

Service Delivery System in Nepal

1. Introduction

In just three years Nepal will be celebrating the golden jubilee to mark its formal entry into a welfare state by announcing delivery of public services to its people through a planned development effort. Achievements made thus far are visible in the present state of human development that is directly linked to access to public services. Some service sectors performed well, while a number of other sectors need new strategies and efforts to produce positive results. Thus, performance has been mixed.

By the end of the Ninth Plan (2001/02), the Nepalese economy, despite growth in other sectors, was still characterised by subsistence agriculture. It contributed around two-fifths of the GDP and 80% of the population were still dependent on it for their livelihoods. The per capita income remained low (US\$ 240 compared to 450 in South Asia). The distribution of national income was also highly skewed in favour of the wealthiest portions of the population, with such individuals earning nearly 45% of the total national income and those in the lowest stratum earning less than an 8% share¹.

The target of the Ninth Plan was to reduce income poverty from 42% to 32%. It was brought down to 38%². The agriculture sector, targeted for achieving the set goal, grew by 3.3% against a population increase of 2.25% per annum.

Both a consequence and cause of the slow paced, broad-based growth of the Nepalese economy, public service delivery remained lower than what was targeted. In the education sector, for instance, nearly half of the adult population became literate and the net enrolment of children at the primary school level reached 80.4%. Similarly, in the public health front, the average life expectancy was improved to about 62 years and infant mortality rate was lowered to around 64 per 1000.

Towards delivery of other basic services and infrastructures, 72% of people gained access to piped drinking water and 60 out of 75 districts got access to roads. However, performance regarding access to telephone and electricity was not very encouraging. The number of people with telephone and electricity in their homes was 14 and 40 (per 1000) respectively. The overall status of access to public services is reflected in the low Human Development Index (HDI) of 0.466.³

Findings of past studies on poverty show that there are spatial, gender and ethnic dimensions to poverty whether considering incidence, intensity or severity. For instance, incidence as well as severity of poverty are highest in Nepal's Mid- and Far-Western Development Regions where access to all relevant public services is also the lowest. Similarly, indigenous tribes and Dalits are the poorest and find it most difficult to access services. Their HDI is also the lowest compared to other ethnic groups and castes. In this way, women as well have an HDI considerably lower than that of men.⁴

Public expenditure patterns in the Nineties also throws light on past performance of the service delivery sector. Despite critical contributions from the agriculture sector towards poverty reduction, investment in this sector declined markedly. Irrigation, the most significant contributor to productivity, also declined.

¹ The World Bank, Country Assistance Strategy for Kingdom of Nepal, 24 November 2003

² National Planning Commission (NPC), The Tenth Plan, May 2003

³ Ibid.

⁴ NPC-UNDP, Nepal Human Development Report 2001,

Public spending in the social services sector during the past years presents an encouraging scenario though. Although the magnitude of overall public expenditure during the period remained significantly lower (18.7% of GDP) than the minimum level recommended by the UN (25%) and much lower than other developing countries including most of South Asia, public expenditure in the social service sectors grew at a higher rate (17.1% per annum) compared to other sectors during the period.

Public spending in most relevant social sub-sectors, such as education, health, drinking water and local development was much higher. Similarly, transport and communication and electricity received the largest share (12.2 and 7% respectively) of spending among economic service sectors, which was declining due to the increasing entry of the private sector⁵.

Despite these encouraging developments, more efforts are required to improve performance in the delivery of services. For this to be achieved, service delivery mechanisms, inter-sectoral prioritisation, budget allocation, and the absorptive capacity of the given sector need to be addressed.

Growth of urban areas in Nepal is phenomenal and urban population growth over the last decade has been significant (3.6%) versus the overall population growth rate (2.25%). Accordingly, the number of municipalities has increased from 28 to 58 and the government is currently considering adding more of them by amalgamating semi-urban VDCs. With the escalation of the insurgency in the country, the density of municipal populations has risen dramatically putting enormous pressure on carrying capacities of the existing services and infrastructures. Furthermore, many of migrants from the rural areas are poor and lack enough resources or skills to support themselves⁶.

The conflict, which \ started in 1996, is escalating. It has not only disturbed the process of poverty relevant reform, but also has resulted in the destruction of important service infrastructures built during the previous plan period. Hundreds of thousands of people have been internally displaced from villages, their farms and occupations, adding to the already large pool of unemployed. The Government has responded with immediate relief actions. But what is required is fast-track employment generation together with the restoration of peace and order in country.

⁵ Ibid

⁶ UNDP, Rural-Urban Partnership Program (RUPP), NEP/03//003, 10 February 2004

2. Definitional Context of Service Delivery

By definition, the delivery of services is a set of institutional arrangements adopted by the government to provide public goods and services to its citizens. Therefore, it is the specific institutional arrangements that critically influence the performance of public service delivery.

There are four basic broad forms of public service delivery arrangements that governments every where have adopted⁷:

2.1 Direct Delivery of Services

The central government brings out legislation, enforces it, hires staff, invests, produces and distributes services, either directly operating from the headquarters or through de-concentrated line agencies, assumes full responsibility, and is accountable not only for provisioning but also for delivering services.

Retaining power within itself, the government also adopts different sub- arrangements for the actual delivery. Other than direct delivery of services such as public health care, it creates public corporate enterprises and delegates to them the production and delivery functions. The Agriculture Inputs Corporation, which distributes farm inputs, and the Nepal Food Corporation which distributes subsidised food grains are examples.

2.2 Privatisation of Service Delivery

Government transfers the delivery of public services to private companies. In this case it assumes no responsibility except monitoring the company's compliance to legal codes. In many countries transportation and communication services are privatised.

The basic rationale of privatisation is to gain advantage of allocative efficiency of the market mechanism and meet resource gaps by mobilising private sector investment in the public services sector.

2.3 Alternative Service Delivery Models

In the arena of public service delivery "alternative service delivery" models are a relatively recent phenomena. They are a marriage between the government and private sector with different contractual arrangements. The most common alternative service delivery models are:

- ?? Contracting in/out services to the private sector for services such as transporting food, operating dormitories, etc.,
- ?? Contracting out services to non-government organisations (NGOs) such as for literacy campaigns, etc.,
- ?? Franchising, for example the postal service,
- ?? Licensing for information dissemination,
- ?? Partnership among local governments with regard to meeting the need for large scale service production, and partnerships between the government and local bodies for sharing complex technical capacities,

⁷ Joint UNDP-Government of Germany: Evaluation of UNDP Role in Decentralisation and Local Governance, Working Paper, October 1999.

- ?? BOOT (Build-Own-Operate-Transfer) and BOT (Build-Operate-Transfer) systems such as for roads or subways,
- ?? Public-private partnership: This is the latest mode for service delivery where government and private sector/NGOs enter into co-operative agreements, which include shared objectives.

In all such cases ultimate ownership is generally vested with the government, and it retains the power to provision public services, where as private parties make the actual delivery.

2.4 Decentralisation of Services: Local Government Bodies

Decentralisation of service delivery functions to local government bodies is the most popular mode in most countries. Decentralisation is based on subsidiarity principles of governance; a rule where provisioning, production and delivery of services are to be devolved to the lowest governmental tier, local bodies, subject to economies of scale and capacity. By virtue of being closest to the citizens, local bodies are better positioned to match supply of a given service to citizens' demands, transforming citizens from service recipient to client, and ensuring citizens greater accountability for service quality.

Decentralisation of service delivery is not a new concept in Nepal. It is getting more refined and attuned with the universal principle of devolution. The enactment of the Local Self-Governance Act 1999 is an important milestone towards continuous movement for decentralised systems of governance and public service delivery.

The Government is initiating the devolution of a number of service delivery areas to local bodies. The trolley bus service, an urban mass transport service in Kathmandu valley, has been transferred to municipalities and is currently in operation.

Development partners in the Nepal Development Forum 2002 also have stressed the need to expedite implementation of decentralisation initiatives in terms of the devolution of resources and responsibilities to local government bodies so that through them an effective monitoring mechanism of results can be institutionalised on the ground⁸.

⁸ Press Release, Nepal Development forum 2002, Pokhara, 7 February 2002.

3. HMGN Vision and Policy towards Service Delivery

His Majesty's Government's vision and detailed outline of the required policies to address to ensure the effective delivery of basic social services and economic infrastructure are clearly spelled out in the Tenth National Plan and reiterated in subsequent budget speeches⁹. The Tenth Plan is the Government's poverty reduction strategy as well.

The Government has recognised the importance of human development as essential for poverty reduction, the overarching goal of the nation. Human development achievements in turn have been critically linked with the effective delivery of public social services and basic infrastructures. Its poverty reduction strategy is based on four key pillars; effective delivery of basic social services and economic infrastructure is one such pillar¹⁰.

3.1 Education

The principal focus of the government in the education sector is to improve both access as well as the quality of primary education. Side by side it aims at expanding literacy campaigns for the benefit of Dalits, particularly girls and deprived children.

The main strategy for improving service delivery in the education sector is the transfer of school management to the community and local governance bodies and providing them support with grants in order to partially meet teachers' salaries. The Government will also encourage the private sector to produce and distribute schoolbooks.

Expansion of adult literacy will be done through setting up community learning centres with participation from local bodies as well as non-government organisations and CBOs.

The Government has also announced its policy of promoting vocational and middle level technical education involving the private sector.

3.2 Health

Government policy to improve health services is largely contained in its health sector strategy announced in 2002. The key areas are extension of health care services to all, focusing more on poorer populations; enhancing family planning services; and controlling communicable diseases. The Tenth Plan has focused on expansion of health care units; retention of health care staff in remote areas and improving human resource development; management and health care financing; and more importantly, adopting decentralised management of health care units (beginning with sub-health posts).

3.3 Drinking Water and Sanitation

The main policy of the Government in this sector is to increase sustainable access to drinking water in rural areas by encouraging NGOs and community organisations. Also, upgrading existing facilities in urban areas by involving the private sector supported by the Rural Water Supply and Sanitation Fund Development Board is also part of the Government's policy.

3.4 Transport and Communication

⁹ Ministry of Finance, Budget Speeches of 2002-03 BS and 2003-04.

¹⁰ NPC, the Tenth Plan, May 2003

Recognising the significance of roads in interregional unification and its critical role for overall socio-economic development, the Government has been giving priority to the development of roads in Nepal. The Government has sought to increasingly involve local bodies, communities and the private sector in the development of this sector. It is policy to devolve construction and maintenance of local level roads to link highways with the hinterland where economic production takes place. The Government has also announced a hand over of district roads to DDCs.

Improving the population's access to telephone services and installing telephone lines in all VDCs, management devolution of local level post offices to local bodies, promotion of private sector investment in telecommunications, and transformation of government postal services into an autonomous body are key policies of the Government.

3.5 Agriculture Sector

The major thrust of the Government in this sector is to increase productivity and generate rural employment, addressing underemployment. Its plans and programs are in line with the Agriculture Perspective Plan (APP). The Government has introduced three sets of institutional arrangements to promote the agriculture sector. These are; devolution of agriculture and livestock extension services to local governance bodies; polycentric institutional arrangements in agriculture input (chemical fertiliser) distribution by involving NGOs and the private sector, and management and operation of irrigation systems through Water Users Associations by revising respective legislation to allow them to levy water charges.

The Government has introduced decentralised agricultural promotion and management systems in order to capture and harness ecological and locational diversity for maintaining crop diversity and niches, and for the promotion and benefit of sustainable indigenous farming practices.

3.6 Electrification

The Government is pursuing the policy of increasingly involving the private sector in electricity generation. As stated in the budget-2003/04, following the completion of Middle-Marsyangdi, Chamelia and Kulekhani III, the Government will gradually refrain from investing in large and medium-scale hydroelectric projects. Instead, private sector investment will be encouraged. To facilitate this, a Power Development Fund will be established this year.

In the arena of alternative energy promotion and development, the Government has announced its long-term goal of meeting electricity needs of 17% of the population through promoting and developing alternative sources of energy through local government bodies and the mobilisation of communities and NGOs in rural areas. Other than electricity, promotion of solar energy and biogas have also been its goals.

Similarly in the distribution sector, NEA will transfer electricity distribution responsibilities to municipalities and electricity co-operatives at the village level. To promote this mechanism, the Government will provide 80% of capital costs for rural electrification extension to willing District Development Committees (DDCs) and electricity co-operatives.

Also, the Government has brought out a policy of providing capital grants to local bodies and electricity co-operatives to encourage them to design hydropower project of up to a 500 kw capacity.

3.7 Urban Sector Service Delivery

The Government is increasingly facing challenges to provide basic services in densely populated settlements, a scenario totally different from rural settlements, and also address the urban nature of poverty through generating gainful and skilled employment. But, LSGA that provides a common legal and institutional frame for differently situated rural and urban local bodies is inadequate in terms of providing required basic services and generating gainful employment to municipal residents.

Recognising the critical need, the Government has taken initiatives to bring new legislation for municipalities to upgrade them as full-fledged city governments. It is currently finalising a separate legislative arrangement for Kathmandu Municipal Corporation, the largest urban settlement and the capital city.

3.8 Targeted Programs

Targeted programs are one of the four strategic pillars of the PRS. The objective of targeted programs is to enhance the capacity of people in deprived regions and communities to bring them into the development mainstream under a liberal and market-oriented economic system. The Government will make efforts to address the plight of women, Dalits, indigenous tribes and the ultra poor through targeted programs by introducing both sectoral as well as holistic approaches.

Holistic approaches will be introduced in geographically deprived region through local level infrastructure building and multidimensional local development programs. For targeted groups, such as women and Dalits, sector specific programs such as food subsidy in deficit areas, income generation, Food for Work, skill development, access to production inputs and comparative advantage programs will be introduced.

3.9 Good Governance

Good governance, the fourth pillar of the Tenth Plan's poverty reduction strategy, is sought through a two pronged approach. The first is to control corruption and leakages, and implement mechanisms that ensure accountability. The second is to pursue participatory involvement of local government bodies and communities in the development process and thus address social exclusion aspects of poverty.

4. Goals and Objectives of Socio-Economic Development

The overarching goal of socio-economic development efforts of the Government is poverty reduction. It has been envisioned in the Tenth Plan to reduce poverty from 38 percent to 30 percent by the end of the Plan in 2006-07.

To achieve this goal, targets must be met for service delivery, including; education, health, basic infrastructure, and farm production. Some key targets of the Plan are as follows:

	From	To
Net primary school enrolment	82%	90%
Adult Literacy rate	49%	63%
Female literacy rate	35.6%	55%

Population growth rate	2.25%	2.1%
Infant mortality rate	64 per 1000	45 per 1000
Life expectancy	61.9 years	65 years
Access to drinking water	72%	85%
VDCs having electricity	1600	2600
Access to electricity	40%	55%
Access to telephone	14 per 1000	40 per 1000
VDCs with telephone	1761	all VDCs
Rural roads	-	10,000 KM
Districts with access to roads	60	70
Real GDP growth	3.6%	6.2%
Agricultural (real) GDP growth	3.3%	4.1%
Per capita income growth	1.3%	4.1%
HDI	0.466	0.517
HPI	39.2	34.0

Source: The Tenth Plan

Government's poverty reduction goals through the implementation of the Tenth Plan are founded on four strategic pillars:

- ?? Broad based economic growth;
- ?? Social development through the effective delivery of basic services and infrastructure;
- ?? Social inclusion and targeted programs for the ultra poor, in order to bring deprived and poor into the development mainstream; and
- ?? Good governance to ensure sincere and accountable efforts to achieve intended outcomes.

These four strategic pillars do not stand on their own. They are mutually reinforced by each other.

Complementing the strategic pillars, the Plan has adopted strategic implementation modalities that have direct implications to governance quality as well as to wider ownership and participation in the Herculean task of poverty reduction. They are;

- ?? Redefining the role of the state and limiting public interventions;
- ?? Assigning the private sector a lead role in income and employment generation;
- ?? Enlisting NGOs, CBOs in complementing the Government's service delivery functions and implementation activities;
- ?? Promoting community participation in management of development activities at the local level; and
- ?? Accelerating decentralisation and local self-governance processes.

Recognising the constrained fiscal situation and weak implementation capacity; the Government has invented two new instruments that place the Plan in a realistic framework of both, fiscal and institutional abilities. They are the Immediate Action Plan (IAP) and Medium Term Expenditure Framework (MTEF).

IAP, being used as an annual implementation plan, helps the Government to monitor and ensure implementation of priority programs including service delivery. MTEF (2002/03-2004/05) provides a medium term fiscal framework for budgeting the set programs¹¹. The first IAP was introduced in 2002 and the second, IAP 2003, is ongoing¹².

¹¹ NPC, Medium Term Expenditure Framework (MTEF) 2002/03-04/05

¹² NPC, Immediate Action Plans of 2002 and 2003.

5. Service Delivery Systems in Nepal

All four forms of the service delivery system described in section two are currently functional in the country. Most of the revisions envisaged in the Tenth Plan and implementation modalities set in subsequent budget announcements are either accomplished or are in the process of completion. The movement from direct service delivery to the other three stated systems is presented in sequence of legal/institutional, policy and outcome/operational reforms as follows:

5.1 Privatisation/Abolition

- ?? The Government will allow the private sector to compete with Nepal Oil Corporation, a government monopoly in the petroleum trade.
- ?? The Government has announced a policy of transferring the ownership of milk processing centres to milk producer co-operatives.
- ?? Gradual privatisation or liquidation of government-owned enterprises is underway.
- ?? The process of converting Nepal Telecommunication Corporation into a company is complete and converting Rastriya Beema Sansthan (a government insurance service) into a company is towards the end of completion.
- ?? Consultant has been appointed and has started the work for the appraisal of assets and liabilities of Royal Nepal Airlines.

5.2 Alternative Service Delivery Mechanism

- ?? Irrigation Regulation 2057 will be amended so those Water User Groups can manage irrigation systems and levy water charges.
- ?? Public-Private Partnership (PPP) policy has been introduced to solicit ownership and support of civil society organisations and private sector in the delivery of services to citizens.
- ?? BOOT law ordinance has been enforced to attract the private sector in infrastructure building and operation.
- ?? User groups and municipalities will maintain feeder roads.
- ?? The Government will refrain from investing in large and medium sized hydropower projects.
- ?? Similarly, NEA will transfer electricity distribution responsibility to municipalities and electricity co-operatives. It will limit itself to bulk selling to these entities.
- ?? The Government has announced to provide 80% of the capital cost as a grant to DDCs and electricity co-operatives to promote extension of rural electrification.
- ?? The Government has adopted a double track system of farm management and has signed agreements with three of its horticulture and fishery farms.
- ?? An agriculture and rural development bank will be established under a management contract with the private sector.

- ?? Performance contracts have been signed with the Management of Udaypur Cement Factory, Hetauda Cement Factory, Agriculture Development Bank and Employees Provident Fund.

5.3 Decentralisation of Service Delivery

The Local Self-Governance Act 1999 (LSGA) has empowered local bodies (LBs) to deliver a range of social and economic services including infrastructure. The LSGA is a unified act that provides legal as well as institutional framework for local self-governance to both rural and urban bodies.

As committed by the government and spelled out in the Decentralisation Implementation Plan (DIP), the agriculture, education and health sectors will devolve a range of their services. Accordingly, three concerned ministries have issued separate guidelines for implementation. Despite announcement, devolution of the postal services is yet to come, as it requires understanding and endorsement from the international union of postal service agencies. The Government has in the mean time announced to convert its postal department into a functionally autonomous entity.

The scope and current status of decentralisation of the stated three sectors (agriculture, health and education) are presented as follows:

Agriculture

District Development Committee (DDC) is made responsible for agriculture and livestock extension services. DDC formulates plans with the technical assistance of district level agriculture line agency officials. A government block grant is sent through the District Development Fund (DDF)- a non-operating account under the DDC. The DDC can supplement it with its own income and in a situation of fund shortfalls can prioritise. Extension programs are generally executed through service centres located at the sub-district level. LSGA rules are to be followed in auditing and accounting by such centres under the co-ordination of the DDC.

Health

The Health Ministry's guidelines have made provisions for managing sub-health posts by a committee called the Sub-Health Post Implementation and Monitoring Committee (SHPIMC). The Committee is chaired by the VDC chairman and is accountable to the VDC. Funds for the sub-health post are first sent to the DDF and then to District Health Office (DHO). The VDC makes a request to DHO for funds for the sub-health post. The DHO sends money to a VDC account, which is to be accounted as per LSGA procedures.

The Government will hand-over more SHPs to VDCs within the fiscal year bringing the number to 500.

Education

The 7th Amendment of the Education Act includes provisions for the creation of District Education Committees chaired by DDC presidents. Outside of DDC institutional framework, the committee endorses the district education plan and the District Council then approves it. Implementing plans is the responsibility of the District Education Office (DEO). Similarly, at the VDC level, a Village Education Committee under the chairmanship of the VDC chairman, has been created for the promotion and monitoring of education at the village level.

The Education Ministry's guidelines have also promoted the transfer of government-run primary schools to communities. A community level school management committee will be

constituted for school management. As in the case of sub-health posts, the fund will be channelled through the DDF to DEO. The DEO then allocates grants to schools.

Currently, 616 primary schools have been handed over to communities.

6. Analysis of Service Delivery at the Local Level

Delivery mechanisms introduced in the Ninth Plan and revised in the Tenth Plan, along with subsequent budget announcements for all stated socio-economic and infrastructure service sectors are currently at different states of implementation at the local level (receiving points).

Demand Side

The overall approach for the delivery of services has been to match the supply side with local demand so that ownership and sustainability can be achieved. Local demand is determined through various instruments and supply can be matched accordingly.

6.1 Preparation of Periodic and Annual Plans

As per the provision of the LSGA, since 2000-01 DDCs are to prepare five-year plans. As per NPC guidelines, participatory bottom-up planning processes where all stakeholders; NGOs, civil society organisations, local business chambers and sectoral line agencies, actively participate has been followed. Before the beginning of the Tenth Plan, 52 of 75 DDCs completed the plan. NPC together with all sectoral ministries have agreed to base local level sectoral programs on these periodic plans.

Similarly, annual plans are prepared by LBs following the 14 step participatory bottom-up approach beginning at the settlement level. By now LBs are fairly attuned with this exercise.

6.2 Citizen Charter

Many LBs have adopted citizen charters to streamline their service delivery functions as per the local demand. All local stakeholders have participated and greatly contributed to its preparation.

6.3 Catalytic Functions of NGOs

Following the restoration of democracy in Nepal, NGOs have taken on the role of articulating citizen's demand for services and have played a catalytic role in service delivery functions through social mobilisation. There are currently 17,000 NGOs active in this effort¹³.

6.4 Social Mobilisation

Social mobilisation has been fairly well established at the local level as a popular approach for the empowerment of primary stakeholders as citizens begin to articulate their rights and demand services. The Small Farmers Development Program, Production Credit for Rural Women and Grameen Bank introduced social mobilisation nation-wide early on through government support. These promote targeted programs. From the mid-nineties, a number of new government supported programs were launched, which adopted a holistic approach to social mobilisation. The main programs launched are; the South Asia Poverty Alleviation Program (SAPAP), Sustainable Community Development Program (SCDP), Rural Energy Development Program (REDP), Rural-Urban Partnership program (RUPP), Parks and People, and SNV supported Social Mobilisation Programs. Side by side hundreds of NGOs and dozens of INGOs are engaged in social mobilisation works. It is estimated that they have altogether mobilised more households than government supported programs¹⁴. Currently, altogether nearly 100,000 (23% of the total 4.25 million) Nepali households are

¹³ NPLAP, NGO-CBO, Half Yearly Report, 2002.

¹⁴ UNDP, NHDR-2001.

participating in different forms of social mobilisation groups. These households are spread over 1,107 VDCs and 21 municipalities¹⁵.

Local resource mobilisation through community organisations (COs) has also been very impressive. For instance, the PDDP-LGP program supported 16,813 COs with 360,891 participating households spread over 662 VDCs mobilised savings of over 572 million rupees¹⁶.

Other than resource mobilisation, COs have been successful in the actual delivery of community services, such as literacy, public health awareness programs, drinking water and sanitation services, community forestry, income generating micro-enterprises, etc.

They are also influential in articulating collective service demands from LBs.

6.5 Summing Up

There is no denying that grass-roots demand articulation is not complete. More efforts are required to mobilise marginalized groups and Dalits so that they can articulate their demands and be brought into the development mainstream, ensuring their access to services. Similarly, a number of improvements are required to make LB plans technically and financially feasible.

Nevertheless, significant advances have been made to mobilise average level citizens to assert their demand for services. Similarly, LB plans have been largely successful in identifying local priority areas for service delivery. Therefore, articulated local priorities and needs are being reflected in formal planning processes and are increasingly getting space in the periodic as well as annual plans of the local bodies. The current challenge of the Government is to tailor the supply side of local service delivery at the receiving point with the articulated local demand.

Supply Side

6.6 Education

With the goal of providing Education For All by 2015, the Government has initiated a community managed school system, which offers a mechanism for effective and accountable school management.

Apart from the lack of political responsibility among formal governance bodies at the local level (i.e. to LBs) for the provision of education having implications for school funding, government grants to schools are generally under-funded. Therefore, there are very few teachers and a low teacher-pupil ratio. Under funding also pushes schools to seek their own funding sources, which not only disfavours schools in poorer areas but also undermines achieving uniform minimum standards in public schools. Even in richer (mostly urban) areas, community schools will have to unsuccessfully compete with private schools due to free education provisions.

Many schools in rural areas have been receiving occasional grants from LBs, which is likely to decline due to their non-involvement in the community school system and prevailing difficulty of receiving government LB block grants itself.

Responding to local demands in the past, a number of VDCs have established schools funded by the VDC and/or their own revenue source. Unofficial estimates suggest that there

¹⁵ New Era, Mapping of Social Mobilisation in Nepal, 2002.

¹⁶ NPC/MLD/UNDP, LGP/PDDP bridging Phase program Unified Report 2003

are 35,000 teachers currently employed in these schools spread all over the country¹⁷. In the present conflict situation where block grants to VDCs are getting increasingly difficult to receive in time, such schools suffer. The government has recognised that with education funded through these means declining, a large portion of the population will be affected.

Similarly, community schools need an adequate quantity of textbooks and other reading materials. The capacity of the government operated textbook producer, *Janak Sichhya Samagri Kendra*, is miserably low and cannot meet demands in time. The Government needs to look for better options. Also, regular teacher training and proper quality classrooms need to be provided. These requirements are difficult to meet at current education spending levels.

6.7 Health

The transfer of sub-health posts to local committees has not been accompanied with proper training or orientation and support, which is likely to result in a drop in existing level of service quality. The transfer needs to be done with simultaneous upgrading of service providers through refresher training courses, minimum necessary equipment provision and assurance of regular and adequate supply of required drugs and chemicals. Instead, VDCs are envisaged to put forth money from their own fund, which because of the reasons stated above is not likely to come.

Preventive measures such as immunisation have been quite good, but such campaigns fail to produce sustained results, as they are not included in regular programs, which can ensure continuity of such services at the local level. A number of such preventative public health services are bound to suffer if proper resource provisioning is not made at local service delivery points.

6.8 Infrastructures

Connecting district headquarters with roads has importance, but improvements in access to service delivery can take place with tertiary road networks built to link service consumption and production centres (i.e. settlements spread far and wide) with the highway. The Tenth Plan has envisaged building 10,000 km of tertiary roads through local bodies and community mobilisation. There are quite a few successful rural road models, but required resources have not been made available at the local level to harness community participation. Furthermore, successful programs supported by external sources are not continuing.

Similarly, community built and operated drinking water programs are successful but have not reached all in need. This needs continuous resource support

In the energy sector, highly successful community owned and managed rural energy development programs are there but due to a lack of resources, development of such alternative energy sources has not been expanded.

6.9 Income and Employment Generation

Increase in productivity with enough marketable surplus is the only solution to the chronic problem of low income and employment in the rural sector. In order to improve the delivery of extension services to farmers, the government has decentralised its agriculture and livestock extension services to DDCs. The prevailing confusion regarding the role of VDCs in service delivery notwithstanding, the service centres are seriously suffering from development budget funding cuts.

¹⁷ DASU-Danida, the Devolution of Health, Agriculture and education: Field Study Report, June 2003.

There are no short or medium term radical mass employment generation programs for the rural sector. Investment in rural infrastructures can address this problem.

For instance, Rural Community Infrastructure Works (RCIW), Rural Infrastructure Development Program (RIDP), Rural Infrastructure Project (RIP), Agriculture Roads (AR), District Road Support Program (DRSP), Suspension Bridge Program (BLL) and number of others have made considerable contributions to employment generation in rural areas.

There has been a massive flight of youths from conflict-affected areas to other countries for employment. Remittances, which now constitute one of the top contributors to foreign exchange earnings, are not being channelled to villages. In this way rural areas are doubly suffering, losing the productive population and their remittances as well.

There have been considerable amounts of financial resources mobilised through savings by community groups. But, due to the poor scope of productive investment, these savings are losing their value overtime. There is therefore a need for creating and promoting investment areas at the local level. It will also generate employment opportunities.

6.10 Good Governance

For efficient management of service delivery, the Government has adopted instruments for prioritisation of programs, adherence to budgetary discipline, meeting deadlines, transparency in business and budget, and discouraging corruption.

At the central level, the Government has already adopted an annual Immediate Action Plan, which not only enforces prioritisation but also holds agencies accountable for performance. Similarly it has adopted the Medium Term Expenditure Framework and expenditure tracking for all ministries to ensure budgetary discipline.

At the local level, the government has enforced "public posting" of district level projects' quarterly budget disbursement, spending and achievement, prepared code of conduct for local bodies to endorse and implement, and several local bodies have adopted a citizen charter. To investigate corruption at the local level, regional administrators and CDOs have been delegated power to investigate dealings of local agencies and bodies.

The Government is continuing the decentralisation reform processes so that local government bodies and communities can be involved in development processes and address problems of social exclusion.

6.11 Service Delivery in Conflict Situation

Escalation of conflict has added further challenges to the already difficult task of delivering service to people living in remote areas for Government. Access, infrastructure and operation, all of these three vital prerequisites for the uninterrupted delivery of service have been targeted. Movement of deputed manpower and materials to needy areas has been disrupted. VDC buildings and local level service units of the Government have been targeted and destroyed. Infrastructure construction workers have been asked to leave the site. Food grains supplied by the Government in deficit areas have been looted.

Government as per its commitment is striving to manage service delivery in this unfavourable atmosphere through various means and channels. For instance, it has introduced mobile camps to reach the needy people, which have produced very encouraging results. But operation of such camps has not been possible in all areas in need due to fiscal strains.

Conflict has also uprooted ordinary citizens from their homes and created large numbers of internally displaced persons (IDPs) in urban areas, thus putting additional strains on service delivery. These IDPs are more vulnerable than the resident poor due to a lack of social networks and necessary skills required for selling labour in urban markets. It is estimated that there are over 150,000 such people now in urban settlements¹⁸. RUPP has made moves to address this problem but will have limited coverage.

Grass-roots community organisations and some local NGOs have been able to work in conflict areas relatively easily. For INGOs they need permission from the insurgents. Therefore, external support organisations and INGOs are increasingly using these channels for service delivery. However, the low capacity of local NGOs and UG/CBOs in building and managing technically complex projects limits their participation.

¹⁸ UNDP, Rural-Urban Partnership Program (RUPP), NEP/03//003, 10 February 2004

7. Service Delivery Issues, Gaps and Challenges

7.1 Legal/Institutional Arrangements for Service Delivery

Clarity of Role and Functions

The 10th Plan promotes wider participation of COs/CBOs and NGOs/INGOs in the delivery of services to citizens. Therefore, an enormous amount of public funds will have to be channelled to the local level. In the mean time, the country's broader governance frame is decentralisation through formal local elected bodies (LBs) set up under the LSGA. As clear formal links between LBs and non-government entities is yet to be developed and institutionalised, there is a great deal of concern over how to allocate responsibilities. The LSGA has clearly laid out LBs' responsibility to provide socio-economic services and infrastructure. Similarly as per the DIP, sectoral functions will also be devolved to LBs. The challenge is to reset institutional linkages by specifying the role of LBs, community groups, and NGOs in the provision and delivery of services. The Government has recognised this as an important issue that needs serious attention.

Harmonisation of Sectoral Acts and Guidelines

There are a number of sectoral acts that are awaiting harmonisation with the LSGA. Without resolving this, implementation of the LSGA is not possible. LBs prepare development plans, periodically and annually, based on a bottom-up participatory approach. This approach therefore assures better matching of genuine demand and supply to citizens. But, if harmony between LSGA and sectoral acts is not appropriately established, LBs will increasingly face difficulty in implementing their service provision and delivery functions. This is reflected in the guideline implementation difficulties being faced by the three decentralised service sectors.

The health and education guidelines need adequate harmonisation with the Tenth Plan, DIP and LSGA in relation to devolution. Its relative tilt towards a deconcentrated approach where management of sub-health posts and community-managed schools is delegated to committees with limited resources and little authority, needs correction through revised legal and institutional arrangements.

7.2 Matching the Demand Side with Supply: Resource Gap

The preceding section has highlighted three fundamental issues that have been instrumental in creating gaps between the demand and supply of services. These are; a lack of clarity in roles and functions as aforementioned, inadequate or absence of resource allocation at service delivery points and non-existence of mechanisms to mix state resources with community generated resources (savings and remittances).

In the absence of clearly defined roles, local government bodies are discouraged from generating resources. Furthermore, without their role being clearly defined, efforts are being duplicated and resources are not being used optimally. Despite the introduction of good delivery mechanism, a lack of resources has impacted the performance of such mechanisms. The current situation in schools, health posts and rural roads highlights these problems and draws attention to their urgency.

7.3 Addressing Mass Employment Generation

Rural income and employment generation has been addressed from a long-term perspective. Mass employment schemes for rural youths are required in the short and medium-term. Rural infrastructure construction can serve to generate mass employment opportunities in the

short-term. This will require increased funding even with local contribution/investments in rural infrastructure.

7.4 Promoting Alternative Service Delivery Channels: Local NGOs/Private Sector

The low capacity of local NGOs to handle technically complex projects raises the issue of whether these channels are sustainable or can be used as stop gap only. NGOs impact government and local government body responsibilities and their role in service provisioning also needs to be understood.

The Tenth Plan has stressed private sector involvement in public service delivery. This is possible in urban areas with minor support. In rural areas there are challenges to attract the private sector and build the management capacity of local government bodies to entrust supervise and appraise private sector built and operated technically complex projects.

7.5 Conflict Induced Security Expenses

Following the breakdown of cease-fire in August 2003, the Government has faced the challenge of rebuilding local infrastructure and delivering basic social services in rural and remote areas of the country.

Moreover, with escalating conflict, the need for larger security budget is imperative. For instance, from a level of Rs.7 billion in FY2000/01, the security spending more than doubled to Rs.15 billion in FY2002/03. Perpetuation of insurgency will also exert pressure for budget cuts in this sector.

Therefore, except very limited area left internally for generating resources, there is an urgent need to inject fresh resources from external sources to meet the service delivery objectives of the Tenth Plan.

8. Efforts in Mitigating Gaps and Challenges

8.1 HMGN Efforts

The Government is aware of gaps and problems that have arisen in the course of broad-based reforms initiated under the Tenth Plan. It has accordingly started to address them at various fronts. Corrective measures are as follows:

?? HMGN has expedited the review of the sectoral acts that call for harmonisation with LSGA and are preparing bills for amendment through ordinances. A series of consultations with stakeholders have taken place.

- ?? The Government introduced an Immediate Action Plan (IAP) in June 2002 to implement social service programs of high priority. It also held the involved government agencies accountable for their performance. The Government has decided to continue with IAP as an annual process to monitor high priority actions, ensuring Tenth Plan success. Accordingly, IAP 2003 was prepared and enforced.
- ?? The Government has also introduced a Medium Term Expenditure Framework (MTEF) to adjust priority programs to the constrained fiscal situation of the country and protect them from failure despite fiscal constraints.

8.2 Development Partners' Efforts

Nepal has been receiving critical support from its development partners. In the current situation of escalating conflict and increasing fiscal pressures, continuation of development partners' support is very encouraging¹⁹.

- ?? Within the first half of this fiscal year alone, Nepal has entered into agreements with development partners for grant assistance amounting to NRs.6.27 billion and loan assistance of NRs.7.32 billion.
- ?? During this period, Nepal will receive IMF's Poverty Reduction and Growth Facility.
- ?? It has also received from the World Bank a Poverty Reduction Support credit of more than NRs.5 billion.

8.3 Joint Efforts

A joint HMG-donor task force has been formed, which developed the IAP 2003. It has also identified "lead ministries" and "lead donor agencies" to undertake detailed assessment of the IAP. The joint working group has already conducted its first assessment of actions completed as of May 22, 2003. The effort is called the Nepal Portfolio Performance Review (NPPR)-2002²⁰.

¹⁹ Ministry of Finance, Mid-Term Evaluation of the Budget-2003/04, Magh, 2060BS.

²⁰ Ministry of Finance, Joint HMGN/ADB/IBIC/WB Nepal Portfolio Performance Review-2002, 19 February, 2004.

9. Future Direction

The Tenth Plan provides vision and goals to be reached in regards to service delivery as set by the MDGs.

The Government is building its future course of action based on current challenges it is facing in meeting these goals.

9.1 Inadequate Resources

The major challenge is the lack of resources to improve efficiency and efficacy of service delivery in remote areas of Nepal. The Government will develop and implement appropriate investment mechanisms to attract locally generated resources to support service delivery, particularly, rural infrastructure as it can generate attractive returns. Community organisations have mobilised a considerable amount of resources, in terms of savings. There is a need to invest these resources in infrastructure building that can bring returns. Another locally generated resource to develop is remittances earned by local migrant workers, which are not being channelled into the rural areas at present. The third strategy is to attract the private sector to invest in infrastructure building under BOOT/BOT mechanisms. Despite these efforts, there will remain a lack of resources, and further investment will be needed. For this, the Government will review its budget allocation in critical sectors such as schools, health posts and rural roads.

9.2 Public-Private Partnership

Other than direct contracting out/in of the private sector, Public-Private Partnerships (PPP) are another popular model of involving the private sector in pro-poor service delivery. It is relatively comfortable on the part of private sector to engage itself in urban service delivery, such as water/sanitation, solid waste management, housing, transportation, entertainment, recreation management, etc. But it can be applied in rural areas also. Government is currently working on instruments for PPP. Some of the thoughts out instruments are introducing user fees, toll system, cross subsidy systems so that basis of inviting private sector for partnership could be built. In this way government can free significant amount of resources that can be invested in other basic services where private sector may not be attracted.

Similar instruments can equally applicable to seek partnership with NGOs and local COs. There are number of COs which have matured in terms of both resource mobilisation and building and managing services. The Government would bring out appropriate legal and institutional arrangements to clarify role and functions of Local bodies and NGOs/COs in service delivery, and develop contracting instruments to promote such partnerships. The government is also keen to build required capacity of local government bodies to take up the task of entering into partnership with private sector.

9.3 Employment Generation

Government has rightly identified employment generation as one of the most important areas to address exclusion of marginalized communities and ultra-poor, and tremendous growth of unemployed youths because of escalation of conflict in remote areas. Programs like food for work will be emphasised, which address income poverty, food deficiency and malnutrition simultaneously.

Given the intensity of unemployment and also its implication to conflict, short-term mass employment generation programs are called for. Massive investment on infrastructure building particularly labour-based rural roads is imperative. Government will review and explore avenues for fresh injection of spending in this service sector.

9.4 Meeting Urban Sector Demands

Phenomenal growth of urban centres in the country has put forth a different set of issues in service delivery arena that calls for addressing them differently. Urban centres require both basic as well as advance services. From efficient street sweeping to water treatment, mass transportation, etc. are required to be provided. For delivery of such type of services, government will expedite implementation of BOOT, PPP systems.

The unregulated building construction in cities has added possibility of disaster should the earthquake occur. Therefore, government will strictly enforce building codes as a disaster prevention measure in the city.

Urban services also need larger investments. Nepali municipalities will greatly suffer following accession of the country in the WTO. Therefore, the government will give serious attention to introduce efficient revenue mobilisation system to harness potential revenue sources for municipalities.

9.5 Sincere Effort in Targeted Programs

Programs like food for work, affirmative action through giving priority in service delivery, and employment will be expedited under targeted programs. Adequate representation as well as effective participation of excluded communities will be ensured in local government bodies and COs to bring them into the mainstream.

9.6 Service Delivery in Conflict Situation

The success of improving service delivery to the people in Nepal is dependent primarily on restoration of peace and order. However, the government can not just sit and wait until the peace is restored. To address service delivery in conflict situation flexible mechanism will be introduced. Given the success of mobile camps, such services will be extended. Larger involvement of local communities in delivery of services is the other strategy for ensured service delivery.

9.7 Good governance for Effective Service Delivery

Mitigating legislative gaps

Good governance is the prerequisite for managing the service delivery functions that can be ensured through high accountability and transparency from the part of the government and local bodies and effective participation of people in governance process. Therefore, the complementing future course of action will be to strengthen local bodies and civil societies by mitigating legislative gaps- particularly bringing sectoral Acts in harmony with LSGA, demarcate clearly the role and functions of civil society/NGOs and local bodies, and build capacity of local bodies and NGOs/COs in service delivery, and choice of appropriate delivery mechanism at the grass-roots.

Accountability and anti-corruption will be ensured through effective exercise of instruments already introduced.

One window system

Government is currently undertaking a comprehensive study to clearly demarcate service delivery areas for expenditure assignments to different tiers of government. Based on this, the government will introduce one window delivery where local bodies will serve as the sole window to ensure good and accountable governance in service delivery at the local level.

Ensuring quality services

Together with expenditure assignments and introduction of one window system of service delivery through LBs, the government will focus on defining a minimum standard of services to be delivered to people.

10. Conclusion

Government vision, strategies and targets in terms of improved service delivery articulated in the Tenth Plan are focused to right direction. Introduction of monitoring instruments such as the IAP and MTEF enhance accountability and compliance, particularly among fiscal constraints. Transparency in business and budgets, particularly at local government levels will ensure the efficient delivery of services. The Government is seriously concerned with current legislative gaps however. Therefore, mitigating legislative gaps is also a priority focus.

The most pressing problem is the increasing resource gap that has put a tremendous obstacle in front of the Government's efforts to effectively development the service delivery sector in rural areas in particular. Service delivery shortages at present are highly visible and serious, and the situation is only deteriorating.

