

Annex 3: Informal Notes from the Field Visit Findings

This Annex provides a brief overview of the main findings and conclusions from the field trips conducted to Kavre, Morang and Dhading on April 23- 24, 2008.

Findings from Kavre District, April 24, 2008

- The system of political parties (7) in the advisory body is functioning and is involved in all major decisions, based on advice to the LDO and inputs from the participatory planning process. Sometimes, it may be hard to get agreements amongst the 7 parties and decisions may be delayed
- The 7 parties are also active at the VDC level
- The DDC tries to follow the 14 steps as per the LGSA. Plans are submitted from the village level through the Ilaka level to the DDC for final decision-making. Smaller proposals are already decided on the VDC level
- DACAW is an important programme for SM and contributes to establishment of linkages between the communities and the LMs. DACAW works with particularly the Dalits and focuses on areas such as children, women, education, health and sanitation – it right-based and links the communities with the administrations – create empowerment
- DLGSP has closed, but the LDF is still functioning although on a lower scale and activity level
- LDF covers 28 of the 87 VDCs. LDF contributes funds for seed money to infrastructure projects. It is seen as a parallel (supplementary) system of funding of these functions.
- SM covers organisation and mobilisation, skill development and credit/savings where funds are moved into the system from LDF through CDF.
- About 1/3 of the VDCs have been covered by SM. LDF funding only targets the mobilised areas
- The planning process this year has been delayed due to the election.
- The LDF has 24 staff, which are LDF staff, not permanent DDC officials/employees. This is a challenge now with the delays in the start up of new programmes
- CDF has been established in 16 VDCs and 7 more are under preparation. They handle funds and are managed by the Chairmen and Managers of the selected communities, LDF had provided a revolving fund of Rs 500,000-700,000 per VDC received from NORAD, to be used only for income generating activities. LDF receives 5 % in administrative fees on all interest incomes
- Each CDF has its own Project Management Committee. LDF channels fund to CO (community organizations) through CDF. CDF runs from the interest incomes as well as grant from VDC.
- All Chairmen and Managers of all communities of one VDC meet monthly and necessary actions are decided. This is called CMC (Chairman Manager Conference).
- One social mobiliser, who is the staff of LDF, covers one or more VDC.
- Each VDC used to receive Rs. 40,000 to Rs. 200,000 from the DLGSP.
- Funding Flows: There are problems in the flow of funds from the CG block grants due to various procedures. The delays can be more than 3 months and significant amounts of funds are not released, also due to problems with the spending by the end of the year (late transfers lead to lack of possibilities for spending). This year the district has received the first and the second instalment, but the 3rd has not yet arrived

and the district expects that the grants will be less than budgeted for. Some of the reasons for delays and problems are:

- A number of authorizations and clearance letters have to be completed prior to release, sometimes these are a month delayed
 - The fact that the DDC has to spend one release prior to the request for another and the dialogue on the size of the release based on DDC work-plans. Sometimes work implementation is delayed and it is hard to break up investments in three time periods
 - As point of departure the releases are done in 3 equal instalments but the DDC can argue for a higher release in one of the instalments with a reduction in the next, but this is very time-consuming and demand a lot of documentation
 - Delays in reporting from the DDC lead to delays in release of funds
 - Delays in the DDC meetings on plans
 - There is definitely a need to review the system and processes.
 - There is a need in creating uniformity in the reporting system. DDCs have to report to Comptrollers Office, MLD and NPC.
 - The DDC expects that only 2/3 will be spend this year, the remaining funds returned to CG. Estimated 20-25 % of the funds are send back every year.
- Audit: Audit of the DDC is generally up-to-date. The audit of the VDCs is behind the schedule. The DDC makes a list of companies, which are certified by the Auditor General and then finally select an auditor. Last year all except 20 VDCs were audited.
 - Internal audit: The internal audit of the DDC for last year is completed and this year is still ongoing
 - The district appreciated the MC/PM system which put some appropriate pressure on their performance. It has enabled the district to focus on improvements in core PFM areas, internal audit etc.
 - Procurement: The district has its own procurement committee as per the 2064 Act on Procurement. User group procurement can be applied up to a certain limit where the contracting out process should take place. If donors have special requirements, these can be applied as well
 - Reporting: Various projects use various reporting format, e.g. the DFDP, which has an improved version of the GoN's block grant reporting formats. All requires monthly financial statements and typically 4-monthly physical progress reports
 - Women and disadvantaged groups: The DDC tries to make affirmative actions, but more could be done, particularly at the VDC level. There are rules in the VDC block grant guidelines on this, but not for the DDC block grants. The DACAW has a number of initiatives within this area.

Findings from Panuti Municipality

- The bottom up planning process is applied, and particularly the ward level is important in generating proposals. The ward level meetings are open for everyone.
- The planning process this year has been delayed due to the elections
- The 7 party advisory (de factor decision-making) body is working very well and decisions are based on common agreements
- They meet twice every month at the municipality
- There is some social mobilisation in the Municipality, supported by the community development office of the Municipality

- Funds to the municipality come from the MLD to the Municipal Development Fund, and they flow regularly without major problems (i.e. not through the treasury system). There are no regular reporting from the Municipality on utilisation of funds, and no sanctions if reports are not submitted
- About 55 % of the total funds go for administration expenditures
- Audit: The audit is generally up-to date
- The SM includes infrastructure creation, capacity building and income generating activities.
- As many DPs are involved, there are many modalities for SM. The lessons learned are that social inclusion in social mobilisation is important.

Field visits: Morang District (23-24 April 2008)

A. DISCUSSION WITH DDC OFFICIALS AT BIRATNAGAR, DDC MORANG

Present: Planning Officer, Socializer Mobilizer, Savings and Credit Facilitator; LDF Executive Secretary; Finance Officer; DTO (acting LDO) and others

Planning:

- Participatory planning process is in place (Settlements- Wards- VDC – Ilaka- DDC)
- Political party's representation in planning and decision making – done through “All Party Advisory Committee”- basically 7 Parties (Parties not officially acknowledged, such as Madheshi Party, represented as civil society representation)
- The DDC Council- formal body for approval (only a single person- the LDO at present)
- Sectoral Sub-Committees (represented by concerned line agency, I/NGOs, political parties) priorities projects and puts for discussion/formalization at the IPFC.
- IPFC recommendations to “Party Advisory Committee” for consultation (not a legal mandatory body) - in practice their decision will be endorsed by the DDC Council– the LDO.

Coordination and Monitoring:

- At the planning stage- through Sectoral Sub-committees (in terms of resources as well) where I/NGOs are also involved;
- GE/SI- 33% women's representation insured in User Committees for project implementation (legal provision)
- Line agencies are represented in sub-committees
- Difficult to coordinate with I/NGOs due to funding sources and allocations (Fiscal Year problems etc.);
- DDC has the monitoring role;

Fund Flows:

- Conditional (e.g. agriculture road) and Un-conditional (VDC Block Grants- comes in time/regularly)
- Fund flows through DDF only in case of fully devolved line Ministries/sectors- Agriculture, Health, Livestock and Education (limited to primary education only). DDC releases them on installment basis.

- DDC has to recommend to “Kosh and Lekha Niyantran Karyalaya” to release funds to other line agencies (besides fully devolved ones) in installment basis.
- VDC funds audited with some recommendation but so far no fraud or mismanagement reported by the auditors;
- LDF receives 2.3 million Rs. per annum from DLGSP
- VDC audit: all VDCs audited. General weaknesses pointed out by audit: problems with advance settlement; rules are not followed to some extent, e.g. they can only ask for 30% advance on the full BG, but as there are a lot of delays they often try to ask more and sometimes are given more; no cases of obvious fraud.
- Some weakness: Rules not followed (they give practical/field level consideration) Advanced not settlement in time

LDF/CDF:

- COs formed in all settlements of a VDC,
- Federates into CMC - one CMC/VDC
- CMC elects Chairperson of CDF (in some cases, VDC Chair function as CDF Chair)
- LDF provides i) Seed Grants to COs (Community Organization); ii) Credit Capital Fund ; iii) Skills development/technology transfer and iv) CDF
- LDF moves to new VDC but continue monitoring old ones
- CDF keeps functioning
- CDF gives annual plan to LDF
- CDF is an “exit” strategy
- LDF provides 6-700,000 NRs. as credit capital for micro-enterprise activities
- LDF functions as a wing of DDC- need to have a separate autonomous LDF to serve CDF and effective monitoring.
- Fund flow DDF-LDF-CDF: VDP is actually implemented by LDF; “LDF is not so different from DDF”, is seen as part of it; mature COs form CMCs and can create CDF; money is going through LDF (not directly DDF-CDF) because there is “still need for monitoring and CDFs are not mature enough yet”. LDF is now part of DDC but it should be more autonomous, to look after CDFs etc. DLGSP gives annually 2.3-2.4 million Rs. to LDF; LDF gives 500,000-700,000 Rs. to credit capital; CMC generates savings 100,000-150,000 Rs.; funds, 5,000-50,000 Rs. also for skill development, proposals for which come from CDF, LDF decides on allocation.
- Function of S&C facilitator: give training to CO manager who is responsible for bookkeeping and record of S&C; monitoring of COs, CCs and their S&C activities

MC/PM:

- Started from last year only
- Useful (efficiency, equality) but challenging (lots of rules and regulation enforcing through this) to follow

Capacity building

- Gender Budgeting mentioned in the guideline but DDC lacks capacity in Gender oriented budget

- Social Development Officer needs clear guideline and support in mainstreaming GE/SI in the DDC planning, prioritization and budgeting (TOR of SDO mentions in ensuring GE/SI in DDC planning and budgeting).
- There is a distinct gap between the linkage with the Social Development Officer at the DDC level and Social mobiliser at the VDC level in terms of GE/SI integration, monitoring and capacity building.
- No mention of affirmative measures taken at the DDC level in incorporating GE/SI issues, such as GE/SI desk, priority given to projects that promote GE/SI, etc. Unlike the VDC block grant where certain percentage has been allocated to women, and DAG groups there is no such provision in the DDC block grant. The DDC however has been providing some resources for women and DAG specific projects through DDC's own internal fund. (8 – 10 hundred thousand per year)
- Linkage with line agencies particularly with women development division (beside channeling funds to women NGOs) and Women Development Officer at the DDC level in influencing decisions were not distinct and needs improvement.

B. DISCUSSIONS AT THE VDC LEVEL

B.1. Hareicha VDC (DLGSP area): DLGSP groups including women groups, VDC Secretary, Social Mobilizers, LDF Secretary

- 40 COs in Hareicha VDC federated into CMC representing chairperson and manager of each COs.
- COs formed at the settlement level and the coverage of COs is 977 HH out of 1304 HH of which dalit – 58 HH, janajati - 620 HH, other- 299 HH, ultra poor - 231, poor – 320 and medium - 426 HH. (HH – house hold)

Social Mobilization in Hareicha VDC:

- Objectives: organize people into COs, awareness raising, inclusion of women, dalits and marginalized people, skill development and livelihoods (livestock, agriculture) support, basic infrastructure development
- Mapping is necessary before social mobilization can take place in order to identify and target the groups of people.
- Important components in the SM suggested by the group
 - i) Organizational development
 - ii) Capital formation (savings) and seed money (revolving fund)
 - iii) Skill development and livelihoods (income generation) improvements
 - iv) Technical support and technology transfer
- Basic infrastructure projects are highly successful through people's participation in social mobilization
- Group formation was initially challenging in terms of inculcating saving habits among the people. Particularly challenging in mobilizing ultra poor in the group and start saving habits.
- SM needs to be done independently from local government. But social mobilisation for both governments, NGOs/INGOs, program/projects should go together.
- LDF provided social Mobilizers- the SM is a crucial person for ensuring GE/SI inclusion, marketing linkages, technology transfer;

- Before social mobilisation clarity is needed in terms of why social mobilization should be initiated? For what purpose? Once the purpose is identified social mobiliser should have enough capacity, knowledge in the area of interest of people/program.
- COs not registered thus facing difficulties in receiving resources from other sources;
- A Tharu woman complained of not having equal representation of women from janajati, dalits and ultra poor in COs.
- One person complained there are too many groups (he is member of 4 groups himself) with different focus – difficult to manage with time (has to attend meetings of all 4 etc.) etc.; need for “mainstreaming”.

Coordination with VDC:

- Better linkage now due to the fact that the SM and VDC secretary and social mobiliser are working together.
- Pension (old age, widows, conflict affected, PWDs) is coming regularly;
- Policy required for all development partners to coordinate with VDC before implementation at the community level. This helps in regulating and monitoring development project’s progress.

Planning/Decision Making:

- All party advisory committee is present-there is no legal decision making but VDC council basically endorses their recommendation/decisions,
- More community involvement now due to SM and COs presence- before individual influence by political party leaders
- Not proper representation of women, and disadvantaged sections in decision making; Representation in user committees is influenced by political parties.
- Projects are implemented through user committees where 33% women representation is required. However, there is a tendency of elite capture and women representation is limited to physical participation (fulfilling quotas) and lack of true representation of women from different caste/ethnic groups.
- In terms of all party advisory committee- representation in terms of gender, caste, class and ethnicity is not taken into consideration. Therefore, policy measure to ensure equitable representation from all sectors of gender caste, ethnicity is required;
- Specific consideration is given in terms of allocating VDC grants/budget for children, women ,janajati, dalits and people with disabilities;
- Strong law required to make political party leaders accountable to people and also punishable by law if not followed.
- Political party representatives should be committed to people and should be clear on their duties/responsibilities.

Fund Flow:

- Last fiscal year (2006/07) all funds were received. This year (FY 2007/07) the funding flow is already late for second installment possible reasons a) due to election b) late fund flow from donors that follow different calendars C) Of the block grant only 27% comes from the government rest from donors
- Pension funds – satisfactory fund flow
- Do not see clear linkage between Budget drafting committee at the VDC level (as per the law) and the CDF. Why is there a need for this parallel structure? CDF ultimately needs to be merged within the VDC’s legitimate structure

B.2. Tetaria VDC (non socially mobilized, no DLGSP):

- VDC planning process is same as previous VDC
- No DLGSP social mobilization but some I/NGOs are doing some social mobilization in their short term projects (6-12 months)
- Required SM for mobilization of communities, 85% Tharu inhabitation, 10% Dalits in this VDC
- This VDC is declared as a Children Friendly VDC (one out of 8 VDCs in Nepal)

Planning and Decision Making:

- Village Advisory Committee as per the LSGA Act - 11 member
 - Representation representing: 7 Political parties; 1 Intellectual; 1 Women; 3 civil society representation (1 woman) (without the VDC secretary to minimize influence)
 - In the absence of COs at settlement level the VDC sends the notice in the start of the FY at the ward level for proposals. The proposals then get identified and prioritized and sent at VDC level. The Village advisory committee then does the discussions and finalization of the prioritisation of projects and VDC councils decides finally.
 - In the absence of prominent CSOs groups leaders the selection of CSOs representative for village Advisory committee was done through consensus by calling a large mass gathering.
 - Difference with DLGSP VDC: Civil society representation to include Madheshi group
 - The advisory committee is not a legal decision making body- but VDC council endorsed their recommendation
 - Decision making process: took 2 months for finalizing the selection of projects; they “collected priorities” from villages, then prioritized; if there were too many proposals in a ward then VDC officials again got concerned people together to help with prioritization of their projects
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- People are of the opinion that all party committees (7 party) are not representative of people.
 - The representation of women (33%), dalit and janajati in Project Implementation Committee/User Committee is ensured as per the government policy.
 - Set reporting format at the VDC as per the LSGA guideline, accounts audited by DDC internal auditors and external auditors.
 - In the absence of local bodies provided opportunity for wider population to get involved in planning/decision making can be done through the village advisory committee.

Fund flow & financial issues

- VDC block grant – 100% transferred in 2006/07; FY 2007-08 – about 50% received so far
- Pension (old age, widows, conflict affected, PWDs) is coming regularly; only problem with pension for disabled: GoN is not able to provide pension for all disabled but only a quota (per DDC), in this VDC only 4 people get this pension, the need would be much higher though. Pension is transferred through main account to operational account
- Audit: 2 kinds of audit, internal (by DDC) and external (by registered auditor; call for proposals – list of pre-selected auditors sent to VDC, VDC can choose 5, DDC selects 1 out of those 5.). Accounts for 2006/07 are audited.

- Reporting: 4 reports per year, divided into: 1 final report; the other 3 reports are required before next release of instalment; format is according to LSGA guideline. Usually no feedback given on report.
- Bank accounts at VDC level: - for development, - current expenses, admin/operational costs, - deposit account, - staff welfare account

C. SOME INTERESTING ASPECTS OF DACAW

Joint Collaboration with UN agencies in joint planning:

- In a VDC of Saptari district, both DLGSP and DACAW have jointly appointed one facilitator
- UN agencies – UNDP, UNFPA, UNICEF, WFP are jointly developing a plan as a pilot in some districts.

DAG mapping required to identify both DAG settlements and HHs.

Governance:

- Joint monitoring by DEO/DDC/UNICEF/INGO, T. unions, political parties
- Progress shared with line agencies and incorporated into their progress report.
- Resource (financial +technical) mobilisation of NGOs, and matching funds from VDC and DDC
- District Child Welfare Board active in DACAW districts and Women Development Officer is also on board of this committee - which also is represented as a District Resource Group at the DDC.

Unlike PAF, **specific strategies** at the settlement level have been taken **for the inclusion of DAG** such as free entry for DAG members, more frequent home visits, share in installment basis, low interest rate, equity fund, inclusion of DAG members (even non members) to training and orientation.

Minutes from Field Visit to Dhading District 24th April

Meetings

The Team held a meeting with the Acting LDO and the DDC Team.

A visit was also paid to the VDC level, namely Joqimara where 6 women groups were interviewed – Chetansit, Sankhadevi, Amarjoti, Naveajoti, Sungana and Sayapati groups.

Comments

DDC

The DDC representatives find that the planning system is working but with difficulty. VDC plans are there but are not always systematically included in the DDC plan. This often depends on size, coverage area and so on. Some local VDC plans only remain within the VDC plan and are catered for under that plan. So the projects that can be financed under the LDF/CDF are dealt with at that level.

The Seven Party Committee – the interim political arrangements in lieu of non elected local representatives – is functional and the DDC staff confirmed that they do not take any decisions regarding plan and budgeting without consulting the Committee.

The DDC scored rather low in the recent MC/PM assessment – 48 – so they were very keen on doing better next time. The exercise has sharpened their focus on key administrative system issues as well as issues of FM, planning, reporting and HRM. One of the outcomes is that they will engage a consultant to assist in drawing up a HRM plan which they can use to improve on key performance areas within the DDC.

The Internal Auditor confirmed that his team visits the VDCs twice a year to carry out inspection. The DDC confirmed they find that the internal audits are working and useful.

The DDC is aware of PAF operating in the district but they do not receive any information on the project in terms of budgets, plans or actual implementation of small scale projects and schemes.

The annual budget of the DDC is about NRS 220 million. NRS 140 million is contribution from central govt. and NRS 80 is own revenues. Some of the own revenue is utilised for matching funding for VDC projects and for social inclusion schemes.

In larger projects they have procurement and implementation plans. They sometimes follow WB procurement procedures or else the government system.

Financial reporting is monthly, quarterly, semi-annual and annual.

VDC

The six women's groups mentioned above have been assisted by the DLGSP SM to form the groups and for all aspects of training and assistance in how to function as a credit group. One of the credit groups (20 members) stated that when they started some 4 years back they did not include one single literate person. Now they have been trained and can manage. Initial seed money was NRS 40,000 from the DDC/DLGSP. The members have then contributed. On average they have had NRS 10 savings per week. They now have NRS 124,000 in the revolving fund. Mainly the women start income generating projects such as selling meat, purchasing livestock, small shops etc.

The group often lends to its members on average about NRS 10,000 and charge 18% interest (which compares to 36% at the market rate). They have no defaulters. (The SM explained that in other areas with many poor members they often only charge 8% interest).

Change of leadership in the group can take place but often the most vocal – and of course well performing – tends to stay as chairperson.

The CDF has about NRS 304,000 per year. The VDC had built a community house where the meetings was held and were both the VDC council meets and the women groups etc. VDC often funds small scale water projects and roads.

The VDC meetings are open and citizens often work in and participate and ask questions during the proceedings.

The VDC Secretary informed that there are 44 groups formed in the VDC which has a population of about 8,000.