



Our Support to the Minimum Conditions and Performance Measures System

Background

The municipal finance system in Nepal is still in its infancy. In 1999, the Local Self Governance Act (LSGA) provided the legal framework for an increased autonomy of Nepalese local bodies—including municipalities. The implementation of these transferred rights and duties towards local bodies, however, is faulty. Many municipalities are not able to fulfill their intended role as a service provider for the population. Furthermore, performance based grant distribution has not been introduced as yet.

What are Minimum Conditions and Performance Measurements?

MC/PM is a system for measuring municipalities' performance for external comparison and as a way of monitoring and evaluating its improvements and efficiency.

The application of MC/PM allows targeted actions where a performance assessment shows weaknesses in municipal capacity, and allows selecting good and best practices to promote inter-municipal learning.

Our Approach

The MC/PM system, which was developed in cooperation with an international consultant, follows a dynamic reference approach for future annual evaluation of performance. It includes 11 Minimum Conditions and 32 Comprehensive Performance Indicators for the measuring of municipal performance in terms of local governance, financial management, planning and project management, human resources, and service delivery.

The set of MC/PM indicators refers to the existing statutory requirements in accordance with the Local Self Governance Act and the Local Self Governance Regulations.

The objectives of a full-fledged implementation of MC/PM are:

- To guide municipalities in institutional capacity building and to ensure the rule of law;
- To enable learning and the exchange of good practices; and
- To promote out-performers and to create competition between municipalities.

The use of MC/PM supports an optimized, more transparent and performance based grant allocation to municipalities and helps to honor outstanding institutional capacity and service delivery functions.



Our Success

The Ministry of Local Development (MLD), the Ministry of Finance, all 58 municipalities, and the Municipal Association of Nepal (MuAN) are showing great commitment in the implementation of MC/PM in order to measure municipal performance. In addition, our international development partners are supporting *udle*'s efforts in implementing MC/PM in Nepalese municipalities.

The Local Governance and Community Development Programme (LGCDP), which is being implemented since June 2008, will use the MC/PM assessment of municipal performance for the effective distribution of funds to cities. MLD and other development partners are highly committed to ensure the successful operation of the programme, which will support the overall decentralization process and the strengthening of local governance throughout Nepal.

After the successful piloting, MC/PM's full fledged implementation and linkage to government and donor funds is expected from the Fiscal Year 2008/09 onwards.

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