. Therefore, its CD must be viewed from three perspectives; equipping LBFC with competent human resources, enhancing its research and monitoring strengths and improving its coordination with other divisions within the ministry.

Recommendation: Engage actively LBFC with OC/OM, related PCU experts on any matters relating to fiscal decentralization in general and revenue/taxation, PFM/FFRAP etc. in particular. Also for value addition, receive support of the LBFC for expanding MCPM indicators esp. the accountability areas (in essence - ownership over the process and results). Support LBFC in improvement of its human resource capacity through exposure visits.

4.2 LDTA/RDTC: The relevance and value of the LDTA/RDTC in capacity development of the LBs is being perceived differently considering that the private sector service providers have become a

reality, unlike in the past. Competence of the LDTA is not matching to compete in the open market dynamics. Even now, and in the state restructuring process, chances of RDTC becoming provincial knowledge centres is a good possibility. LGCDP's approach to revamp this organization and developing it as knowledge centre is effective and lawful. It means that the current management structure, leadership and capacity needs must be reassessed to make it more significant to CD strategy.

Recommendations:

- Restructure LDTA in accordance with various studies submitted for its institutional and human resource development plan.
- Recruit its leadership through open competition and with specific TOR for performance based results and compatible remuneration.
- Recruit professionals for the LDTA/RDTC on merit basis with priority for the transformed mandates.
- Introduce the system of program based funding to the LDTA/RDTC from the government as opposed to the current practice of providing grant to sustain its operation and staff. This must also be made compatible to result-based financing.
- Revamp and capacitate LDTA to make it earning at least 60% of the revenue for all expenditures.
- As part of internal decentralization, allow RDTCs to develop own programs and finance staff accordingly while encouraging for innovations and networks.
- LDTA must work in partnership with academia, CSOs and LBAs in CD related areas as the "Knowledge Centre" on good governance.
- Develop archive, documentation and web-based learning centre for knowledge and,
- For strategic reason consider transferring RCU experts into possible RDTCs to work as expert pool and transfer skills.

4.3: LBAs: LBAs' role in CD undertakings is perceived in peripheral manners. LGCDP and the ministry should consider important roles of LBAs (although currently they have lost their strengths significantly due to absence of elected representatives in the LBs) for collaboration on CD areas. They are actively engaged in promoting decentralized governance and issue based advocacy. Their values rest on their access to political actors, link with civil societies and mobilization of the members.

Recommendation:

- Conduct peer-to-peer learning among the LBs through the LBAs - internships, mentoring, temporary-transfer of staff for mutual learning and recognition.
- As planned, engage the LBAs actively on local governance policy development and advocacy. This will add value to the ministry's initiatives.
- Engage LBAs to document the best practices and their dissemination, and
- Provide support for the CD of the LBAs in local governance issue based research.

4.3.1: LBs: There are many CD related challenges at the LB levels. They range from uncertainty of LBs status in constitution making and state restructuring process, no election, high dependency of LBs in government grant and subsidy for program and capacity development,

weak organization management structure, weak revenue mobilization to low performance of the sections and staff.

Recommendations:

- As a matter of high priority, ensure that VDCs have accountants and technical person to support in infrastructure planning and development. Explore three options in this regard following differential priorities. First as much as possible capacitate the available staff of the VDC through training. Secondly, explore the possibility of linking the VDCs with the private sector /technical institutes in receiving such services on periodic basis to meet the standards and requirement of the government. Some VDCs as cluster have begun to hire engineering firms to get support in technical matters. Review such practices and if found appropriate encourage this practice with appropriate monitoring mechanism. The third option (very vital) is to allocate at least three staffs in each VDC i.e. one full-time accountant, one full time office assistant and one part-time technical staff.
- Develop a cadre of specialized local trainers/resource persons in each district who can be mobilized by the RDTC/RCU/LBAs on fast track basis for rendering CD support to the LBs particularly the VDCs. Such resource persons can be drawn from the academic institutions, private sector (such as the engineering firms/public accounting companies or associations etc.) and civil societies engaged in local development. Additionally, the present and/or upcoming roster of local resource persons can help.
- Support each DDC and municipality to develop its intra-institutional CD plan as a basis for all CD interventions. Ensure that such plans factor the three elements: system and network, organization and individual for focused initiatives and activities.
- Reactivate HRDC at the DDC level and make it a responsible arrangement for CD planning and management. Allocate a feasible amount of DDC fund to the HRDC account for co-funding the CD activities. Do the same at municipalities as well.
- As planned, introduce result based management practices in selected LBs and roll them out based on the lessons learnt.
- Make it compulsory that new management staff of the LBs receive induction training prior to joining the job. Do this in two ways. Firstly, as much as possible organize the training. If not, provision for on the job induction by the outgoing official for at least one month (overlapping period), so that skills are transferred and institutional memory also retained.
- Encourage the DDCs and municipalities to negotiate with educational and technical institutions for providing tailor made professional trainings for staff.
- Introduce web based training targeting to address the learning plan of LB staff. LDTA can be made capable to provide such services.

4.4: WCF/CAC/SMs: WCF/ CAC have begun to emerge as useful informal-entities for promoting good governance and articulating demand side in delivery of services. In the process they have made important achievements as well.

Recommendation:

- Support in establishing VDC level network of the WCFs for collective programs and raising voices for equitable development results. They can be promoted to become an apex body at the VDC level supported by SM for need-based activities.

- Unify and consolidate social mobilization approaches coming from various organizations for uniformity, coherence and consistency;
- To highlight the gains made through the WCF/CAC procure, the services of LDTCs can be procured for best practice documentation and dissemination.

4.5 SP - NSPs and LSPs: Overall, for effective CD support to the communities, the key areas for focus in relation to the LSPs are; better coordination among the LSPs, NSPs and the LBs, regular monitoring of the SMs at work, availability of qualified SMs, improved coordination between the VDCs and SMs and documentation and dissemination of the good practices with the involvement of the LBAs.

Recommendations: Assign RCU to select, mobilize and monitor performances of the LSPs as per the TOR. Let the RCU also organize interaction/consultative meetings among the LSPs, NSPs and LDTCs for documenting lessons learnt and decide on remedial measures.

5: PPSF/PRF: It is difficult to suggest specific strategy on this area for various reasons. Firstly, specialized professionals are needed for a reformative program such as LGCDP to be provisioned within the civil service architecture itself. At present, this is not the case for MoFALD because a separate category within civil service specialized on local governance is not provisioned. Secondly, the provision of appointing six experts in the DIMC Executive Committee is left unexecuted. Had this been done, these experts could be utilized in order to respond in a prepared manner for the two year phasing out provision of the PPSF. Thirdly, the possibility of promulgating the LB Service Act and creation of a Local Government Service Commission is yet to be a reality and seems uncertain for some period to come. Fourthly, with the state restructuring, new mandate and restructuring of the MoFALD is a strong possibility. Fifth, previous similar programme experiences show the difficulties and challenges of retaining project professionals within the DDCs.

Recommendations: On the basis of the above analysis the followings options are recommended:

- **Option One:** Ideally, the specialized cadre within the civil service administration would be the best and long term solution for mitigating dependency on project supported under TA arrangements. For some time, this does not seem possible. However, this option should be seriously taken by MoFALD in anticipation of its expanded role in the new state structure.
- **Option Two:** Execute the provision of the DIMC experts; this can meet some, but not all, of the key expertise requirements. This requires a political and bureaucratic commitment.
- **Option Three:** From practical perspective, therefore, make a special provision to arrange the expertise for the lifetime of the program as per the LGCDP II project document. Do the same at the DDC and municipality as well.

6: MCPM: In international practice, the MCPM is designed to hold elected representatives of LBs accountable to the government and to their constituencies by demonstrating their performance against the minimum conditions they are required to meet in management and service delivery areas. This is not the case in Nepal at present. MCPM is now applied by the ministry against its own management system at the LB level (conceptually not ideal but good for introducing a system). Nonetheless, the value of MCPM as useful accountability instrument is acknowledged fully by all stakeholders. Some limitations of MCPM have begun to emerge with regard to

performance variations of the LBs in MCPM and the role of LB management leadership. They are such as quality of MCPM verification processes, shrewd arrangements of documents by LBs to meet the requirement and lack of institutional knowledge within LBs for sustaining the performance level and standards.

Recommendation: As an effective monitoring and accountability instrument, MCPM's relevance is evident and on the rise. Yet, it is also becoming important to factor MCPM in other provisions - good governance tools, social accountability, citizen's cards, and performance of LB sections and staffs. Some of these provisions are already being executed by the LGCDP through various outputs. Additional activities in the area of result based management, assessment of LB's organizational structures, restructuring of taxation systems etc. are planned within the life time of the project. Therefore, it is recommended that additional indicators are also included in the MCPM. However, to address the challenges associated, a joint preparatory plan is designed by all outputs for coordination and smooth transition.

Finally, Knowledge Management (KM) has been found a crux for understanding the essences of LGCDP II and the expected achievements in the form of transcribed good governance practices in the country. KM practices need to be expanded at national, regional and district levels vertically and horizontally. Even the WCFs and CACs need to share their experiences with a view to institutionalize the sharing, supporting, planning and implementation mechanism for the common cause. VDC for them could be a best platform. RCU must be mandated to coordinate all KM related activities in its respective region. Similarly, lead must rest in the hands of the PCU team and ultimately MoFALD.