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Summary of Findings, Working Results and Recommendations

1 The task of this consultancy is to support the Ministry of Local Development on establishing an improved monitoring system for local governments that would be able to satisfy the monitoring requirements at different levels (Terms of Reference).

2 The consultant identified and reviewed existing Monitoring & Evaluation (M&E) systems and – requirements, information needs and M&E capacities/capabilities on district level and developed, on this basis, a methodology on how the local governments can, with the assistance of other stakeholders, design an appropriate M&E system for local governments.

3 In addition, proposals are spelled out for potentially appropriate methods and tools in the fields of financial and physical project progress monitoring, process monitoring, outcome monitoring and internal monitoring of the efficiency and effectiveness of local governments.

4 The Local Self-Governance Act and the Local Self-Government Regulation define responsibilities of local governments within the decentralization process and devolution of power to the district level (Chapter 1). However, operational guidelines are missing to a great extent and have to be developed by the local governments themselves. This applies also and particularly to M&E.

5 Existing monitoring systems and –procedures on national and district levels mainly focus on financial and physical project progress monitoring (Chapter 2). As a consequence, little information is collected on the quality of the projects, the methods during project identification, -planning and – implementation and the sustainable outcomes of projects and lessons learnt are not sufficiently analysed and documented. The information generated tend to over-estimate successes and the capacities of the local governments and under-estimate failures. Finally, there is little horizontal and vertical exchange of information between stakeholders.

6 Local governments at present feel overloaded and confused by the amount of information they have to deliver to higher levels; partly the same information has to be provided in different procedures and formats. Local governments are neither sufficiently aware of the objective and use of the data they provide to higher levels nor do they see sufficiently the value of information for their own management purposes on district- and lower levels. Finally, there is little feedback on data delivery from the higher levels to the district and below.

7 Capacities/capabilities for M&E on district level are extremely limited and the institutional set-up of some districts do not allow the effective conduct of M&E on district level. The need/value of information for decision making on district level is not seen sufficiently and there is neither sufficient ownership of the procedures for information collection nor for the information itself (Chapter 3).

8 Most of the officers in the DDC offices have little ideas of the information needed by local governments with the devolution of functions to the district level. However, there is awareness that local governments at the moment know too little about the quality of the projects, the effectiveness of the planning methodology and the outcome of the projects for the target groups in the long run.

9 Having these shortcomings and potentials in mind, a M&E system for local governments should have the following characteristics: be simple and easily understandable, focus on essential information only, be open to include additional monitoring tasks coming up with the devolution of functions to the district, be operational also without electricity and computerized data analysis (some districts have not electricity) and cover indicators commonly agreed upon by all major stakeholders (Chapter 4). The following steps and procedures are proposed for the development of an M&E system for local governments:

Step 1: Stakeholders, including DDCs, should be sensitised on the need of such system, information needs on local levels should be identified, successfully used M&E systems and –formats should be analysed concerning their potential value for M&E of local governments and an M&E design committee should be formed which supports approach development guided by the MLD.
Step 2: Interested districts with a capable DDC, LDO and planning officer should be selected for test purposes and key staff of these districts should be sensitised for the need and potential of M&E for strategic planning and decision making on district level.

Step 3: Objectives, indicators and core elements of an M&E system, -procedures and -tools for local governments should be defined by the districts with support from the M&E design committee. M&E on district level should be limited to outcome and direct impacts but not be responsible for the tracing of high level impact indicators (reasons see Annex 5a,b,c). An M&E plan and –work plan should be developed on the basis of the indicators agreed upon (Annex 6). The system should unify successfully introduced procedures/tools potentially suitable for M&E of local governments.

Step 4: The organisational set-up of test districts should be redesigned by the districts with support from the M&E design committee where necessary. It is proposed to unite the functions of planning, M&E and the information centre within one unit. This unit should have the main responsibility for M&E while the supervision & monitoring committee should assume overseer and coordinating functions concerning M&E.

Step 5: Core staff responsible for M&E (DDC chairman, LDO, planner, M&E officer) should be trained in running the system.

Step 6: The system should be tested in the test district under close and frequent supportive supervision by members of the M&E design team.

Step 7: Experiences made during the testing phase should be documented and analysed carefully and an evaluation should be made after one year and the system has to be re-designed according to the experiences made as needed. Lessons learnt and best practices have to be documented for the replication of the system in other districts.

10 The M&E systems, -procedures and –formats presently applied by different stakeholders on district level for financial and physical monitoring of project implementation (Chapter 5) should be screened and analysed for their suitability and appropriateness for the requirements of M&E of local governments. Of particular potential value could be the ‘project book’ and public auditing methods. Review meetings and field visit will remain important tools but can be made more effective if objectives of meetings are made clear in all cases and discussion results documented properly and if field visits are properly structured by guidelines.

11 Process monitoring should be improved considerably (Chapter 6). Of particular value for this purpose could be different forms of presently applied self-evaluation procedures and –tools. In addition, processes during community mobilisation, project identification, -selection, -implementation should be evaluated and lessons learnt/best practices for replication documented during field visits and during a final project evaluation along an guidelines suitable for that purpose (Annex 7). The final project evaluation should also include assessing the quality of the structures.

12 Outcomes and direct impacts of projects should be assessed a certain time after project completion. Such assessment should include particularly the quality of services provision (outcomes) and the sustainability of projects (impacts directly attributable to better service provision). Assessment guidelines have been developed for this purpose (Annex 8) including the assessment of lessons learnt/best practices for replication.

13 Local governments should trace their own management effectiveness/efficiency to identify capacity building needs and needed managerial changes. Organisational development methods and particularly the SWAP (see Annex 8) during annual review meetings could be valuable tools for this purpose and for the identification and analysis of lessons learnt/best practices for replication.

14 The development and testing of an appropriate M&E system for local governments demands the ownership of the process by local governments but also initiative and active support from major stakeholders in district development. The LDF/UNCDF can contribute substantially to this process and even initiate it due to its particular focus on and experience in M&E of local governments.
Abbreviations

ADDC Association of DDC
APR Annual Project Review
AWP Annual Work Plan
DACAAC Decentralised Action for Children & Women (UNICEF)
DAR District Annual Report
DASU Danish Support to Decentralisation in Nepal
DDA District Development Advisor
DDC District Development Committee
DDF District Development Fund
DDP District Development Programme
DIWP Decentralisation Implementation Work Plan
DIMC Decentralization Implementation and Monitoring Committee
DMC District Management Committee
DO District Office
DoLIDAR Department of Local Infrastructure Development and Agricultural Roads
DQPR District Quarterly Progress Review
CC Coordination Committee
CMC Chairmen Management Committee
CO Community Organisation
DRSP District Road Support Programme
GARP Gulmi-Arghakhanchi Rural Development Project
GIS Geographic Information System
GTZ German Agency for Technical Co-operation
HGM/N His Majesty, Government of Nepal
IDRC International Development Research Centre
IFSP Integrated Food Security Programme
LDF Local Development Fund
LDO Local Development Officer
LG Local Government
LGP Local Governance Programme
LSGA Local Self-Governance Act
LSGR Local Self-Governance Regulation
LTF Local Trust Fund
M&E Monitoring & Evaluation
MES Monitoring & Evaluation Specialist, LDF
MIMAP Micro Impact of Macro Adjustment Policies
MLD Ministry for Local Development
MTR Mid-Term Review
NGO Non Governmental Organisation
NPC National Planning Commission
NPD National Programme Director
O&M Operation & Maintenance
PAO Planning and Administration Officer
PAR Project Annual Review
PDDP Participatory District Development Programme
PFM Project Funding Matrix
PRSP Poverty Reduction Strategy Programme
NPM National Programme Manager (LDF)
PMC Programme Management Committee
PMU Programme Management Unit
<table>
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<th>Abbreviation</th>
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<tr>
<td>PO</td>
<td>Programme Officer</td>
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<td>RDP</td>
<td>Rural Development Programme</td>
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<td>Rural Energy Programme</td>
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<td>RCIW</td>
<td>Rural Community Infrastructure Works</td>
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<td>ROAR</td>
<td>Result Oriented Annual Report</td>
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<td>SRF</td>
<td>Strategic Results Framework</td>
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<td>SRM</td>
<td>Sub-Regional Manager</td>
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<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities, Threats</td>
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<tr>
<td>TPR</td>
<td>Tri-Partite-Review</td>
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<td>UG</td>
<td>User Group</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNCDF</td>
<td>United Nations Capital Development Fund</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>VDC</td>
<td>Village Development Committee</td>
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<td>VDP</td>
<td>Village Development Plan</td>
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Introduction

This report presents the findings, working results and recommendations of a consultancy to the Local Development Fund (LDF), Nepal (NEP/99/C01) funded by the UNCDF. The immediate objective of the LDF is that ‘the local authorities (DDCs, VDCs) and grass-root organizations (UCs, COs) in the eight pilot districts implement and maintain small-scale rural infrastructure and other public investments in an effective, responsible and accountable manner’, which in turn will contribute to the development objective ‘poverty reduced in the eight pilot districts through provision of rural infrastructure and human resource development opportunities’ (LDF, 2001a).

One of the outputs of the LDF Program relates to the need that ‘monitoring and evaluation system of DDCs and VDCs (are) strengthened’ (output 4) to enable the local governments to monitor and evaluate their development efforts by themselves as demanded in the Local Self-Governance Act 2055 (HGM/N, 1999). It is expected that ‘DDCs and VDCs (are increasingly) able to monitor and assess implementation performance and development progress…….’ and that an increasing number ‘of DDCs where lessons learnt for best practices are analysed and disseminated to MLD and other agencies’ (LDF, 2001a).

As a first step towards this task, an appropriate M&E system for DDCs and VDCs is proposed to be developed by reviewing existing M&E systems at DDC and VDC levels and by re-designing these systems in response to the M&E needs of local governments (for details see Terms of Reference, Annex 1).

The Terms of Reference propose that the approach of such an M&E system for local governments could be designed during the stay of the consultant in Nepal. It became soon obvious, however, that this would neither be achievable within the limited time frame and under the very complex institutional landscape related to decentralization and local governance in Nepal nor would it be appropriate to develop such a system by outsiders. Rather, the ownership for approach development should be with the local governments themselves with the support of the Ministry of Local Development and other stakeholders interested in this subject (like UNCDF/LDF, GTZ/RDP, UNICEF and others). Outside support could be sought if felt necessary during approach development.

Therefore, the original main task in the terms of reference (designing an M&E system for local governments) was changed to ‘developing a methodology for the design of an M&E system’ to be tackled by the local governments and supported by a team of interested stakeholders (called M&E design team in this report). This methodology is the core of the report (Chapter 4).

Besides this methodology, the consultant, on the basis of field visits, discussions with the various stakeholders and the analysis of relevant documents, made concrete proposals concerning the different levels, which seems to be weakest in presently applied M&E activities. For each M&E level (progress, process and outcomes of projects and effectiveness of local governments; see Chapters 5 to 8), proposals are made concerning the particular level to be monitored and some methods and tools are introduced, which might be of value for the M&E design team during their work. The M&E design team has to judge, whether and in how far these methods and tools are appropriate within the M&E system to be designed or whether new/additional tools have to be introduced/developed by the M&E design team.

The consultant reviewed existing M&E systems and –requirements by having numerous discussions with relevant stakeholders on national and district level (see Annexes 2: working schedule; Annex 3: discussion partners and Annex 4: interview guidelines) and by analysing existing relevant documents including the Local Self-Governance Act and -Regulation (see documents consulted at the end of the main report). The results of this review are presented in Chapters 1 to 3.
The methodology and procedures for approach development and the design proposals made for M&E of local governments were elaborated in close collaboration with the programme manager of the Local Development Fund and are presented in Chapters 4 to 8, while Chapter 9 draws some conclusions.

The analysis and proposals presented in the report were intensively discussed during two debriefing meetings (Ministry of Local Development, Kathmandu and UNCDF-headquarter, New York) and during numerous individual discussions in Kathmandu and New York. Different stakeholders expressed various valuable ideas concerning improvements of the proposed methodology for developing an M&E concept for local governments. In addition, individual persons gave written feedback after the return of the consultant to Germany. Instead of including these remarks and corresponding proposals from the consultant into the report, these ideas are presented and discussed in a separate Annex 11. This is to avoid that these valuable ideas are lost in between the text.

As the number of discussion partners and relevant stakeholders was so large and the list of documents to screen so long, the consultant was not able give sufficient credit to all the achievements and laudable efforts made concerning M&E by the different stakeholders. On the opposite, he had to generalize to a great extend and even to over-emphasis some of the critical issues to make the need for strategic and methodological changes related to M&E on district and lower levels more visible and clearer. This does not mean that he does not value the various efforts of the different projects and programmes concerning M&E. He would like to apologize for any inconveniences caused.

It should be clear to the reader that the proposals made in this report can only be a rough concept and first ideas for discussions. More discussions and workshops for exchange of ideas between relevant stakeholders have to take place for the correction and/or refinement of these ideas before trying them out in the field. Management of the LDF welcomes any suggestions for improvements in areas where the consultant perceived the situation wrongly and made wrong conclusions.

The consultant would like to express his thanks to the LDF-team, the discussion partners in central and local governments, the UNDP- and UNICEF-representatives in Nepal and all other discussion partners (see Annex 3) for their highly co-operative and fruitful support in Nepal and to the program manager and the M&E advisor in New York for their intensive briefing. Special thanks to those who made valuable proposals for improvements during the various debriefing sessions and individual discussions.

Eberhard Bauer

Berlin, April 12th, 2002
1 The Legal Basis for M&E of Local Governments

The Local Self Governance Act (LSGA; HGM/N, 1999a) and the Local Self-Governance Regulation (LSGR; HGM/N, 1999b) have laid the basis for decentralization in Nepal and have provided substantial authority, responsibility and resources for the local authorities. Basically, it is planned that in future local governments increasingly plan, implement, coordinate and manage local development efforts by themselves. Full responsibility has already been given to local governments for the planning and implementation of district level projects directly planned and implemented through the District Development Committees (DDC) while activities implemented through the line Ministries or projects exceeding district borders, are not yet under the responsibility of the DDCs. The Decentralisation Implementation Work Plan (DIWP; HGM/N, 2002) foresees a gradual devolution of sector functions to the district level starting from 2002 with health, education, agriculture and postal services. The other line Ministries are supposed to devolve power to the district level in 2003 and 2004.

The devolution of functions concerning local level development increases the demand and responsibilities for Monitoring & Evaluation (M&E) on village and district levels as well. If DDCs (and Village Development Committees, VDCs) are going to care for their own strategic and operational development planning, there is the need to trace development on these levels and to create the necessary data basis for decision-making.

The LSGA and the LGSR provide the legal basis and guidance for M&E on village level (VDC) with the following statements:

Appraisal of projects (LSGA, §52)

The Village Development Committee shall have to evaluate all the projects being operated within the village development area quarterly.

Examination, release and clearance of projects (LSGA, § 53)

- After receiving the information of the completion of a project from the project-operating agency, the Village Development Committee shall examine, release and clear the project on the basis of the work completion report and the evaluation submitted by the technician.
- In case the technical assistance that may be required for (that) purpose (…) is not available in the Village Development Committee, the District Development Committee shall have to make available such assistance.
- The Village Development Committee shall have to inform the District Development Committee ….and the DDC shall have the technical examination and evaluation of such project carried out and shall approve, release and clear such project.

Supervision and monitoring of projects (LSGR, § 69)

The (Supervision and Monitoring) Committee (to be formed by the Village Development Committee) shall have to monitor and supervise the following matters:

- Whether the project or programme has been implemented as per the … calendar of operation.
- Whether a regular supervision has been made by the technician …
- Whether the works have been done as per fixed standard.
• Whether there is progress implementation in proportion to the expenditures incurred in the project or programme.
• Whether the particulars, bills, receipts, documents of the expenditures have been kept.
• Others (felt necessary by the Monitoring and Supervision Committee, Village Level).

The LSGA and the LSGR provide the **legal basis and guidance for M&E on district level** (DDC) with the following statements:

**Supervision and monitoring** (LSGA, § 210)
There shall be formed one supervision and monitoring committee… to determine… whether the project has been implemented as per calendar of implementation, and to give necessary directions for the solution to the obstructions or hindrances that may occur in the implementation of the project…..

**Appraisal and evaluation** (LSGA, §211)
The District Development Committee shall have to appraise and evaluate the district development plan as follows:
• To evaluate the effect of each project completed, after one year.
• To carry out subject-wise description and progress evaluation of the projects being operated, after six months.
• To evaluate the provisions on the repair and maintenance of the project completed, each year.
• To identify the type of community benefited from the project and the results thereof.
• To identify the increase in production and employment opportunities resulted from the project.
• To identify effects caused on the ecology from the project.

**Examination and release of projects** (LSGA, § 213)
After receiving … information of the completion of a project from the project operating body, the District Development Committee shall examine and release the project on the basis of the work completion report and the evaluation submitted by the technician.

**Supervision and monitoring of project** (LSGR, § 202)
The DDC shall constitute a Supervision and Monitoring Sub-Committee, which shall have to monitor and supervise the following matters:
• Whether the project or programme has been implemented as per … calendar of operation.
• Whether a regular supervision has been made by the technician…
• Whether the works have been carried out as per fixed standard.
• Whether there is progress in implementation in proportion to the expenditure incurred in the project or programme.
• Whether or not the particulars, bills, receipts, documents of the expenditures have been kept.
• Whether the project or programme has been implemented according to the project agreement (format of project agreement; LSGR, Annex 3).

**Impact assessment of a project (LSGR, § 206)**

In assessing the impact of a project, the DDC shall have to pay attention to the following factors also:

- **Social impact:** Whether or not there is a rise in the awareness, change in the living style, thinking and culture and growth in the social and moral activities of the local people.
- **Economic impact:** Whether or not there is growth in the opportunity of employment or self employment, in the business transaction, in purchasing power and in the overall economic activities of the local people.
- **Services and facilities:** Quality of the services provided by the project, reaction of the people who have or have not enjoyed the services and the needs to increase qualitative and quantitative growth of the services.
- **Environmental impact:** Whether or not, after launching the project there occurs deluge, draught, floods, landslides, soil-erosion and the like natural calamities.

As can be seen, the LSGA and the LSRG quite precisely state the tasks of local governments in supervision, monitoring and evaluation. In principle, it is left with local governments to operationalise these tasks with appropriate and practical procedures and formats.

Concerning the impact, the district is clearly made responsible for the lower level impacts like changes in rising awareness, growth of business opportunities, quality of services etc. but not for the higher level impact like mortality- or literacy rates\(^1\).

As the act has only been approved in 1999, the implementation of the different proposed procedures in local governments have not yet taken root firmly. Even in the more advanced districts (which got heavy support by either PDDP or LGP and others like Kavre and Udayapur) most of the provisions made by the LSGA and the LSRG concerning M&E exist on paper only. Supervision and Monitoring is not functioning well even in these districts; the administrative set-up of Udayapur DDC is not appropriately addressing organisational preconditions for planning and M&E etc.

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\(^1\) The consultant, in Chapter 5 and Annex 5 will exactly argue within this line: the district would not only overburdened with being made responsible for tracing high level impact indicators. This does, however, not mean that the district staff should be not involved in data collection and possibly even –analysis (see Annex 5b). The reader is advised to read Annex 5 before continuing. This is important for understanding the different terms and monitoring levels defined in this report.
2 Existing Monitoring and Reporting Procedures

Chapter 2 presents existing monitoring and reporting procedures by national authorities and donor funded projects/programmes and the main shortcomings identified with these procedures. In addition, implications for M&E of local governments are drawn. The starting point for analysis was a study done by LDF (LDF, 2001b) which identified, analysed and compared M&E systems and – formats used presently on district level by various stakeholders. This study proved to deliver excellent background information for this purpose.

Authorities on national level

The following considerations are based on discussions with the Ministry of Local Development (MLD), the National Planning Commission (NPC) and the Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR) and by analysing the various reporting requirements, -procedures and -formats introduced by these bodies.

The MLD and the NPC request information from the districts according to a prescribed formatted procedure. Similarly, the DoLIDAR requests information from the districts according to their own reporting procedures. There are two main sources of these government bodies getting the required information: Formal reporting by formatted reporting procedures and informal reporting by meetings and discussions.

Formal reporting is based on reporting formats mainly on the physical and financial progress of projects funded by the MLD/DoLIDAR but implemented under the DDC (Block Grants). In principle, VDCs report to DDCs and DDCs to the MLD on a trimesterly and annual basis. The National Planning Commission then receives the aggregated information from the MLD for information purposes to the Prime Minister. Similarly, the Line Ministries are informed by their respective branches on district level. Line Ministries report separately to the NPC.

Informal reporting is based on regular meetings between Line Ministries and the NPC as well as between all major stakeholders and the Prime Minister (every four months).

Both, the MLD and the NPC, every year check the progress and impact of selected projects independently from the described formal and informal reporting procedures with their own or external resources.

Donor funded project/programmes

The following considerations are based on discussions with PDDP/LGP, DASU (Danish Support to Decentralisation in Nepal) and the GTZ supported RCIW (Rural Community Infrastructure Works). However, discussions will mainly centre around the PDDP/LGP and the DASU because these programmes are probably the most significant programmes with respect to decentralized planning and implementation of projects/programmes on local level. Their approach development efforts have not only significantly contributed to the formulation of the LSGA and the LSGR but also significant progress has been made concerning the implementation of a community based planning system, capacity building on community-, village- and district levels and creating a set of basic data and thematic maps for most of the sixty districts under their coverage.

Concerning M&E, particularly the LGP/PDDP projects have made considerable efforts to install M&E systems in the districts under their coverage. Elaborate sets of formats have been developed and M&E manuals produced (e.g. PDDP, 1999c).

The M&E systems of both projects focus, like the government systems described in Section 1.2, mostly on physical and financial progress and pay less attention to the outcomes of their projects,
to the monitoring the processes\(^1\) and planning methods installed and monitoring the performance of the DDCs with respect to project planning and implementation.

On the other hand – and surprisingly for the consultant because unusual for this type of projects – the PDDP/LGP is even tracing high level impact indicators like literacy rates, nutritional status etc. on a quarterly or half yearly basis and on a sample of their target population. A tremendous amount of data has to be collected on village level and analysed on district level on a regular basis. In addition, an IDRC-funded poverty monitoring system (MIMAP-project) is introduced in Kavre district (and three more districts in Nepal) tracing 62 poverty indicators and covering all 87 villages annually\(^2\).

**Problems and shortcomings of existing reporting systems for decision making**

The reporting systems to authorities on national level and reporting systems of donor-supported projects/programmes mainly concentrate on the physical and financial progress of projects; decision-oriented information is rarely included (see Sections 1.2 and 1.3). ‘Main questions like the quality of the projects, the processes and impacts can not be answered by the systems’ as one high level officer of the MLD stated. The following shortcomings are visible:

- Although most of the systems concentrate on physical (and financial) progress, **the quality of the projects is not considered sufficiently**. In most cases, the system covers mainly the quantitative aspects.

- Planning and implementing methods and processes and the experiences made with these **methods and processes are not sufficiently monitored** (e.g. the experiences with the planning systems at village/district levels, CO-level planning and project identification)

- **Outcomes of projects** (like increased attendance rates with new school buildings, beneficiaries of wells etc.) are **not captured by the system** sufficiently or not at all.

- As a consequence, **lessons learnt during project planning and implementation are not documented** and cannot be used for other projects and programmes. This results in the tendency to make the same mistakes again and to ‘invent the wheel again’.

- The systems tend to **over-rate success** and **‘play down’ problems and failures**; a phenomenon well known if reporting officers have not internalised the value of analysing failures for improvements. The systems tend to be **not sensitive enough towards problems coming up particularly concerning the processes and methods introduced**.

- The effectiveness and efficiency of local governments on district level (particularly the DDCs) and on lower levels (particularly the VDCs) is not sufficiently monitored resulting in an **over-estimation of the present capacity of local governments** by authorities and some donors.

- There is **little exchange of information** between the different stakeholders on national level and donor-supported projects thus keeping decision makers on the various levels away from potentially important information for decision-making.

- **M&E procedures and -formats** used by different authorities (for the same or similar purposes) **differ considerably**, resulting in confusion with those who have to deal with several authorities.

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\(^1\) A self-monitoring tool has been introduced by the PDDP/LGP to monitor the processes during the formation of community organisations (CO) and during project identification, -planning and –implementation by the COs themselves. The basis of this tool is a series of pictures which is used to rate indicators like participation during meetings, identification of projects etc. The tools as such and the experiences with the tool sound promising but there is no evaluation done yet on the effectiveness of the tool.

\(^2\) The consultant proposes that the recent UNDP effort towards poverty monitoring within the framework of the PRSP is closely liasing with the PDDP/LGP and the MIMAP-project for the design of its recent efforts towards poverty monitoring.
The consequences of these shortcomings are that national level administrators and politicians (and to a slightly lesser extend donor-supported projects) know ‘facts and figures’ on the projects and programmes but are too little aware about the problems, lessons learnt, failures and particularly the causes for these failures being so important for strategic decision making.

Implications on M&E of local governments

Reporting and M&E on district level is strongly influenced by reporting requests from the national level and from donor-funded projects. Therefore, shortcomings of M&E on district level concerning its contribution to decision making are similar to the shortcomings on higher levels (see Sections 1.2 and 1.3).

In addition, the reporting requirements from higher levels caused and still cause the following problems on district and lower levels:

- The different authorities on national level and donor projects/programmes request information from district and village levels on the basis of different procedures and formats for ‘their’ projects. District level staff is overloaded with the amount of data collection work and confused by the different systems and formats they have to follow (as one national level senior officer mentioned: ‘We are confused by the different forms and systems’. How confused must the professionals and elected bodies at district level be?).

- District level staff is, by and large, neither aware of the objective of these data collection exercises for those who request the data nor of the potential value of these data for decision making on district level.

- There is no feedback from higher levels on the information collected on district and village levels and it is completely unclear for what purpose these data are used if at all.

- Intensive data collection on district level takes too much time from the officers and leaves too little time for reflection about their own data needs for decision making (this in addition to the fact that officers at district level are not yet used to reflect on such issues).

3 M&E Capacities and Information Needs on District Level

The following analysis is based on discussions with district level officials of Kavre, Udayapur and Morang districts, on the assessments of the capacity building needs in Rupandehi (PDDP, 2001a) and Udayapur (LGP, 2001f) districts and on the assessment of financial management & reporting system of local bodies & user committees (LDF, 2001g).

M&E efforts on district level

As mentioned above, most of the reporting and M&E activities on district level were not initiated by the district themselves but on request of higher level authorities and – even more dominantly – by donor-funded projects/programmes. By and large, this is still the case now, as the provisions made for local governments to monitor development efforts of their own districts themselves, has not yet or only to little extent taken root within the district administration.

Basically, district level officers administer the different forms they receive from upper levels. So called programme officers each of them dealing, in principle, with one of the donor funded projects (like the LDF or the PDDP/LGP) are made responsible for the particular formats of the respective

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1 As one senior officer in Kavre district stated: ‘the system at the moment is strongly donor-driven. Donors define the information needs and the DDC tries to follow, in most cases only partly successful due to overload with work’
organisation. Information is mainly used for fulfilling donor requirements as precondition for release of fund but not for strategic planning and decision-making.

However, the meeting (and review-meeting) system installed with the participatory planning methodology introduced by the PDDP/LGP for planning and monitoring purposes, and the frequent visits of officers to project sites, are tackling day-to-day problems with project implementation and financial irregularities. It can, therefore, be expected that problems coming up from day-to-day management be at least partly solved.

M&E Capacities on district level

Senior officers from the DDCs of the visited districts (Kavre, Udayapur and Morang) uniquely complain about the limited level of knowledge, skills and experiences of any officer (including the officer formally responsible for planning, monitoring and evaluation) on M&E. This observation was also made in the two assessment reports for Rupandehi (PDDP, 2001a) and Udayapur (LGP, 2001f) districts. Both reports identified low capacities particularly in the field of M&E on district level.

Institutional Set-up for M&E on district level

The institutional set-up in some of the districts is sub optimal (e.g. partly the functions of planning, M&E and the information unit are completely separated). In one case planning was even by purpose separated from M&E with the argument that ‘those who plan should not do M&E because the M&E-people should be neutral towards planning’. Both indications point again towards a limited understanding of the objectives and potential benefits of an effective M&E system for decision making on district level.

The Supervision and Monitoring Committee (as requested by the LGSA/LGSR) is formally existing in all visited district but effectively working in none of them. Again: the need for M&E is not recognised and therefore only the formal request for having a committee is fulfilled but nothing happens.

The analysis above can be summarized as follows:

- There is very little capacity and no ownership for M&E on district level. All activities concerning M&E on district level are not district-driven but requested from outside the district (mainly by donors).
- Consequently, like on national level, formal reporting and M&E are primarily geared towards financial and physical progress monitoring and less towards outcomes, processes, lessons learnt and towards monitoring the efficiency and effectiveness of the district and village level administrative set-up as such.
- Despite of these shortcomings, the district level administration still feels too much occupied with the different data requests from higher levels and has too little time for other duties.
- The information collected at district level is not or only to a minor extent used by the district itself for decision-making. The reason for this is two-fold: officers do not see the value of this information for decision making and the information is even on district level ‘scattered in the heads and on the tables of different officers and not exchanged sufficiently’ (personal comment of one senior officer in Kavre district)

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1 The LGSA/LGSR even demand a ‘supervision and monitoring sub-committee’ to the ‘supervision and monitoring committee’ on district level and a ‘supervision and monitoring committee’ on village level.
- As a consequence of the low knowledge and skills for M&E on district level, the district level staff does neither see the need for M&E nor is able to define indicators and data sets necessary for decision making on district level.

Perceived Information Needs of Local Governments

As mentioned before, most of the district level officers (including the DDC chairmen) had little ideas about potential information they would need with their increased responsibilities for decision making on district level. Even on national level it was not easy to imagine what kind of information DDCs would need if they were going to manage development activities and decision making in the district by themselves. However, the majority of the discussion partners have a clear understanding in which areas the presently applied system are weak and in which areas they are less weak.

It was the general impression of discussion partners that the presently applied data collection activities on district and lower levels are basically records on the financial and physical progress of projects within the framework of the quarterly and annual reporting system (see above). The main reason why these records are presently kept at reasonable standards is that the financing of projects through governmental block grants as well as through donors depends on these records.

It was also the general impression of discussion partners that for district level management information with the present data collection and -analysis systems is lacking in the different areas:

- Information on the quality of the services provided (like the quality of the new road, school or well, the quality of educational and water supply services etc.)

- Information on the effectiveness of the different methods and procedures introduced. This applies particularly to the effectiveness of the social mobilisation process, the project planning and –selection process as well as for project implementation.

- Information on the outcomes of a project/programme (peoples’ response to a project/programme and ‘how they are doing things differently’). These refers basically to indicators like the number of different beneficiaries using water from the new well, the number of girls and boys attending the new school, the number of people using the health centre etc.

These information needs basically refer to projects only and do not cover yet the information needs concerning regular services of the agriculture extension, health and other line Ministries. The reason why such information is not mentioned is probably the fact that none of the line Ministries has yet really devolved substantial functions to the DDCs but still report directly to their parent Ministries on national level. Therefore, the need for monitoring regular services is not yet felt by the DDC.

Information gaps identified by the different stakeholders (see above analysis and also Chapter 2) are not only felt by authorities, donor agencies and local governments. They are also anchored as area of concern and follow-up in the LSGA and LSGR (particularly LSGA § 53 for the village level and § 211 and 213 for the district level).
4 Steps for Developing an M&E-System for Local Governments

The analysis in the previous chapter shows that the capacities for M&E of local governments are extremely low, even in the more privileged districts like Kavre or Udayapur where the DDCs received already considerable support in capacity building. They are very likely even lower in most of the other districts. An M&E system has to take these limitations into consideration.

On the other hand, the capacities of the districts will be improving with the forthcoming Local Government Support Programme (LGSP) and other projects supporting local governance, which will increase the capabilities of DDC offices for decision-making and strategic planning as well.

Therefore, the intention is to develop a system, which probably would be appropriate for the districts with the highest capacities at present and test the system in a few districts. If the testing shows that the system can work in these districts successfully, then it will probably work in other districts later when further capacity building has taken place there.

Characteristics of M&E system development for DDCs

Having above limitations and needs for information on district level in mind, the M&E system for local governments should have the following main characteristics:

- The elements of the system, procedures and formats should be as simple as possible and easily understandable to relevant staff at district level.
- The system should only cover essential information requirements at the beginning – monitoring during the initial stages mainly projects which are under the responsibilities of the districts now – but covering from the beginning qualitative and process-aspects as well.
- The system should not include the monitoring of high level impact indicators (like life expectancy, child mortality, literacy rates etc.) but be limited to outcome and direct impact levels (for reasoning please refer to Annex 5, particularly 5b).
- The system should be sensitive towards the needs of the disadvantaged groups – which are in Nepal mostly women and the lower level casts and towards monitoring whether the different development activities and planning-/project selection procedures introduced are really poverty oriented.
- Monitoring line Ministries’ activities should only be included in their duties as functions of line Ministries are devolved to the districts and devolution of functions has firmly be rooted within Local Governments.
- Therefore, the system has to be open to include additional monitoring duties along with the actual devolution of responsibilities to the districts within the framework of the LSGA/LSGR.

1 Some high level decision makers (government and non-government) strongly opted for including the monitoring of sectoral activities as well with local governments from the beginning. On the basis of experiences in other countries concerning the pace and speed with which sectoral functions are devolved, the consultant strongly recommends not to include sectoral functions as long as they are the responsibilities for these functions are not really devolved to the district level. The Decentralisation Implementation Work Plan (HGM/N, 2002) foresees the devolution of functions of four Ministries during 2002. Whatever will happen concerning these plans, one thing is already clear now: Local governments will need years to firmly root these functions within their set-up. The consultant strongly recommends to wait with adding M&E responsibilities to local governments before this rooting has really taken place. Otherwise, there is the danger that local governments are overburdened and nothing happens at all concerning M&E (experience in all countries show that M&E has and will have less priorities for local governments than most of the other functions like planning and financing).

2 The question arises: how are annual and periodic plans monitored if an M&E system for local governments does not include all development areas covered in the plan? The consultant proposes that the local governments take a leading role concerning this issue and co-ordinates the annual reporting on planned targets and achievements by coordinating the results of the various reporting/monitoring exercises of the line agencies annually until a unified holistic M&E
• The system should potentially operate in all districts at the long run – meaning that the system should also be operational without computerized data analysis (electricity).
• And lastly, the indicators to be traced on the different level of objectives should be agreed upon between all important stakeholders.

Approach development steps and procedures
The following approach development steps are proposed for the initial introduction of the system:

a) Seek collaboration with important stakeholders
b) Select districts and sensitise DDC and core staff of selected districts
c) Design core elements of the M&E system and unify reporting procedures and formats
d) Re-design the organisational set-up of the DDC offices
e) Train core staff responsible for M&E
f) Test the system in the selected pilot projects
g) Document experiences carefully, evaluate and adjust

These principles and steps will be explained in further detail below.

a) Seek collaboration with important stakeholders in the final design of the system and involve important stakeholders during the testing phase and thereafter.

As a first step, the National Programme Manager (NPM) of the LDF (and others interested in developing an M&E system for local governments like the GTZ supported Rural Development Programme, UNICEF etc.) should, under the umbrella of the MLD, identify the most important stakeholders supporting/strengthening the district level administration within the framework of decentralisation and devolution of functions to the districts and seek close collaboration with them for the whole process of approach development, testing and replication.

An appropriate first step is probably a workshop with major relevant governmental authorities (e.g. MLD, NPC, DoLIDAR, etc.), representatives from donor-supported programmes (e.g. UNICEF, PDDP/LGP, RDP, RCWI, DASU, NORAD, etc.), capable DDC chairmen and LDOs from selected districts and representatives from the Association of DDCs (ADDC) for sensitising these stakeholders on the need for an M&E-System for local governments. Such workshop could have the following topics:

• Introduce the idea of developing an M&E system for local governments and discuss with the stakeholders the need for and objective of such system, the need and objective for streamlining monitoring procedures and –formats on district and village level and the need for better cooperation between the different stakeholders (not only) in the field of M&E for local governments.

• Discuss information needs of local governments to increasingly enable them for strategic decision-making on concepts, methods and procedures within their districts. At the present stage of approach development, such needs should be limited to the present tasks of local government. The system for Local Governments includes the monitoring of devolved line agencies’ functions fully (see also Annex 5, particularly Annex 5c).

1 If all stakeholders have the objective of finally contributing as much as possible towards poverty eradication, there should be anyway not much difference in the different level indicators. This would mean that the system automatically fulfils the major monitoring and reporting requirements of donor-supported projects as well.
governments – the needs for monitoring projects under the guidance and supervision of local governments (for reasons see Annex 5, particularly 5c).

- Major stakeholders briefly present an overview of their M&E systems (particularly the procedures and formats used on district, village and CO level).

- Present and discuss some key methods presently used successfully by different stakeholders on district-, village- and CO levels (such methods have to be thoroughly screened by the organisers of the workshop). First impressions of the consultant would suggest self-evaluation tools on CO- and village level (picture series used by PDDP/LGP, annual self-evaluation week by RCIW, the different ‘project books’ used by RCIW and LDF and others still to be identified, promising key formats used for simple financial and physical progress monitoring (again: the vast number of existing formats has to be screened beforehand and reduced to key information to be collected) etc.).

- Present and discuss potentially valuable instruments for covering the aspects not sufficiently covered at the moment (processes, quality of projects, outcomes, lessons learnt; compare also analysis results presented in chapter 2). Some potentially valuable instruments are presented in chapters 5 to 7 and related Annexes of this report.

- Form an M&E design committee with members of important stakeholders (including one or two capable VDC chairmen and/or LDOs) who will further lead the process of developing an M&E system for local governments. The chairman of this committee ideally should be an officer from the Ministry of Local Development.

Proposal

When defining the information needs of local governments for strategic decision making on district level, the consultant recommends not to include information needs on the higher impact levels (literacy rates, mortality rates etc.) as done by some of the projects (e.g. PDDP/LGP) at present but limit the responsibilities of the local governments concerning M&E up to the outcome level (for reasoning see Chapter 4). There are two reasons for this: firstly, tracing such high level indicators usually makes only sense over longer periods (say 3 to 5 years), demands high resources and is usually the task of national level institutions like national statistic offices. Secondly, it is in most cases impossible to measure the contribution of single project activities to such higher-level indicators (the reasoning for this is given in Annex 5). Therefore, such responsibilities should not be given to local governments who will anyway have tremendous tasks ahead.

The UNDP presently is discussing a poverty monitoring system within the framework of the PRSP. The system is supposed to cover all levels from inputs to impacts. Such system can substantially draw data from the proposed M&E system if it really covers the intended levels (input, output, outcome).

However, separate surveys will be needed for the impact level (proposed every three to five years) if the M&E design committee follows the proposals of the consultants. It is recommended that the UNDP, during developing a poverty monitoring system, draws on the experience of the IDRC supported MIMAP-project tracing 62 poverty indicators in selected districts.

b) Select districts and sensitise DDC and core staff of selected districts for the need of an M&E system and its potential value for decision making on district level

Select test-districts

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1 This does, however, not mean that local government officers and villagers should not be involved in data collection exercises (for reasoning see Annex 5b)
The M&E design committee should select a few – three of four\(^1\) – pilot districts for the testing of the system. The pilot districts should have the following characteristics:

- Existence of a DDC chairman and LDO interested in testing such system and preparedness to adjust the organisational set-up of the DDC office according to needs
- Existence of a capable planning officer and an officer conversant with computerised analysis of information and capable to learn about the new M&E system
- Target districts of organisations/programmes initiating the introduction of the M&E systems for local governments to assure close supervisory support during the test phase

**Sensitisation of core staff in selected districts**

Ideally, the demand for developing an M&E system for local governments should come from the local governments themselves. This would assure ownership from the beginning. Unfortunately, there is yet only little understanding of the potential value of a district based M&E system for strategic planning and decision-making. Therefore, it is proposed to **create the demand for such system by sensitising key staff in the districts**. The following procedures is proposed:

- Invite key staff of the DDC and the DDC office to a workshop on district level to sensitise them for the value of an M&E system for decision making on district level particularly for the growing need for information with increasing responsibilities of the district
- Identify and discuss present information collection methods on district level, the strengths and weaknesses of these methods and gaps
- Identify and discuss additional information needs for decision making on district level
- Discuss potential elements of a M&E system appropriate for the district level
- Identify, at the end of the workshop, the readiness of the particular district to act as test district during the forthcoming testing phase (select only these districts, where the demand for such system is expressed strongly after this sensitisation workshop)

\(^1\) Some of the senior officers (government and non-government) argue that the newly to be developed M&E system for local governments should be implemented in all 75 districts of Nepal from the beginning because ‘time is pressing’ and ‘devolution goes on’. The consultant strongly opposes this idea. First of all, the system to be developed has to be tested and closely monitored during the test phase. This is simple impossible with more than a few districts. In addition, one should be fairly sure about the appropriateness of the different elements of a system before implementing it on a wide scale, which means also implementing inappropriate elements of the system on a wide scale. Secondly, many districts are very likely just not ready to include M&E in their functions (at the moment even the most advanced local governments have little ideas about M&E; how will the situation look like in more ‘remote’ districts with respect to managerial capabilities?).
c) Design core elements of the M&E system and unify reporting procedures and –formats

The M&E design committee should then, guided by the information needs of local governments discussions during above workshop, define objectives, information needs, M&E questions and indicators\(^1\) for M&E of local governments in detail. This exercise should, during the initial stages of approach development, concentrate on the tasks of local governments at present – projects under the guidance and supervision of the districts – and not cover additional functions coming up with the devolution of line Ministries' functions during the years to come.

Objectives and clearly defined information needs should be then the basis for:

- **Analysing existing M&E procedures and formats**\(^2\) of different stakeholders
- **Developing a unified system** with satisfies the expressed needs of local governments and select/unify existing formats or design new formats for data collection and –analysis

After M&E questions and indicators are clearly defined, the team could identify information sources, design data collection methods and –tools, plan for data analysis, define responsibilities for data collection and data analysis and clarify usage, user and importance of the data for decision making. This on the one hand assures that potential users are aware of the potential value of the information for decision making and on the other hand serves as last cross-check of whether the particular data is really necessary or not (if not, redesign or skip the particular question).

The DDCs of the test districts can then, with the assistance of the M&E design team, develop an M&E plan and –work plan. Potential formats to be used for the development of an M&E plan and –work plan are attached in Annex 6.

d) Redesign the organisational set-up of the DDC office

None of the DDCs visited had a clear idea about responsibilities for M&E on district level and corresponding organisational set-up of the DDC office in this respect. One district even separated planning, M&E and the information centre in different sub-sections of the DDC-office.

Therefore, it is recommended to define **responsibilities for M&E on district level** (the LGSA/LGSR make monitoring & supervision committees and sub-committees responsible for M&E on district- and village levels. However, it is not defined who will really initiate information collection processes and data collection exercises, what role different subject matter officers will have in these processes etc.)

**Proposal**

From the little insight the consultant got into the district set-up and the capacities for M&E, the following set-up for M&E responsibilities would possibly be appropriate:

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\(^1\) The identification and selection of indicators sensibly covering all areas to be traced, is usually a difficult and time consuming exercise. The UNCDF and the LGP have made tremendous efforts to develop a catalogue of suitable indicators particularly for tracing progress and processes concerning local governance on all levels (LGP, 1999; LDF, 2001h). In addition, Kavre district has defined already a comprehensive set of indicators in their sub-project plan of operation 2002-2006 (LDF, 2002c). The DDCs and the M&E design team are advised to use these catalogues of indicators as the basis for discussion

\(^2\) In the ideal case, the M&E design team would find most of the required system elements from analysing existing systems. This would ease the introduction of these elements to a great extend because officers are already used to the procedures and formats.
Allocate responsibilities for planning, M&E and the information centre within one unit (called planning and M&E unit)

The planning and M&E officers should be the head of this unit and one capable M&E specialist conversant with computerised data analysis should be the key person for M&E within this section

The supervision and monitoring committees should have advisory and overseer functions for the planning and M&E unit but also be involved in informal field visits and particularly process/project evaluations and monitoring the effectiveness of the DDCs (see Chapters 5 to 7)

e) Train core staff responsible for M&E

The DDC chairman, the LDO, the planning officer and the M&E-officer of the selected districts should be trained in introducing and running the system with the focus on the following aspects:

- Relevance of planning, M&E and information management for management, strategic decision making and planning on district level
- Type of information needed and the use of this data
- Information collection methods and tools
- Data analysis and presentation for decision making

f) Test the system in the selected pilot projects

After the authorities on district level have agreed on the re-design of the DDC office and after key officers have been trained as proposed, the system should be tested in the selected districts under close supportive supervision by one of the core members of the M&E design committee. Close supportive supervision could mean once a month during the test phase.

g) Document experiences carefully, evaluate and adjust

The processes and experience made during the test period should be analysed carefully and lessons learnt documented. It is proposed to have a final evaluation of the test phase.

The results of evaluation should be made available during another stakeholder workshop to the same group invited for the first stakeholder workshop (see above).

Evaluation results should be analysed and adjustments made to the system as required.

The following Chapters present first ideas on potentially suitable procedures and tools for an M&E system of local governments in the different areas of concern:

- Financial and physical progress monitoring of project implementation (Chapter 5)
- Monitoring the project selection-, -planning- and –implementation process (Chapter 6)
- Assessing the outcomes of projects (Chapter 7)
- Internal monitoring of efficiency/effectiveness of local governments (Chapter 8)
5 Financial and Physical Progress Monitoring of Project Implementation

Although it will be one of the main tasks of the M&E design committee to screen existing monitoring methods and formats for the financial and physical progress monitoring of project planning and implementation, the consultant would like to give his impressions about the potential value of monitoring methods he was able to analyse.

These methods are, however, individual methods, partly used differently by different projects/programmes and partly not evaluated sufficiently. Therefore, the M&E design committee should proceed as follows when assessing their value for the M&E system for local governments:

- Assess the potential value of the particular method/formats for the M&E of local governments
- If it is felt that this particular method could potentially contribute: assess the particular method by intensive talks with the project/programme which introduced the method and with the users of this method
- If it is felt that this particular method is effective and cost efficient: adjust the methods to the particular requirements for M&E of local governments
- Test the particular method during the test phase and finally evaluate its effectiveness and cost efficiency and its value for M&E of local governments

A ‘project book’ introduced for tracing progress of projects introduced by the RCIW and the LDF, seems to have high potential for simple progress and financial monitoring by the COs and the VDCs themselves. Project completion reports – focussing on physical and financial progress again – as a sort of final project evaluation are either included as the final section in the project book or separate reports. The book remains with the communities and allows an all time transparency about the status of the project. The book obviously increases the feeling of ownership with the COs. At the same time, copies of reports from supervisory visits etc. are handed over to the VDCs and DDCs for tracing physical and financial progress.

The presently applied regular physical and financial reporting systems in the various projects/programmes (including the LDF) usually contain monthly and/or trimesterly and annual reporting on the basis of formats. In principle, each of the projects/programmes has a different set of formats serving the same or similar purpose. These formats should be compared and their effectiveness and efficiency analysed. A good starting point could be probably the system introduced by the LDF for financial management and reporting (accounting, reporting, project funding matrix and project expenditure matrix) which was evaluated recently (LDF, 2001g) as being quite effective. Definitely necessary will be a unification of reporting systems which differ partly significantly between the different projects/programmes although designed for similar or the same purpose: to simply report on the physical and financial progress of projects.

Public auditing is another potentially valuable instrument introduced by various projects/programmes and assures transparency about the funds at certain stages of the projects.

Meetings and field visits are at the moment the most important informal instrument for monitoring the physical progress of projects and for ad-hoc monitoring and on-the-spot problem solving. Unfortunately, neither in LDF nor other donor supported projects, the results of such meetings and visits are not documented at all or only in such an informal way that the minutes are neither very useful for follow-up nor for the analysis of lessons learnt/best practices for replication.
6 Monitoring the Project Selection-, -Planning- and -Implementation Process

Process monitoring is one of the weakest areas of concern in most of the projects/programmes. There are only few attempts to capture process aspects; all of them rather superficial and not systematic enough to draw lessons for changes in community mobilization, project planning, -selection and –implementation methods. Unfortunately, neither the LSGA nor the LSGR do see the need for such process monitoring. It is, therefore, no wonder that this monitoring aspect receives little emphasis although it is extremely important to draw lessons on the methods and procedures applied.

However, some starting points are visible in this direction:

• **Participatory self-evaluation by COs** is introduced by the PDDP/LGP. The COs, under the guidance of the social mobilisers, analyse their own group development and planning processes on the basis of a picture series.

• **Self-evaluation by the programme team** is introduced by the RCIW. Sub-teams of programme officers visit every year a sample of the projects and discuss successes and failures with the communities and feedback their impressions to the supporting NGO and the CO.

• A methodology for **Participatory self-evaluation/community evaluation** is foreseen in the LDF programme operation guidelines (LDF, 2001c) but not yet developed.

Unfortunately, none of these methods is elaborated in sufficient depths and details allowing to learn about the appropriateness of presently applied methods and procedures. The self-evaluation methods by COs introduced by the PDDP/LGP along a picture series probably sensitises the members of the COs on the importance of reflection on the own processes and is certainly an important achievement in itself. However, the results of the reflection processes are not reaching DDC level sufficiently for drawing substantive lessons from the exercises.

Also, meetings and field visits are mainly geared towards physical progress monitoring (see above) and little emphasis is given to process monitoring during meetings and field visits. Almost no emphasis is on documenting experiences not to talk about analysing the lessons learnt.

Proposal

Process monitoring receiving little emphasis within M&E is a widespread phenomenon. One reason for this is that most of the projects/programmes are geared towards physical achievements because funding is often related to physical achievements but less to the quality of achievements or to the processes resulting in these achievements (‘our incentive system is against process monitoring’ as one of the senior MLD officers said rightly). Another reason is probably that it is more difficult to trace processes than physical outputs, the latter being more visible. And thirdly, process monitoring demands a higher comprehension capability than mere physical progress monitoring.

The consultant believes that, due to these reasons, process monitoring with the emphasis on lessons learnt should be the **responsibility of competent DDC level staff trained in methods like informal interview techniques along interview guidelines** and supplementary tools (like PRA tools, picture series etc.). Questionnaires and formatted procedures are less suitable for this purpose.

A possible sequence of topics to be covered by such informal interviews is presented in Annex 7 as an example and can probably, at least in principle, capture process-monitoring needs in Nepal as well. The M&E design committee should, however, have a close look at the guidelines and change according to needs, if felt useful, in principle.

Process monitoring should be done during **regular field visits** and during **final evaluations**. The results of process monitoring exercises are of qualitative nature and can only be described in the form of summaries or case studies.
Lessons learnt/best practices for replication are valuable result of process monitoring.
7 Assessing the Outcomes\(^1\) of Projects

Monitoring the sustainable outcomes of projects some time after project completion is another weak area in most of the projects/programmes but essential for answering the question in how far the results of projects really lead to substantial outcomes target group level in the long run. Usually, the final evaluation directly after the completion of projects is the last step in the implementation procedure; no or no systematic follow-up after a certain time is done (as demanded by the LGSA § 211, each year through the DDC).

If there is no systematic follow-up of projects after the final evaluation, the following aspects so important for the sustainable impact of projects are not considered:

- How do the communities use the project result?
- Which group benefits most from the project result? Is it the group, which was originally intended to benefit? If not, why not? (Important for poverty oriented projects)
- How satisfied are the communities with the usage of the project result?
- How satisfied are the communities with the services provided? (In case of a project providing permanent services like a veterinary outpost, health post etc.)
- How is the condition of the project result (a well, a school) after a certain period?
- How effective and cost efficient is regular maintenance of the project result?
- What can we learn from the usage/non-usage of the project/service for future projects? (Lessons learnt and best practices for replication)

Proposal

These aspects are essential for assessing the sustainable impact of projects and for assessing in how far projects contribute to the higher-level objective of reducing poverty. It is, therefore, proposed that capable DDC-officers follow-up on these questions at least for a representative sample of projects one year after project completion concentrating on the questions above. The main instrument would again be informal interviews along interview guidelines. Possible questions in these guidelines are presented in Annex 8. The M&E design committee should have a close look at the guidelines and change according to needs, if felt useful, in principle.

Lessons learnt/best practices for replication are an additional valuable result of such outcome assessment exercises.

Analysing monitoring results of qualitative nature is more difficult than preparing tables with figures and needs again higher-level comprehension capabilities. Capacity building is necessary for this purpose on district level for both, outcome monitoring and process monitoring.

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\(^1\) ‘Outcomes’ are defined in this context as the effect of the results or lower level impacts which generally refers to people’s response to a project and how they are doing things differently. In the case of a e.g. a water supply project the outcome would be the level of using the well by the communities, in case of a school project the outcome would be the increased enrolment rate as a result of this school.
8 Internal Monitoring of Efficiency/Effectiveness of Local Governments

Most of the donor-supported projects/programmes have invested considerably in capacity building measures of local governments (on district-, village- and UC/CO levels). In most cases, capacity building measures have been geared towards areas where the donor-funded project focuses its support (like the establishment of geographic information systems or the accounting system etc.). To the knowledge of the consultant, none of them has yet seriously looked into the managerial capabilities of the DDC office as a whole, into the inter-linkages between the different sections, into the management system of the DDC-office, into the organisational set-up and into certain technical areas, one of them being monitoring and evaluation for local governments.

The LDF project design document particularly stresses the need and demands for monitoring of local government performance (see LDF, 1999, Chapter 9.3). A first step in this direction has been made to design a clear SRF framework for the LDF Nepal which could be a good basis for the delineation of appropriate indicators for M&E of local governments as well.

Proposal

An M&E system of local governments should, therefore, not only concentrate on monitoring and evaluating their activities in the field but also their internal management efficiency and effectiveness. This is necessary in order to improve on the self-monitoring and reflection capabilities of the local governments over time and to identify capacity building needs in the different management areas of local governments.

One basis for monitoring the internal efficiency and effectiveness certainly is the LSGA which lays the foundations for DDC internal management at least to some extent by specifying the overall functions, duties and powers of the DDC and the content and frequency of meetings. (LSGA § 186ff). Unfortunately, the LSGA does not specify the particular requirements concerning internal monitoring of the DDC management.

The following sequence of steps could be appropriate for assessing effectiveness/efficiency of local government over time:

- **Definition of performance criteria** for the different management areas (planning and M&E, finance etc.), as defined by the LSGA/LSGR
- **Organisational analysis** of present situation on the basis of the tasks and the performance criteria (see first bullet)
- **Identification of capacity building- and organisational development needs and conduct of capacity building- and organisational development measures**
- **Annual reflection** on the effectiveness/efficiency of local governments in performing their tasks on the basis of the defined performance criteria

One potential method for such annual reflection could be the strengths-weaknesses-aims-problems (SWAP) analysis. All officers of the DDC office reflect on their DDC internal strengths and weaknesses observed during the last 12 months and identifying opportunities for improvements. Annex 8 provides a description of the SWAP analysis.

The SWAP analysis provides important lessons learnt and best practices for replication as well.

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1 Sometimes also called SWPO: Successes, Weaknesses, Potentials, Obstacles or SWOT: Strengths, Weaknesses, Opportunities, Threats
9 Conclusions

The Local Self-Governance Act and –Regulation (LSGA/LSGR) provide substantive power, responsibilities and resources to the local governments. Local governments are supposed, in future, to ‘make decisions on the matters affecting the day-to-day needs and lives of the people, by developing local leadership’ (LSGA, preamble). Basically, this means that local governments, first and foremost on district level, have to make strategic decisions for development activities within the district in future.

To fulfil these functions, local governments need a much better information base for decision-making than available now. District administrations in the past were and still now are more guided by donor-driven demands for information than by their own felt needs for information. It cannot be expected that with the formal acceptance of the LSGA/LSGR this situation will change quickly. Therefore – and this is even more important than the need itself – local governments need to feel this need and, consequently, define their information needs themselves and assume full ownership of the information.

Therefore, it is not enough that local governments (with the assistance from the Ministry of Local Development and others) take the lead themselves in the development of an M&E system on district level. In addition, awareness has to be created on the need and value of information for strategic planning and decision-making on district level. Such awareness creation has to come from outside local governments, at least during the initial stages and could be an important functions of the MLD and the M&E design team.

In addition, decision making of local governments and development in the district will, to a great extend, continue to depend on donor funding at least for several decades to come. That means, also donor requirements for information on development progress have to play a role in the newly to be developed M&E system for local governments.

Having this in mind, the development and testing of an appropriate M&E system is a difficult task and needs not only high professional competence and a deep insight into the complex institutional landscape on national-, district- and village level. It needs also a high level of sensitivity concerning the necessary involvement of all major stakeholder in the approach development process, concerning the ‘creation’ of awareness on the value of information for decision making and concerning the necessity to have full ownership of the process and the product with the district administrations themselves from the beginning. Therefore, it is important that the approach development process is not only following the pace of local governments in selected districts but is also supported by a professional team of various important stakeholders and guided by the Ministry.

The Local Development Fund, co-financed by UNCDF, could play a vital role in guiding and supporting this process due to the fact that UNCDF puts more emphasis on M&E and the analysis of lessons learnt/best practices for replication than most of the other donors and a wealth of experiences from other countries and expertise is available in this field with UNCDF.
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UNDP, 2000: South East Asia Poverty Alleviation Programme. Regional Progress Report
UNDP, 2001a: Local Governance Strengthening Programme. Programme Document
UNDP, 2001b: Household Information Survey Design for District Level Estimation
UNDP, 2002: Poverty Monitoring in Support of PRSP (first draft; not to be quoted)
Annex 1: Terms of Reference

Support for the Design of a Monitoring and Evaluation System of District Development Committees and Village Development Committees in Nepal

1 Background
The Local Development Fund (LDF) funded by United Nations Capital Development Fund is a poverty alleviation tool designed to enhance the capacity of the local governments to plan and manage development at the district level. The LDF will also assist to develop the framework for the Government of Nepal to make resources available in meeting district and community needs, thus institutionalising local governance on all levels. The programme is a locus for formulating, implementing and evaluating the impact of the decentralization policy on poverty alleviation and for local governance. To this extent, the programme assists in clarifying the policy and in enhancing the outreach capabilities of central administration into the rural areas. One of the aims of the programme is, therefore, to support the establishment of a sound system for Monitoring and Evaluation.

The operational and legal frameworks for the implementation of the programme have been provided for through the Local Self-Governance Act enacted and passed by Parliament in 1999 and through the associated Local Self-governance Regulation (1999) and Local Body (Financial Administration) Regulation (1999). The LSGA has opened more avenues and provided responsibilities to the DDCs and VDCs to plan and implement district level programmes. The responsibility of the DDC has tremendously increased with the enactment of these laws and regulations. Local bodies (DDC/VDCs and municipalities) now have to concentrate more on ensuring the fair and proper utilization of the resources as well as to report on programme status. Furthermore, the essence of the laws and regulations directs to make local bodies more responsible and accountable for the efficient and effective utilization of the resources.

A Decentralization Implementation and Monitoring Committee (DIMC) has been established to oversee the decentralisation process. The Prime Minister chairs the committee with members comprising of the majority of Ministers from the line agencies. The Decentralization Implementation and Monitoring Committee (DIMC) approved the Decentralization Implementation Work Plan (DIWP) on 8 January 2002. The DIWP stresses the need for a sound monitoring system in the area of local government particularly for tracing the progress of development activities on local level as compared to the plans.

2 Objectives and Scope of the Mission
The main objective of the mission is to support MLD on establishing an improved monitoring system for DDCs and VDCs that would be able to satisfy the monitoring requirements at different levels of local bodies. The mission will analyse existing monitoring structures, data collection formats, roles and responsibilities by decision-making levels and the institutional linkages of DDCs with other actors (Government, Non Government). Identification of information needs and reporting requirements of different stakeholders and the process of local bodies with various levels are also the key areas of the mission. The mission will also concentrate on the analysis of existing M&E capacities and training needs and thus developing an appropriate strategy. On the whole the mission will support in developing and establishing a systematic monitoring mechanism and identify the focus areas of intervention to institutionalise the system vis-a-vis linkage between the monitoring report and the planning process.

This work will be carried out in close co-operation with the management of the LDF, the National Planning Commission, the Ministry of Local Development and selected local bodies (DDCs and
VDCs). ‘In process’ information and feedback will also be obtained from the major donors involved in the decentralization process in Nepal.

Local bodies for the implementation of projects or programmes are using various options. They can implement the projects directly organizing the user’s groups, through NGOs and Community Based Organization (CBOs) as well as contracting with the private sector. Similarly, local bodies are receiving the grant from the central government, donors and also collecting tax and non-tax revenue. There is need to document and report relevant information at each level and to ensure the flow of information to the relevant decision makers for action.

The DDC has additional responsibilities for monitoring the programme implemented by the VDCs and Municipalities. The central government block grants to VDCs are being disbursed only upon the recommendation of DDCs.

The DDC is also responsible for monitoring the progress of the four sectors, which come under the first phase of devolution. So, the DDC not only monitors its own programmes but also those implemented by other local bodies and government agencies. The second step of the DDC would be to compile and process the derived information and report to the National Planning Commission, Ministry of Local Development and line ministries as well.

With the enforcement of LSGA 99 and subsequent financial rules and regulation efforts are being made to open the account of District Development Fund (DDF) at the DDC level. This allows central government, donors and others to put their resource first in the DDF. The DDC then after, based on the agreement and approval of the plan, will allocate the resource to individual project accounts. The DDC will also produce a central DDF account at least annually and if needed periodically as well. The mission will concentrate on these all aspects.

3 Expected Outputs of the Assignment

The followings outputs are expected from the mission:

- **Identify and assess information needs and reporting requirements of all major stakeholders/services providers** in connection with decentralised planning and implementation of development efforts and assess the suitability/appropriateness of existing M&E systems and formats for satisfying these information needs and reporting requirements.

- **Design, on the basis of successfully applied systems and formats, an improved monitoring system on village- (VDC) and district levels (DDC) with the focus on implementation progress compared with development plans and effectiveness and impact of micro-projects’ planning and implementation of all major service providers.** The focus should be on services delivery for micro-project implementation. However, first ideas for monitoring the effectiveness and impact of regular services delivery in the fields of health, education, agricultural extension and postal services should be developed as well. The system should also cover the monitoring of revenue collection and expenditure by local governments.

- **Develop a coherent system of information flow** between the different levels from village- to national level and back. This includes the horizontal flow of information/exchange of information between different stakeholders as well.

- **Analyse existing institutional arrangements and capacities for monitoring** on district and village levels and make proposals for future roles and responsibilities of the DC, DDC, VC, VDC and other staff on district and village levels concerning monitoring tasks on the different levels.

- **Propose capacity building and follow-up measures**, which would satisfy personnel requirements for the sustainable implementation of the system on all levels.
- **Communicate and discuss the developed monitoring system** with all relevant stakeholders and propose changes as required (debriefing workshop on the results of the mission).

- **Assess the potential role of the UNCDF Management Information System.**

The mission report will include an improved Monitoring and Evaluation System for Local Bodies and area of intervention for strengthening the process.

4 **Duration and Timing**

The mission will last 27 days in total. The consultant will prepare the mission in Germany (4 days), work in Nepal from 12\textsuperscript{th} to 26\textsuperscript{th} March (15 days) and write the report in Germany thereafter (8 days). The time schedule in Nepal will be discussed and agreed upon after the arrival of the consultant.

5 **Requested Profile of the Consultant**

- More than 10 years field experience in M&E design and implementation
- Experience in the development of local government M&E systems
- Knowledge of decentralized planning and funding approaches
- Sound knowledge of UNCDF policies and procedures
- Excellent facilitation skills

6 **Mission cost:**

The mission will be charged to Nep/99/C01 BL 16.03
Annex 2: Working Schedule (March 2002)

11th Travel to Kathmandu

12th Briefing with Mr. Puri and Mr. Joshi on the clarification of the TOR; reformulation of the TOR; development of interview guidelines for discussions with institutions/organisations; analysis of documents

13th Meeting with Mr. Puri and Mr. Joshi on the existing LDF-M&E formats; meeting with Mr. Awasthi, Mr. Gautam, Mr. Sharma and Mr. Bastola on the M&E procedures and formats of the MLD; meeting with Mr. Anil and Mr. Adhikary on the expectations of the UNDP towards M&E of local governments; meeting of Ms. Onada, Mr. Vaidya and Mr. Gurung on the UNICEF monitoring systems and expectations towards M&E of local governments; development of interview guidelines for discussions on district level

14th Field visit to the Kavre-District: Discussions with DDC- and DDC office members¹ on the M&E systems used on district level and information needs; field visit to LDF-supported biogas plants cum toilets and fishponds; analysis of documents

15th Meeting with Mr. Adhikary on the PDDP and Mr. Pokharel on the LGP and discussions on M&E experiences; meeting with Mr. Kafle, Mr. Upadhayay and Mr. Adhikari, NPC on M&E procedures and data needs on national level; debriefing with Mr. Karcher and Ms. Tisot, UNDP management on local level M&E; meeting with Mr. Bista and Mr. Westerby, DASU on their experiences with M&E of local governments; analysis of documents

16th Development of interview guidelines for discussions on village level and improvements on interview guidelines for discussions on district level; briefing with Mr. Larsen and Mr. Puri; travel to Biratnagar; analysis of documents

17th Travel to Udayapur District; discussions with DDC- and DDC office members² on the M&E systems used on district level and information needs; discussions with seven VDC chairmen³ on the project planning and –selection procedures and the feedback system on village- and lower levels; discussions with Ms. Lampur on the role of DC members in the project selection process; travel to Biratnagar

18th Field visit to Morang District; discussions with DDC- and DDC office members⁴ on the M&E systems used on district level and information needs; discussions with a mixed group (20 women and 4 men) in Haraincha village on the participatory planning process and grass-root level monitoring; discussions with the sub-regional officer, Mr. Basnet on the M&E systems developed and used by the LGP; travel to Kathmandu

19th Meeting with Mr. Upadhyaya and Mr. Ojha, on the M&E system and –requirements of DoLIDAR, discussions about the ‘project book’ with Mr. Puri; discussions with Mr. Pokharel about the planning and monitoring system of LGP and with Mr. Adhikary about the planning and monitoring system of PDDP; introduction to the MIS, UNCDF by Mr. Lamichhane; document analysis

20th Analysis of results from discussions and field visits; discussions with Mr. Stotz on the M&E system of the RCIW

¹ Mr. Sapkotha, Mr. Lama, Mr. Rajdhakal, Mr. Siwakoti, Mr. Nepal, Mr. K.C., Mr. Dhungana, Mr. Bazimaya, Mr. Bajuiain, Mr. Ghimire, Mr. Neupane
² Mr. Raya, Mr. Pundged, Mr. Lamsul, Mr. Monte, Mr. Phoharel
³ Mr. Thapa, Mr. Rai, Mr. Karki, Mr. Nagar, Mr. Raut, Mr. Kumar, Mr. Chaudary
⁴ Mr. Basnet, Mr. Upadhyay, Mr. Rau, Mr. Rai, Mr. Pokharel, Mr. Dinal
21st Analysis of results from discussions and field visits and drafting of preliminary report; discussions with Ms. Bajachaja, Mr. Baidya and Mr. Shrestha on their ideas and discussion results concerning M&E for local governments

22nd Analysis of results from discussions and field visits and drafting of preliminary report; discussion with Mr. Puri of analysis results, methodology for developing an M&E approach for local governments and improvements

23rd Drafting of preliminary report, particularly concerning first ideas for M&E of local governments on the different objective levels

24th Preparation of presentation

25th Preparation of presentation; discussions with Mr. Puri on draft report for M&E of local governments

26th Presentation of findings and method for approach development and discussions at the MLD with 20 participants from government and non-government stakeholders in the field of decentralisation and local governance; debriefing with Ms. Tissot; debriefing with Mr. Larsen and Mr. Puri

27th Travel to Berlin
Annex 3: Discussion Partners

National Level

Mr. G.S. Adhikari  Section Officer Monitoring  NPC
Mr. Arun Dhoj Adhikary  Assistant Resident Representative  UNDP
Mr. Sanjaya Adhikary  National Programme Manager  PDDP
Mr. Ganga Datta Awasthi  Joint Secretary and NPD of LDF  MLD
Mr. Subhakar Baidya  Senior Co-ordinator  RDP
Ms. Shumsher Bajracharya  Acting Programme Manager  RDP
Mr. Hari Bastola  Monitoring & Evaluation Specialist  Consultant
Mr. Hikmat Bista  Chief Advisor  DASU
Mr. Basant Raj Gautam  Head of Monitoring & Evaluation Section  MLD
Mr. Nareshwor J. Gurung  Chief of DACAW Section  UNICEF
Mr. Krishna Babu Joshi  Monitoring & Evaluation Specialist  LDF
Mr. Bhagabati Kumar Kafle  Joint Secretary  NPC
Mr. Henning Karcher  Resident Representative  UNDP
Mr. Anil K.C.  Senior Programme Officer  UNDP
Mr. Rabi Lamichhane  Administrative and Finance Associate  LDF
Mr. Henrik F. Larsen  Programme Officer  UNCDF
Mr. Janannath Ojha  Agro-Economist  DoLIDAR
Ms. Eriko Onada  Programme Officer, M&E Section  UNICEF
Mr. Ram Krishna Pokharel  National Programme Manager  LGP
Mr. Bishnu Puri  Programme Manager  LDF
Mr. Ashok Vaidya  Project Monitoring Officer  UNICEF
Mr. Ramesh K. Shrestha  Senior Monitoring Professional  RDP
Mr. Mahesh Raj Sharma  Under Secretary  MLD
Mr. Dietrich Stotz  Programme Coordinator  IFSP
Ms. Alessandra Tisot  Deputy Resident Representative  UNDP
Mr. Bhim Upadhyaya  Senior Divisional Engineer  DoLIDAR
Mr. M.P. Upadhyay  Under Secretary M&E  NPC
Mr. Henrik Westerby  District Advisor Doti-District  DASU

Kavre District Development Committee

Mr. Puspa Jay Bajurain  Engineer  DRSP
Mr. Basanta Bazimaya  District Development Advisor  PDDP
Mr. Ananda Raj Dhakal  Local Development Officer
Mr. Narayan Dhungana  Programme Officer
Mr. Rishi Kanta Ghimire  Programme Officer
Mr. Prem K.C.   Field Officer     LDF
Mr. Karma Singh Lama  VDC, Vice Chairman
Mr. Saroy Nepal Programme Officer, Agriculture
Mr. Mahendra Neupane  District Energy Engineer
Mr. Krishna Prasad Sapkota  VDC Chairman
Mr. Subas Siwakoti Planning Officer

Udayapur District Development Committee
Mr. Gapal Raj Jaya Field Officer     LDF
Ms. Ambika Thapa Lampur Women Member     DC
Mr. Bishnu Prasad Lamsul Local Development Officer
Mr. Hira Man Monte Assistant Accountant
Mr. Bed Prasad Pokharel DDC Chairperson
Mr. Bishwa Nath Pundged District Development Advisor LGP
Mr. Ishwar Mani Raut DDC Member     Ilaka 7

7 VDC chairpersons of the Udayapur District

Morang District Development Committee
Mr. Ram Chandra Basnet Sub-Regional Manager LGP
Mr. Laxme Prasad, Dunal Social Mobilizer LGP
Mr. Deependra Pokharel District Development Advisor
Mr. Chandra Bir Rai DDC Member
Mr. Bhubansing Rau DDC Member
Mr. Navraj Upadyay Local Development Officer

20 female members of the Haraincha mixed community organisation
2 male members of the Haraincha mixed community organisation
Annex 4 Interview Guidelines for Assessment of M&E Systems and Needs

Annex 4a: Interview guidelines for discussions on district level

Objectives of the discussions

- To get an overview of present reporting- and M&E-activities at district level
- To assess data needs for monitoring district development by Local Government
- To assess capabilities and capacities for M&E on district level and below
- To find out suitable M&E concepts used by other agencies on district level
- To get the ideas of the DDCs for qualities and characteristics of a suitable M&E concept for Local Government

a) The presently used reporting and M&E-system on district level

- How is the information flow from district to lower levels and vice versa organised? Who reports to whom and how often? Successes and failures within this system?
- How is the information flow from district to upper levels and vice versa organised? Who reports to whom and how often? Successes and failures within this system?
- How is project progress monitored? How is the planning and implementation process (participation of people, involvement of women etc. during the different steps) monitored?
- How does the VDC monitor its own performance?
- What are the causes for failures in the system? What should be improved within this system?

b) Data needs on district level

- What would be the main areas of monitoring by Local Government after the district has taken over the full responsibilities as planned with the Local Self-Governance Act?
- Is there the need for improvements in physical and financial progress monitoring? …For monitoring the planning process? …For the regular work of the line Ministries (treatments at health centres, agricultural extension work etc.)?
- Which information would then be needed on district level? Who would need this information for which purpose?
- How would information collection have to be organised? What problems are foreseeable?
c) Roles and responsibilities for M&E

- What is/should be the role of the ‘supervision & monitoring committee’? (In how far is this committee functioning, how often does it meet, what does it, who is part of it)
- What is/should be the role of the ‘programme officers’ on district level?
- What is/should be the role of the ‘overseer’? (Results, problems, successes)
- What is/should be the role of the ‘social mobilisers’? (Results, problems, successes)
- What is/should be the role of the VDC and the CO/UG? (Results, problems, successes)

d) Capabilities and capacities for M&E

- What capacities and capabilities exist on district level for M&E? (Qualification and experience of district staff, supervision & monitoring committee, overseers)
- What capacities and capabilities exist on village/CO/UG levels? (Qualifications, experiences, past training activities)
- Which additional capabilities/capacities would be needed to fulfil all data requirements after full implementation of the Local Self-Governance Act? (All levels under 3)
- What kind of training, supervision and follow-up would be necessary for that purpose? (All levels under c)

e) Suitable M&E concepts of other stakeholders

- What are the major donors or NGOs working in the district? What kind of planning and M&E system do these main donors use? What experience do they make with ‘their’ M&E-systems?
- How do Line Ministries and NGOs monitor and report their activities? How is the reporting between DDC, NGOs and Line Ministries functioning? (Ask about the information flow between these stakeholders on district level)
- In how far is the DDC involved in M&E with these organisations?

f) Qualities and characteristics of a good M&E system for local governments

- What would be the most important qualities and characteristics for an M&E system to be suitable for local government M&E after all donors have disappeared? (All levels)
- What kind of organisational set-up is required and suitable to fulfil these requirements? (Ask whether M&E can be done within the present set-up of whether a separate M&E sub-unit would be more suitable)
- If an M&E sub-section is required: how should it be structured and staffed?
- Which kind of professional support and supervision in M&E would the district need after full implementation of the Local Self-Governance Act and after all donors have disappeared?
Annex 4b: Interview guidelines for discussions on village level

Objectives of the discussions
- To get an overview of present reporting- and M&E-activities at village/CO/UG level
- To assess capabilities and capacities for M&E on village/CO/UG levels
- To get the ideas of the and VDC/CO/UG for qualities and characteristics of a suitable M&E concept on village level and below

a) The presently used planning process at village level and below
- How is the planning process organised on village level and below? (Ask about the procedures for the identification of problems and priorities of different groups, for the elaboration of the village development plan etc.)
- What role does the CO/UG/VDC/community mobilisers etc. play in this process? (Let the VDC/CO/UG/community mobilisers describe the process and their role in the process)

b) The presently used reporting and M&E-system on village level and below
- How is the CO/UG reporting on project progress to the VDC? (Let CO/UG, community mobilisers and the VDC describe the supervision and monitoring/reporting process). What experiences are made? (Successes, problems)
- What does the VDC, community mobiliser do with the information it receives?

c) Data needs on village level and below
- Which kind of information would the VDC, CO, UG need about a project? (Transparency on the budget, about the plan/progress of work etc.)
- Who would need this information? For what purpose would it be used?

d) Roles and responsibilities for M&E
- What is/should be the role of the ‘programme officers’ (problems, successes)
- What is/should be the role of the ‘overseer’? (Results, problems, successes)
- What is/should be the role of the ‘social mobilisers’? (Results, problems, successes)
- What is/should be the role of the VDC and the CO/UG? (Results, problems, successes)

e) Capabilities and capacities for M&E
- What capacities and capabilities exist on village/CO/UG levels? (Qualifications, experiences, past training activities)
- Which additional capabilities/capacities would be needed to fulfil all data requirements?
- What kind of training, supervision and follow-up would be necessary for that purpose?
Annex 4c: Interview guidelines for discussions with institutions/organisations

Objectives of the discussions

• To get an overview of present reporting- and M&E-activities of the institution/organisation
• To assess data needs for Local Governments expressed by the institution/organisation
• To get the ideas of the institution/organisation for qualities and characteristics of a suitable M&E concept for Local Government

a) The presently used reporting and M&E-system of the Institution/Organisation

• How is the information flow from district to lower levels and vice versa organised? Who reports to whom about what and how often? What kinds of tools/formats are used for data collection and reporting (try to get a copy of data collection tools/formats and reports)? Who uses the data for what purpose?

• How is the information flow from district to upper levels and vice versa organised? Who reports to whom about what and how often? What kinds of tools/formats are used for data collection and reporting (try to get a copy of data collection tools/formats and reports)? Who uses the data for what purpose?

• How is horizontal information flow between Line Departments, Local Governments and NGOs organised? What kind systems, tools, formats are used (try to get a copy of data collection tools/formats and reports)? Who uses the data for what purpose?

• What are the experiences with these systems (successes and failures)? What are the causes for failures in the systems? What should be improved within the systems?

b) Data needs on district level

• What would be the main areas of M&E by Local Government with the implementation of the Local Self-Governance Act in the opinion of the institution/organisation? (E.g. project progress-reporting, process reporting on planning and implementation methods, reporting about activities of Line Ministries etc.)

• Which data would then be needed on district level in the different areas to satisfy the data needs of the DDCs (opinion of the institution/organisation)? How would data collection have to be organised? What problems are foreseeable?

• For which M&E areas should DDCs not be made available? (E.g. poverty impact monitoring)

c) Capabilities and capacities for M&E on district level

• What experiences have been made concerning M&E on district level? How does the institution/organisation value the capabilities and capacities for M&E on district level?

• What capacity development measures are proposed by the institution/organisation to enable the DDCs for the tasks mentioned under b?
Annex 5: Background to Impact Monitoring Related to Local Governments

This annex provides convincing arguments why local governments in Nepal should not be made responsible for high level impact monitoring/evaluation.

a) Introduction to Recent Developments in Impact Evaluation

Evaluation of results and impacts has become a must for any development organization today. But to what levels of impact can it be done and by whom? Typical technical co-operation projects are a very small tool in relation to a task like poverty reduction. Can such projects really be expected to prove their contribution to highly aggregated development goals?

There can be hardly any doubt that many Technical Co-operation projects make a contribution to economic and social development. But to provide accurate proof is, for the most part, impossible. Statistically the contribution cannot be isolated from a large number of other contributing factors that are necessary to bring about economic and social development. This, far more than any failure by management, is a basic methodological predicament of any impact evaluation.

Modern innovation research supports this view. The theory of innovation has undergone profound changes. In the ‘70s and early ‘80s innovation was mainly considered a linear process that started with research, was carried on by dissemination and ended with the adoption of a new technology, procedure or product. Induced innovation and feedback models were important variations of such linear concepts and helped to keep them alive for many years. Today, this concept is no longer valid. Innovation research has developed a much deeper understanding of what is actually going on. In agriculture, for instance, technology innovation happens through the interaction of farmers, veterinary doctors, district extension managers, farm advisers, technical specialists and many more. Their interaction not only serves the transfer of knowledge and information; it also reflects social power and influence, the particular interests, concerns and preferences of different social groups. Innovation is not a single event. It is the outcome of many incremental improvements that result in progress not because of a governing idea, but because of a highly recursive process of adaptation and assimilation.

The conceptualisation of impact assessment must take off from such a modern theory of innovation. But it seems difficult, at first, to draw practical solutions from it. If innovation is indeed the result of complex social interaction it will not be possible to trace the impact of any single development activity through more than just a few steps. In non-linear systems analysts encounter very significant challenges in attempting to attribute broad development impacts to one actor or another.

The new impact model used by GTZ (see below) is meant to deal with the challenge. The model explicitly acknowledges the existence of an ‘attribution gap’ as a fundamental methodological problem of impact analyses. Although it is often possible (even if not easy) to trace the development impact of a single project/programme up to its direct benefits, unbroken ‘impact chains’ hardly ever exist. The complexity of the innovation process makes it impossible to follow a single development input through to the most highly aggregated development results. GTZ’s impact model recognizes this fact. It is an attempt to ‘linearise’ innovation for the part that is possible and, at the same time, to account for the inherent and non-traceable complexity of innovation by pointing to an ‘attribution gap’ between direct project benefits and development progress.

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1 Based on recent developments in GTZ and on: Thomas Kuby: Turning attention towards results. How GTZ is building up its impact evaluation capacity; in: Evaluation – A Handbook, GTZ 2000

2 The reasons are obvious: firstly, the stakeholders want to know what is the result of the project/programme efforts and the resources spend towards the project objectives and secondly, what should we do different next time (lessons learnt, best practices, replicability of approaches)
The gap divides the ‘impact chain’ in two parts, one in close proximity to the project, but far away from development results, and another one up in the realms of overall development progress.

The main purpose of the model is to limit the monitoring tasks of a project to ‘doable’ proportions and, at the same time, facilitate project-independent evaluation procedures that do the rest. The monitoring and self-evaluation task of projects is limited to direct benefits. Projects are expected to systematically screen their inputs and activities, the outputs and services provided, how and by whom these outputs or services have been used and what the direct benefits of this usage are. This, although not without difficulties, should be a doable task for most projects. Of course, project managers are always expected to run their projects with an orientation towards overall social and economic development. But this is not to say that their own monitoring and self-evaluation devices should reach up to such levels. We know that, in most cases, it is impossible - and we don't want to force them to invent impact stories that nobody believes, including the managers themselves.

In developing GTZ's impact model there were protracted discussions whether the evaluation of direct benefits should be made part of the monitoring task of projects/programmes or not. Some argued that any attribution after outputs is already too difficult for projects/programmes. Others insisted that a proof of direct benefits was not enough to satisfy accountability demands. In the end, the argument that any project/programme should know about its direct benefits, proved irresistible. With this more or less ‘political’ decision projects/programmes have been given a task that includes impact assessment. Their monitoring and self-evaluation has to go beyond inputs, activities and outputs. The use of project outputs and the direct benefits stemming from it are first levels of impact. When a project builds schoolrooms that are used for teaching girls who benefit from such teaching by learning how to read and write, then we are already dealing with

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1 The higher level objectives; in UNCDF-terminology: Immediate Objective(s) and Development Objective
2 The direct impacts in UNCDF-terminology: Immediate Objective(s)
‘results on the ground’. There might also be non-intended results. Projects are expected to perform ongoing impact assessments up to such immediate levels.

But this is not enough. The decision to limit the monitoring and self-evaluation task of projects/programmes to direct benefits does not imply that nothing more needs to be known. What happens after 2000 girls have learnt how to read and write? What are the indirect benefits of this accomplishment, for instance with respect to the employment and income chances of these girls and their families? And if such chances were taken up, did this reduce the poverty level of a district or region in any way? Such questions are often being asked. The fact that projects/programmes are usually not in a position to answer them may not be taken as an excuse for leaving them unanswered altogether. If the projects themselves cannot do this, some other means must be found.

Guided by above impact model, a project should explore project independent evaluation procedures to satisfy demands for project accountability beyond direct benefits. The idea is to look at the top levels of development progress by separating two questions that are usually combined: ‘What happened?’ and ‘Who has brought it about?’. Traditionally, evaluation teams are project centred. With the explicit task of finding out what the project accomplished, development is analysed with a project perspective.

Project independent evaluation is seen as a means to look at individual projects with a development perspective. The focus is not on ‘Who did it?’, but on ‘What happened?’. Positive or negative development results are established without looking at causation. Since it is project independent, the evaluation work could be done for several donors together, saving considerable costs and contributing to donor co-ordination.

Matching the results of project monitoring and project-independent evaluation is a third step of the approach that the donors, in close communication with their partner organisations, would do for themselves. Equipped with exact project information up to direct benefits and an independently assessed development profile of the area they could make an attempt to ‘bridge the attribution gap’. Development organisations should look for opportunities for joined evaluations with other organisations in order to collect more experience with the approach. So far, we do not yet have a full picture of its possibilities. But we expect that it will do a lot to better explain the linkages between project and development. What helps is the fact that the international debate on evaluation has come to consider ‘plausibility’ as an acceptable standard for attribution. Development cooperation is certainly not a field for scientific cause-and-effect research.

b) Relevance for M&E of Local Governments in Nepal

The GTZ-model argues that projects should be responsible for the monitoring up to the level of direct impacts (e.g. attendance rates in schools, usage of wells etc.) but not for the monitoring of higher level impacts (e.g. literacy rates, mortality rates etc.).

By and large, the government of Nepal argues along the same line when defining M&E responsibilities for Local Governments (see LSGA, §53 & §211 and LSGR, §69 & §206 as specified in Chapter 1). Focus is on improved services provision of local governments and the direct impacts of such services on the target groups.

Also, the UNCDF focuses on improving the quality of service delivery of local governments particularly concerning participatory local development planning, transparent financial management and planning/implementation and maintenance of micro-projects (immediate/outcome level objectives of the LDF in Nepal and the ROAR Information Format for Nepal).

Therefore, the M&E responsibilities specified in the LSGA and LSGR closely correspond with the understanding of M&E of Local Governments of UNCDF.
The consultant believes that outcomes (efficiency of services provision of Local Governments; see immediate level objectives in the LDF logframe and outcomes in the Nepal ROAR Information Form) and direct impacts should exactly be the level still be assessed by the local governments themselves. Typical outcome- and direct impact indicators are specified in the LDF logframe and the ROAR information format, Nepal.

Although other donor supported projects like the PDDP and the LGP have developed lists of indicators as well, the LDF/UNCDF has comparative advantages here because their focus is clearly on services provision by local governments and direct impacts whereas the indicator list of other is much less systematic and not specified in such details.

In addition, UNCDF has developed and is on the way of testing a computerised Management Information System with exactly the same focus and indicators. The system includes data collection instruments and formats as well. First experiences with the system are promising and it is hoped that – with alterations during the testing phase – the system will be suitable for M&E of Local Governments as well.

Therefore, LDF/UNCDF can play a vital role in developing a computerised M&E system for local governments and for specifying relevant indicators.

The consultant believes that the tracing of higher level impacts (e.g. life expectancy etc.) should be the task of periodic national surveys or external evaluations for the following reasons: first of all, local governments would be overcharged with such tasks, having in mind that they are basically starting only now to initiate own formal monitoring procedures and having in mind the tremendous difficulties they have at the moment in this field. Secondly, it is in most cases not possible to establish a clear means-end relationship between development activities and impacts on this high level impacts.

This does not mean, however, that Local Governments should not be involved in such higher level impact exercises. On the opposite, Local Governments had and will have the main burden of data collection and possibly also –analysis in related surveys (e.g. teachers for literacy rates, extension workers for impacts on agricultural production and income etc.). The overall co-ordination of such surveys for tracing higher level indicators should, however, be on national level for the following reasons: If Local Governments would design surveys for tracing indicators on high impact level by themselves, comparability of data across the country would be not guaranteed. The value of such exercises for national level statistics would, therefore, be limited.

c) Scope of an M&E system of Local Governments

The consultant argues that Local Governments should start their M&E system with monitoring the progress, outcomes and direct impacts of capital investments (micro-projects) and only later on including monitoring responsibilities concerning the functions of line agencies. The reasons for this argument are as follows:

- At the moment, monitoring functions within Local Governments are only very weakly rooted within Local Governments and the capacities of Local Governments for monitoring are still weak. Burdening them from the beginning with too complex monitoring tasks would greatly over stretch their capabilities.

- The line agencies, by and large, have fairly well functioning own reporting systems which are, however, operating vertically and not horizontally (information flow is mainly from the line
agencies on district level to the related line agency on national level; sectoral information is not yet or only on a limited scale used for holistic district level planning by Local Governments\(^1\).

- The functions of line agencies are only now starting to be devolved to the district level and a certain time period will pass before these functions are firmly rooted on district level.

However, this does not mean that the reporting/monitoring results of line agencies should not immediately be used for local level planning. On the opposite, **there is the need to immediately assure that local governments have access to such information for local level planning.**

The consultant, therefore, believes a holistic and coherent M&E system of Local Governments should be developed gradually, starting with monitoring of capital investments (focus on the quality of services provision and direct impact of service delivery) and **gradually integrating monitoring of wider services provision along with the firm rooting of these services with the pace of devolution of functions.**

The presently use methods and forms by line agencies for reporting/monitoring purposes should be used as the basis for improving on ‘their’ systems with the clear view of gradual integration and harmonisation of ‘their’ systems within a holistic M&E system of Local Governments.

\(^1\) Sectoral information was, of course, used for the development of district development plans and periodic plans. However, the information flow across sectors on district level for day-to-day planning is still very weak.
Annex 6: Example Monitoring and Evaluation Plan and Work Plan

Example: Monitoring and Evaluation Plan

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<th>Methods of data collection</th>
<th>Date/frequency</th>
<th>Responsible: Collection</th>
<th>Responsible: Analysis</th>
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Example: Monitoring & Evaluation Work Plan

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<td>Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec</td>
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</tbody>
</table>

¹ This column shows which indicators from the monitoring and evaluation plan (see above) are covered by the respective M&E-activity. In some cases, several indicators might be covered by one M&E activity; in other cases several M&E activities might be necessary to cover one indicator sufficiently.
Annex 7: Guidelines for Process Monitoring and Final Project Evaluation

**Purpose**: To evaluate the processes which took place within the community and between the community and assisting staff of government and non-governmental organisations. Discussions on the following questions help us to improve on our procedures for future project planning and implementation.

The following questions should guide the officers during regular field visits and facilitators for the final project evaluation during their discussions with the community and sub-groups of the community. Please make sure to grasp the ideas and opinions of the less influential and disadvantaged groups (like women, youth, elderly people) sufficiently because their opinion is often forgotten.

Please ask the different questions to the relevant person(s) or group (e.g. all the questions related to participation and benefits should be asked to all groups in the village, questions concerning costing and cost-efficiency might be asked only to key persons who know the figures)

**Community Participation**
- How was the user group/community organisation formed? Which part of the population is not in the UC/CO and why? In how far are these people affected by the project?
- In how far and how is/was the UC/CO involved in project identification, planning, implementation and monitoring? Which sub-group was involved in which way (particularly disadvantaged groups like women, elderly people, youth etc.)?
- How high was the contribution of the UC/CO to the project? Who contributed?
- What are the capabilities of the UC/CO to acquire funds for projects?
- What is the knowledge of the community about project support possibilities, the planning system, and decentralisation?

**Functioning of the UG/CO, Transparency and Accountability**
- Members of the UG/CO (disadvantaged groups?)? Functions, roles and responsibilities?
- How many meetings have been held? Reason and topics of meetings?
- What problems were discussed? What was done to solve the problems?
- Who takes decisions in meetings?
- How does the UC/CO account for money and material?

**Beneficiary Assessment of the Project**
- Who benefits from the project most, less, not at all (disadvantaged groups?)?
- If quantifiable, how much do the different groups (disadvantaged groups?) benefit?
- In how far are the different groups (disadvantaged groups?) satisfied with the project?
- In how far are they satisfied with the processes during planning and implementation?
Cost Effectiveness, Sustainability and Quality of Project

- Do the inputs in labour, cash and material justify the output? Would there be more cost-effective ways of achieving the same result?
- Were the resources for the project managed effectively and properly? What could be improved here?
- Quality of the structure? Compare structures, materials etc. with what is used in similar projects funded by other donors or funded by the communities themselves.
- In how far is the operation and maintenance of structures agreed upon and secured? What mechanism (financing, management) are agreed to assure sustainability?

Support from Agencies Outside the Village during Construction

- Which kind of support was given by the ward, by the VDC, by the DDC-officers, by the supporting NGO, donors, others (specify)? In how far was that support helpful? Which support needs were not satisfied?
- Which kind of supervision was done and by whom (frequency, support)? In how far was this support helpful? Which support needs were not satisfied?
- Which kind of support did the community get from local leaders and politicians? In how far was this support helpful? Which support needs were not satisfied?

Operation and Maintenance of Facility

- Which kinds of O&M agreements are in place? In how far have the original agreements on O&M made effective? In how far have special people made responsible for O&M? In how far are they sufficiently trained? Is how far is the project well operated and maintained? Problems?
- What is the experience concerning the collection of local contributions for O&M? How much has been paid to the O&M fund already?
- Have discussions with those who have been made responsible for O&M about their motivation to and perception of the tasks ahead.

Participatory Village Planning and Implementation

- What do people, in general, think about the applied participatory methods for needs assessment, project identification and implementation? Advantages and disadvantages of such methods? What would have been better methods? Probe on the different methods and procedures used.

Lessons Learnt

- What was altogether good with the whole process, what was not so good? What were the main problems? What would you make differently next time? Probe on the different methods and procedures used during social mobilization, project planning, -identification, implementation and monitoring used during the whole process.
Annex 8: Guidelines for Monitoring Sustainable Outcomes of Projects

**Purpose:** To evaluate the condition, usage, level of satisfaction and kind of beneficiaries and lessons learnt from a project. Discussions on the following questions help us to improve on our procedures for future project planning and implementation.

The following questions should guide the facilitators for the follow-up assessment one year after project completion during their discussions with the community and sub-groups of the community. Please make sure to grasp the ideas and opinions of the less influential and disadvantaged groups (like women, youth, elderly people) sufficiently because their opinion is often forgotten.

Please ask the different questions to the relevant person(s) or group.

**Condition of the Project and Operation/Maintenance**

- How does the project look like after one year of existence? Examine the physical structure and equipment and describe the conditions.
- Who is responsible for O&M? Which kinds of O&M agreements are in place? In how far have the original agreements on O&M made effective? What was done concerning O&M during the last year? In case, O&M is not working effectively: what is the reason? What are the problems?
- What is the experience concerning the collection of local contributions for O&M? How much has been paid to the O&M fund already? Problems?
- Have discussions with those who have been made responsible for O&M about their motivation to and perception of their task.

**Beneficiary Assessment of the Project** (ask each sub-group in the village separately)

- Who benefits from the project most, less, not at all (disadvantaged groups)?
- If quantifiable, how much do the different groups (disadvantaged groups?) benefit?
- In how far are the different groups (disadvantaged groups?) satisfied with the project?
- What is not satisfactory and why?

**Cost Effectiveness, Sustainability and Quality of Project**

- If you compare your input to the outcome: Did the inputs in labour, cash and material justify the outcome? Would there be more cost-effective ways of achieving the same results?
- Are the resources for the operation and maintenance managed effectively and properly? What could be improved here?
- What is the quality of the structure? Compare structures, materials etc. with what is used in similar projects funded by other donors or funded by the communities themselves.

**Satisfaction of Communities about the Outcomes of the Project**

- How satisfied are the communities with the outcomes of the project during the last year? (Ask different strata of the communities separately). What was most satisfactory and why? What was least satisfactory and why?
Support from Agencies Outside the Village during Operation

- Which kind of support was given during the last year by the ward, by the VDC, by the DDC-officers, by the supporting NGO, donors, others (specify)? In how far was that support helpful? Which support needs were not satisfied?
- Which kind of supervision was done during operation and by whom (frequency, support)? In how far was this support helpful? Which support needs were not satisfied?

Lessons Learnt

- What was most satisfactory with the project during the last year? What was least satisfactory? What were the main problems? How have the problems been solved? What would you make differently next time?
Annex 9: Introduction to the SWAP Method

One participatory technique which for self-evaluation of strengths/successes and weaknesses/failures in an organisation and for identifying aims for the future and potential problems is the SWAP method. Its name is derived from the key terms which it uses, Successes, Weaknesses, Aims and Problems. The method originated from analyses of enterprises in industrialized countries, where employees gave their opinions about strength and weaknesses of their own working procedures. In development projects SWAP is mainly used as a participatory method for rapid appraisal, as a simple tool for the pre-implementation planning of micro-projects and as a self-evaluation method. However, it can also be used for self-analysis of organisations like the District Development Committees/offices.

The SWAP discussion starts just how most people start when they want to find out about a situation unknown to them, for example the situation of the farmers in a village or the situation of the officers in a District Development Committee/office: By asking what activities are done and what were the past experiences, the advantages (or successes) and the failures (or the weaknesses) of the activities. It continues by asking who could contribute to eliminate those weaknesses, and how it could be done.

SWAP does not only aim at finding information, it also wants to raise awareness about existing problems and promote initiatives, so that the participants may agree to solve those problems together. But it does not want to stop at solving one problem. Development is a process and development methods have to aim at establishing processes conducive to development. The SWAP method is based on the following rationality:

- Life is a succession of activities in the past, present and the future. This applies to individuals as well as to the life of organizations. Successful past activities are likely to be remembered. We call these our successes, although we know that the level of success might not have been 100%, and that different individuals may judge successes differently.

- When we are able to repeat and to build upon our successes we can reach our aims in life.

- But other activities in the past proved to be errors, mistakes, failures etc.. Here we will call these our weaknesses.

- Weaknesses may not harm us too much if we learn from them and avoid them in future. But if we let them occur often we will get problems. When we analyse our problems, we will often find that many of our today’s problems exist because we did not alleviate weaknesses during the past. These weaknesses consumed time and money in the past and today. The question arises whether there are possibilities to overcome our weaknesses. This starts with an awareness about the weaknesses, including their causes and effects, and then reducing, avoiding or eliminating them. This way we save time, money and other resources. But saving them is only one advantage. We can benefit even more by investing them in new activities with more chances of success.
Diagram of the SWAP analysis:

This basic concept of SWAP is elaborated into several steps, designed to focus and structure the discussions, to reach common understanding of its causes and effects and to agree on the actions to be taken by whom to remove or to alleviate the problem. SWAP thus smoothly crosses from problem analysis to planning and allocation of responsibilities.

The method has been used for development work since about 1993 in discussions on village level and to a lesser extend in agricultural research stations in a number of countries. A recent intensive analysis of its practical application has shown where its merits are and which weaknesses of the method itself need to be tackled.

Participants’ capacity and attitude building is only one central objective of the support of participation and self-help initiatives – the one which starts the process moving. Even more important is to keep the process sustainable: By establishing a permanent learning process which enables the participants to solve their recognized problems better and with increasing independence. This process must incorporate the five components awareness building, problem solving discussions, planning of solutions, implementation and reflection – and each of them may require external support. This process cannot be established simply by the introduction of appropriate methods. It requires cultural changes, incorporating a new openness and transparency, a new utilization of experiences and mistakes, and a new feeling of responsibility for others. Change cannot be handled without appropriate tools. But tools alone are not sufficient for change. Similarly, participation can only be established if suitable working methods are available, but applying participatory methods does not necessarily lead to attitudes which promote participation. A development process ‘from below’ needs micro-projects as well as participatory methods, but it will only become sustainable if a learning culture can be established.
Towards a Monitoring System for Local Governments

A Method for Approach Development
Potential ‘Pillars’ for an Approach

Transparencies for Debriefing at MLD
March 26\textsuperscript{th}, 2002, 9 a.m.

Ministry of Local Development, Nepal
United Nations Capital Development Fund

Eberhard Bauer
Gustav-Meyer Str. 1
14195 Berlin
Germany

Kathmandu, March 26\textsuperscript{th}, 2002
Tasks of the assignment

• Assess strengths and weaknesses of existing M&E systems for local governments

• Identify information needs of local governments

• Analyse institutional arrangements/capacities on district level

• Develop procedures and steps for designing an appropriate M&E system for local governments

• Propose potentially suitable methods and tools for the different levels of M&E

Methodology

• Analysis of relevant documents in Germany and Nepal

• Discussions with key stakeholders on national level (government and non-government)

• Discussions with officials in Kavre, Udayapur, Morang, 6 VDC chairmen and one mixed group of villagers
Present problems in reporting and M&E

- Present systems are **mainly reporting systems on physical and financial progress** of micro-projects

- The **quality of projects is not covered** sufficiently or not at all

- The **methods used and processes happening** during social mobilisation, project identification and planning are **not or not sufficiently monitored**

- **Sustainable outcomes of projects** (like increased school attendance rates, number of well users etc.) usually are **not covered**

- **Lessons learnt** during project planning and implementation are **not analysed and documented** and cannot be used for replication in other areas

- **Successes** tend to be **over-estimated** and **problems/failures** tend to be **under-estimated**

- **Effectiveness/efficienty of local governments** is usually **not monitored and evaluated**

- **Capacities of local governments** are **over-estimated** and problems not sufficiently seen

- **Limited** horizontal and vertical **exchange of information** between stakeholders
• Different monitoring procedures and formats used by different stakeholders for similar or the same purposes

• Local governments feel over-loaded with reporting duties along different procedures for similar purposes

• Local governments feel confused with using different procedures and formats

• No or very little feedback on delivered information from the top down to the districts

• Little awareness of local governments of the purpose of information collection and the use of the data
M&E capacities at district level

- **Little capabilities and capacities** in the field of M&E of existing DDC officers on district level.
- **Little awareness** of local governments **on the need for** M&E with their increased responsibilities.
- **No clear ideas on the type of data needed** on district level with increased responsibilities.
- **Little ownership** for M&E on district level.
- **Organisational set-up** on district level **inappropriate** for M&E (and other functions) in some districts.

Perceived information needs at district level

Most of the respondents on district level could not **answer this question**. However, the few who mentioned their opinion, said the following:

- We do not know enough about the quality of our projects.
- We do not know enough whether the project selected do mainly benefit the right (poor) people.
Characteristics for M&E of local governments

• As **simple** as possible and **easily understandable by the staff of local governments**

• Covering only **essential information** (on projects at the beginning)

• **Add sectoral information with devolution** (only after functions have been firmly rooted in local governments)

• **Do not include high level impact indicators** like life expectancy, child mortality, literacy etc.

• System should be **sensitive towards disadvantaged groups** (women, Dalit) and **poverty orientation**

• Be **open to widen the scope** with increased functions according to **space and rooting of devolution**

• Be **operational** also **without computer analysis** (many districts have no electricity)

• Cover **indicators agreed by important stakeholders** (to assure common focus of development)
Approach development steps

- **Collaboration** with important stakeholders (GO, NGO, LG): sensitisation on the importance of M&E in LG

- Formation of an **M&E design team** with strong presence of districts and leadership of MLD

- **Select pilot districts** and **sensitise DDC and core staff** of the selected districts

- **Design core elements** of the M&E system and unify reporting procedures and –formats

- **Re-design the organisational set-up of the DDC offices** according to planning- and M&E requirements

- **Train core staff** in the selected pilot districts (data needs, methods, data collection/analysis, data use)

- **Test the system** in the selected pilot districts

- **Document experiences carefully, evaluate** and adjust
Four main areas for M&E of local governments

• **Financial and physical progress** monitoring of the planning and implementation of micro-projects

• Monitoring of the **planning-, project selection and implementation process** for micro-projects including the **quality** and **operation and maintenance**

• Monitoring the **sustainable outcomes** of micro-projects including the **quality** and **operation and maintenance** of projects

• Monitoring **efficiency/effectiveness of local governments** in performing their duties
Financial and physical progress monitoring

- **Assess existing procedures** and methods for financial and physical progress monitoring

- **Select and unify** most suitable procedure and methods or **develop new procedure** and methods

Potentially useful tools

- ‘**Project book**’ as a simple instrument for tracing progress, transparency and ownership with UC/CO

- **Public auditing** as a self-monitoring instrument for transparency on finances

- Continued **review-meetings and field visits** but with a clear target and along a purposive guideline
Process Monitoring

- Analyse the effectiveness and appropriateness of the participatory self-evaluation instruments introduced by PDDP/LGP, RCIW and LDF

- Select the most appropriate methodology or identify/develop a more suitable method

Potentially useful tools

- Informal interviewing with different strata of the communities

- Using an interview guideline which covers all process areas and important questions (example: Annex 6)

- Assessment to be conducted during field visits and during final evaluations

- High comprehension capabilities demanded: not possible for self-evaluation of communities
Assessment of Outcomes

• **Definition of outcomes** (including the quality aspect; outcome indicators)

• Development of **procedures and tools for assessment** of outcomes

Potentially useful tools

• **Informal interviewing** with **different strata** of the communities

• Using an **interview guideline** which covers all process areas and important questions (example: Annex 7)

• Assessment to be conducted a **certain time after project completion** (after one year and later according to needs)

• **High comprehension capabilities demanded**: not possible for self-evaluation of communities
Internal monitoring of the effectiveness/efficiency of local governments

• Definition of **performance criteria** for the different responsibilities (LSGA/LSGR)

• Assessment of **present performance** of functions

• Identification/implementation of **capacity building**

• **Annual reflection** on effectiveness/efficiency on the basis of **tasks** and **performance criteria**

Potentially useful tools

• **Organisational analysis** and subsequent capacity building plan and capacity building exercises

• Annual analysis of successes/strength, **weaknesses**, **aims/potentials/opportunities** and **problems/threats/obstacles** with the **SWAP methodology**
Example: Monitoring and Evaluation Plan

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Data/information Requirements</th>
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Example: Monitoring & Evaluation Work Plan

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Annex 11: Discussion Results and Additional Recommendations

The following discussion results from the remarks during two debriefing sessions (MLD in Kathmandu and UNCDF-headquarters in New York) as well as from numerous discussions with individual officers and written comments.

The main concerns about the proposals made in the report, evolved around the following issues:

a) Coverage/scope of the M&E system from the beginning

The M&E concept for local governments should, from the beginning, include ‘broader service delivery performance....and not just micro-project performance....In doing this we should be helping DDCs and VDCs prepare for assumption of devolved sector functions’ (UNCDF, New York). ‘The government has already started devolving sectoral functions to local bodies..... Joint monitoring of the service delivery will stimulate collaboration between sectoral line agencies and local government, and promote the use of line agency data for local planning. In the same spirit as most sectors have their own established monitoring and reporting system, DDC would benefit by simply managing the information and may not overstretch their capabilities. One would assume that when and if sectors are devolved with personnel and resources, DDC would be held accountable and lack of capacity would be a liability (UNICEF, Kathmandu). ‘Monitoring of service delivery should, initially, be limited to functions that have been devolved to the local government bodies. In the immediate term, the DDC’s role would be “oversight”. The substantive work in monitoring these indicators will be done by the line agencies’ representatives...The “monitoring system” will essentially assure that core information and data will be shared with DDC on a regular basis’ (UNICEF, Kathmandu).

Comments from the consultant

The consultant fully agrees that data for district level planning and decision making are needed from the beginning not only about projects but about service delivery in general. Having, however, the very limited capabilities and capacities of local governments in mind, he proposed to start with the development of an M&E approach for local governments focussing on projects in the first place (Chapter 4). This does not mean to stop present monitoring efforts of line agencies but to let line agencies continue with ‘their’ monitoring systems as they do now or even improve on them having in mind the forthcoming devolution of functions.

However, it would be important from the beginning that the monitoring results from the line agencies and from the local governments would be properly communicated to decision makers within local governments (which is not or only limited the case at the moment). This is exactly in line with UNICEF’s last statement (see above) and the consultant fully supports this view. This would mean ‘joint monitoring of service delivery’ (UNICEF) and would be the start of merging the different monitoring efforts which finally could lead to a coherent M&E system of local governments. This ‘merging’ has to be seen as a longer process depending on the increasing capacities of local governments, the devolution of functions and the pace of taking over ownership for district level planning and monitoring by local governments (for details see Annex 5).

b) Including the monitoring of higher level impact indicators in M&E of local governments

‘Monitoring of higher level indicators could be conducted by the DDCs in a limited way without diverting scarce resources from regular project monitoring. (It will most likely be done tru surveys, not more than every three years). Any activity for the monitoring of higher level indicators should be designed in such a way that it complements and strengthens regular project monitoring.....The report discourages impact monitoring by DDC and PRSP indicators at district level. However, there
are already government plans to foster CBS-DDC partnerships to facilitate data collection, quality control and analysis at impact level’ (UNICEF, Kathmandu):

Comments from the consultant

The consultant proposed to ‘not include the monitoring of high level impact indicators (like life expectancy, child mortality, literacy rates etc.)’ within an M&E-system of local governments. He meant that local governments should not initiate the monitoring of higher level indicators and should not design own methodologies for this purpose independent from a co-ordinating body on national level. The rationale for this view is given in Annex 5 of the report.

This does, however, not mean that local governments and their staff should not be engaged in data collection and –analysis (in most of the cases, the lower level staff like extension workers, teachers etc. had in earlier surveys and have in future surveys to do the main data collection anyway due to financial and organisational reasons). What is most important, however, is that all districts follow the same survey design which means that a national level institution has to take the lead here. If this is not guaranteed, then the results are not comparable across the districts and one main purpose of tracing higher level impact indicators for the national statistics is lost. UNICEF mentions that CBS-DDC partnership is envisaged for this purpose and the consultant fully supports the strengthening of such partnership for the said purpose.

c) Capacity building for M&E of local governments

‘Training of staff will get a priority at initial stages but experiences with local governments suggests retaining trained staff (especially technical staff) becomes a challenge. Could we also consider looking at the market for already trained people?’ (UNICEF, Kathmandu). ‘...we need to help DDC and VDC staff and institutions...be in a position to handle (measures, procedures and formats)’ (UNCDF, New York)

Comments of the consultant

Yes, of course: if government regulations and funding allow and if local governments see the need, why not? One should, however, have the sustainability in mind. If these people are recruited with donor money with the high probability to be fired again after donor money is finished, we have a problem afterwards and the situation is worse than to accept slower progress with existing staff but to guarantee at least a minimum of sustainability. Yes, capacity building on handling M&E measures, procedures and formats will be a very critical issue in the near future.

d) Institutional set-up of DDC

‘Could it be possible to elaborate more on the institutional set-up and the roles and responsibilities of the M&E unit within the DDC?’ (UNCDF, Kathmandu).

Comments of the consultant

One major recommendation in this respect is spelled out in Chapter 4 (d): planning, M&E and the information centre should be in one unit to better assure the close co-operation between the functions planning and monitoring. The unit should be staffed at least with one competent planning officer (unit head), one M&E officers and somebody who manages the information centre.

The main functions of this unit should be to co-ordinate and supervise all data collection and – analysis activities as well as to guarantee the flow of information for decision making to the relevant decision makers on district level. In addition, the officers of the M&E unit would be responsible for the co-ordination and moderation of the (annual) exercises for the monitoring the efficiency/effectiveness of local governments (see Chapter 8). And finally, they would be
substantially involved in the conduct of monitoring exercises concerning the project selection-, planning- and implementation process (Chapter 6) and outcomes (Chapter 7).

e) **Role of government and other institutions**

‘The report should focus more on the role of the MLD. The MLD not only has to set minimum conditions but also need to facilitate regarding the creation of M&E positions, regularising, and also the monitoring of the monitoring system of DDC. It is known that unless and until the governments will not be fully convinced and ready to comply with the system, the efforts initiated by donors will melt away along with withdrawal of their support’ (UNCDF, Kathmandu). The author argues that the MLD and the line agencies have to take a clear role during the initial stages of developing and institutionalising an M&E system for local governments.

**Comments of the consultant**

It is very clear that the driving force behind the development and institutionalisation of an M&E system for local governments will have to be with MLD and other interested stakeholders at national level (presently, the interest is clearly visible with UNCDF, UNICEF and GTZ). The consultant got the impression during his stay in Nepal that the MLD does already see the need for an M&E system for local governments with the forthcoming role of the local governments for district development. The consultant feels, however, not in a position to clearly spell out recommendations concerning the necessary staffing of MLD for supporting this approach development process. He believes that the core group to be formed for approach development (in this report called ‘M&E design committee’; see Chapter 4 (a)) will be in a much better position to elaborate on this issue (and on other issues related to the linkage of M&E with periodic/annual planning and budget release and the allocation of block grants).

f) **Financial monitoring**

‘We should also be helping DDCs and VDCs address the financial monitoring challenges outlined in the recent study: improving book keeping, reporting, internal audit, procurement, etc., and local revenue administration’ (UNCDF, New York).

**Comments of the consultant**

Yes, improvements are needed in this area as well. The consultant, however, is not in a position to make more concrete proposals than already spelled out in LDF, 2001g and to some extend also in LGP, 2001b and PDDP, 2001 a (see documents consulted at the end of the main report). He, therefore, proposes to follow the recommendations spelled out in these reports, if felt appropriate.

g) **Performance based funding-monitoring**

‘We should be preparing to establish capacities to monitoring the “performance-based funding monitoring mechanism” (access conditions and performance criteria for LDF block grants) which needs to be developed over the next few months... (UNCDF, New York).

**Comments of the consultant**

To the knowledge of the consultant, the UNCDF, Kathmandu, has already defined performance criteria for funding. These criteria are on the way of being tested. The consultant recommends to look into this issue in connection with the overall M&E system for local governments.